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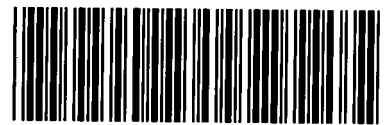
**ANUVU UK HOLDINGS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**ANUVU UK HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	C M Mezger (appointed 12 July 2021) K L Santoro (appointed 12 July 2021) P Panigrahi (appointed 1 February 2021, resigned 30 November 2022) K M Nakamaru (resigned 19 March 2021) J Waldron (resigned 2 April 2021)
<b>Registered number</b>	05627937
<b>Registered office</b>	85 Tottenham Court Road London W1T 4TQ
<b>Independent auditors</b>	Ecovis Wingrave Yeats LLP Chartered Accountants & Statutory Auditors 3rd Floor Waverly House 7-12 Noel Street London W1F 8GQ

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**ANUVU UK HOLDINGS LIMITED**

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**ANUVU UK HOLDINGS LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Introduction**

The Directors of Anuvu UK Holdings Limited ("the Company") present the annual report for the year ended 31 December 2021 containing the Strategic report, Directors' report and the financial statements for the year ended 31 December 2021.

**Principal activity and review of business**

The principal activity of the Company is to hold investments in members of the Anuvu Corp Group ("the Group").

**Principal risks and uncertainties**

The Company is a holding company and its activities are limited, however, the performance of the direct and indirect subsidiaries impacts the Company.

**Financial key performance indicators**

The directors have concluded there are no significant financial key performance indicators given the principal activity of the Company.

**Directors' statement of compliance with duty to promote the success of the Company**

The Company is a holding company and the primary responsibilities are limited, however, the Directors continue to foster relationships with suppliers and customers in compliance with guidelines from the indirect and wholly owned subsidiaries to maintain high standards for business conduct and be in compliance with applicable regulations.

**Engagement with suppliers, customers and others**

The Company is a holding company and the primary responsibilities are limited, however, the Directors continue to foster relationships with suppliers and customers in compliance with guidelines from the indirect and wholly owned subsidiaries to maintain high standards for business conduct and be in compliance with applicable regulations.

This report was approved by the board on 18 January 2023

and signed on its behalf.



**C M Mezger**  
Director

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## ANUVU UK HOLDINGS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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The Directors present their report and the financial statements for the year ended 31 December 2021.

#### Results and dividends

The profit for the year, after taxation, amounted to \$140,000 (2020 - loss \$76,000) .

The Directors do not recommend a dividend for the year ended 31 December 2021 (2020 - \$nil). The Company had net current liabilities of \$3,970,000 (2020 - \$4,110,000) and net liabilities of \$3,228,000 (2020 - \$3,368,000).

#### Going concern

The accounts are prepared on a going concern basis. Further details of the director's assessment of going concern are disclosed in the basis of preparation section of note 2.2.

#### Directors

The Directors who served during the year were:

C M Mezger (appointed 12 July 2021)  
K L Santoro (appointed 12 July 2021)  
P Panigrahi (appointed 1 February 2021, resigned 30 November 2022)  
K M Nakamaru (resigned 19 March 2021)  
J Waldron (resigned 2 April 2021)

#### Political Contributions

The Company made no political contributions and incurred no political expenditure during the current and preceding years.

#### Future developments

There are no plans to significantly change the Company's operations in the future.

#### Matters covered in the Strategic Report

Details covering employee engagement and supplier, customer and other business relationship engagements are contained in the Strategic Report.

#### Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### Post balance sheet events

There have been no significant events affecting the Company since the year end.

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**ANUVU UK HOLDINGS LIMITED**

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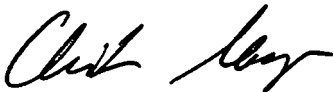
**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Greenhouse gas emissions, energy consumption and energy efficiency action**

The Company has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000kWh or lower.

This report was approved by the board on 18 January 2023 and signed on its behalf.



**C M Mezger**  
Director

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**ANUVU UK HOLDINGS LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## ANUVU UK HOLDINGS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANUVU UK HOLDINGS LIMITED

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#### Opinion

We have audited the financial statements of Anuvu UK Holdings Limited (the 'Company') for the year ended 31 December 2021, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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## ANUVU UK HOLDINGS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANUVU UK HOLDINGS LIMITED (CONTINUED)

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#### Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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## ANUVU UK HOLDINGS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANUVU UK HOLDINGS LIMITED (CONTINUED)

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#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We determined that the laws and regulations which are directly relevant to the financial statements are those that relate to the reporting framework FRS 102 and the relevant tax compliance regulations in the jurisdictions in which the Company operates. We evaluated the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- In addition, there are other significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to employment, occupational health and safety, data protection, fraud, bribery and corruption. For these laws and regulations, the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through fines or litigation being imposed. As required by the auditing standards, auditing procedures in respect of non-compliance with these identified laws and regulations are limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with a number of individuals, including with individuals outside of the finance function, and conducted interviews to understand where they considered there was susceptibility to fraud. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to areas of estimate and judgement in the financial statements.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations and fraud risks identified in the paragraphs above. In addition to the audit procedures, we remained alert to any indications of non-compliance throughout the audit.

There are inherent limitations of an audit. There is a higher risk that irregularities, including fraud, will not be detected during the audit as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. The primary responsibility for the prevention and detection of non-compliance with all laws and regulations and fraud lies with both those charged with governance of the entity and management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

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ANUVU UK HOLDINGS LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANUVU UK HOLDINGS LIMITED  
(CONTINUED)

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**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

*Jessica Teague*

Jessica Teague (Senior Statutory Auditor)

for and on behalf of

**Ecovis Wingrave Yeats LLP**

Chartered Accountants & Statutory Auditors

3rd Floor Waverly House  
7-12 Noel Street  
London  
W1F 8GQ

Date: 18 January 2023

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ANUVU UK HOLDINGS LIMITED

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PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2021

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	Note	2021 \$000	2020 \$000
Administrative expenses		140	(76)
<b>Operating profit/(loss)</b>	3	<u>140</u>	<u>(76)</u>
Tax on profit/(loss)	5	-	-
<b>Profit/(loss) for the financial year</b>		<u><u>140</u></u>	<u><u>(76)</u></u>

The notes on pages 12 to 20 form part of these financial statements.

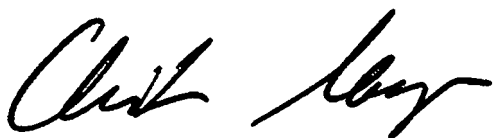
**ANUVU UK HOLDINGS LIMITED**  
**REGISTERED NUMBER: 05627937**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

	Note	2021 \$000	2020 \$000
<b>Fixed assets</b>			
Investments	6	742	742
		742	742
<b>Current assets</b>			
Bank and cash balances		-	3
		-	3
Creditors: Amounts falling due within one year	7	(3,970)	(4,113)
		(3,970)	(4,110)
<b>Net current liabilities</b>		<b>(3,970)</b>	<b>(4,110)</b>
<b>Total assets less current liabilities</b>		<b>(3,228)</b>	<b>(3,368)</b>
<b>Net liabilities</b>		<b>(3,228)</b>	<b>(3,368)</b>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Share premium account	9	140,727	140,727
Retained earnings	9	(143,955)	(144,095)
		(143,955)	(144,095)
<b>Shareholder's deficit</b>		<b>(3,228)</b>	<b>(3,368)</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

18 January 2023



**C M Mezger**  
 Director

The notes on pages 12 to 20 form part of these financial statements.

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**ANUVU UK HOLDINGS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	Share premium account \$000	Profit and loss account \$000	Total equity \$000
<b>At 1 January 2020</b>	<b>140,727</b>	<b>(144,019)</b>	<b>(3,292)</b>
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(76)	(76)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(76)</b>	<b>(76)</b>
<b>At 1 January 2021</b>	<b>140,727</b>	<b>(144,095)</b>	<b>(3,368)</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	140	140
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>140</b>	<b>140</b>
<b>At 31 December 2021</b>	<b>140,727</b>	<b>(143,955)</b>	<b>(3,228)</b>

The notes on pages 12 to 20 form part of these financial statements.

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## ANUVU UK HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. General information

Anuvu UK Holdings Limited is a private company limited by shares and incorporated, domiciled and registered in England and Wales under the Companies Act 2006. The registered number is 05627937 and the registered address is 85 Tottenham Court Road, London, W1T 4TQ.

#### 2. Accounting policies

##### 2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of the exemption in FRS 102.1.12(b) Reduced disclosures for subsidiaries. A statement of cash flow has not been prepared as the Company is a member of a group where the parent Anuvu Corp., prepares publicly available consolidated statements and the Company is included in the consolidation.

The Company has taken advantage of the exemption in FRS 102.12(e) Reduced disclosures for subsidiaries. Key management remuneration has not been disclosed as the Company is a member of a group where the parent Anuvu Corp., prepares publicly available consolidated statements and the Company is included in the consolidation.

The Company has taken advantage of the exemption in FRS 102.33.1A not to disclose related party transactions with fellow wholly owned subsidiary undertakings of Anuvu Corp., which prepares publicly available consolidated statements and the Company is included in the consolidation.

The Company has taken advantage of the exemption in FRS 102.1.12(d) Reduced disclosures for subsidiaries. Certain share based payment transactions have not been presented as the Company is a member of a group where the parent Anuvu Corp., prepares publicly available consolidated statements and the Company is included in the consolidation.

The Company has also taken advantage of the exemption allowed under section 401 of the Companies Act 2006 not to prepare group financial statements on the grounds that it is a wholly owned subsidiary of Anuvu Corp., and the Company and its subsidiary undertakings are included in the group financial statements of that company which are publicly available and can be obtained from 1821 E. Dyer Road, Suite 125 Santa Ana, CA 92705. These financial statements therefore present information about the Company and not its group.

The functional currency of Anuvu UK Holdings Limited is considered to be the US Dollar because that is the currency of the primary economic environment in which the Company operates. To aid readability, amounts are presented in \$000.

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## ANUVU UK HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.2 Going concern

The Company had net current liabilities of \$3,970,000 (2020 - \$4,110,000) at 31 December 2021 and reported a profit for the year then ended of \$140,000 (2020 - \$76,000).

In 2020, the airline and cruise markets which the Company's subsidiaries and wider Group serve were particularly impacted by the ongoing COVID-19 pandemic related travel restrictions. Since the onset of the pandemic, Group management have monitored the finances closely and have taken decisive action, where needed, to protect the business. Action included overhead cost reduction including reviewing employee headcount. The pandemic has changed the environment that the Group's business operates in and global economies are seeing adverse consequences of the pandemic on the macroeconomic environment. The Company's subsidiaries, the wider Group and the wider industry are continuing to be affected and this has directly impacted cash flows from operations for the twelve months ended 31 December 2021. It is anticipated that the Group will also see a net outflow of cash in the year ended 31 December 2022 but the Company and the wider Group are starting to see signs of recovery, at the time these financial statements were approved.

On 22 July 2020 Global Eagle Entertainment Inc., the ultimate parent company at the time, commenced voluntary proceedings under Chapter 11 of Title 11 of the United States Code, and pursued a sale of its assets, including its indirect shareholding in the Company, under a court supervised auction process. Prior to the closing of the Sale (as described below), Debtors continued to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court. On 15 October 2020, the Bankruptcy Court entered an order approving the sale of substantially all the Debtors' assets to Anuvu Corp., which was a new legal entity formed for the benefit of the Debtors' first lien lenders pursuant to the credit agreement. Anuvu Corp is now the ultimate parent company. On 23 March 2021, the Sale closed, and accordingly, the Company's operations were no longer in the chapter 11 process. On 29 January 2021, following a hearing, the Court entered an order confirming the Plan to wind-down the Debtor entities. On 31 March 2021, the Plan was effective, and the Debtor entities entered into the process of winding down and liquidating their estates. Upon emergence from the bankruptcy proceedings, the Group have raised additional financing to pay off existing loans and support the Group going forward.

The Company's Directors are required to assess the Company's ability to continue to adopt the going concern basis of accounting for at least 12 months from the date the financial statements are authorised for issue. The operations of the Company are to act as a holding company within the Group and there is no separate trade. The Company does not expect there to be any trade or external financing requirements in the short to medium term. At the date of approval of these accounts, the Company has cash reserves of \$nil. The Group has indicated their willingness to provide support to the Company if it is required over the period of 12 months from the date the financial statements are issued. The Group believes its cash balances and cash generated from operations will be sufficient to meet its working capital requirements and capital expenditures for at least the next 12 months. The Group is actively managing and optimising its cash and is mindful of the commitments that are due.

Although there remain uncertainties, as the travel industry and wider global economy are still recovering from the impacts of the pandemic, due to the expectation that the Group will have sufficient cash to enable to support the UK operations if required, the Directors have prepared the financial statements on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**2. Accounting policies (continued)**

**2.3 Investments**

Investments in subsidiaries are carried at cost less impairment. The carrying value of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**2.4 Impairment**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

**2.5 Basic financial instruments**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised costs using the effective interest method, less any impairment losses in the case of trade debtors.

**2.6 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**2. Accounting policies (continued)**

**2.8 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for differences between accumulated depreciation and tax allowances for the cost of the fixed asset, if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**2.9 Foreign currencies**

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Non-monetary items measured at historical cost are translated at the date of transaction.

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**ANUVU UK HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.10 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is USD.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

**3. Operating profit/(loss)**

The operating profit/(loss) is stated after charging:

	<b>2021</b>	<i>2020</i>
	<b>\$000</b>	<i>\$000</i>
Auditors remuneration	<b>15</b>	-

In the prior year the audit fees were borne by another group company, Anuvu UK Operations Limited.

**4. Employees**

The Company has no employees other than the Directors, who did not receive any remuneration (2020 - \$NIL).

Directors' remuneration is paid by other group companies. The emoluments are deemed wholly attributable to their services to other group companies and as such the costs are not included within the profit and loss account of Anuvu UK Holdings Limited.

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**ANUVU UK HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**5. Taxation**

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>-</u>	<u>-</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Profit/(loss) on ordinary activities before tax	<u>140</u>	<u>(76)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	<b>27</b>	<b>(14)</b>
<b>Effects of:</b>		
Deferred tax assets not recognised	<b>(27)</b>	<b>14</b>
<b>Total tax charge for the year</b>	<u>-</u>	<u>-</u>

**Factors that may affect future tax charges**

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021.

The Company has an unrecognised deferred tax asset of \$127,151 (2020 - \$93,024) that relates to losses. The directors do not think it is appropriate to recognise the asset at the current time as they consider the recoverability of the asset uncertain.

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**ANUVU UK HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**6. Investments**

	<b>Investments in subsidiary companies \$000</b>
<b>Cost or valuation</b>	
At 1 January 2021	144,221
At 31 December 2021	144,221
<b>Impairment</b>	
At 1 January 2021	143,479
At 31 December 2021	143,479
<b>Net book value</b>	
At 31 December 2021	742
At 31 December 2020	742

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Holding</b>
Global Eagle Holdings GmbH	Hofstätter Weg 1, 82399, Raisting, Germany	100%
Global Eagle GmbH	Hofstätter Weg 1, 82399, Raisting, Germany	100%
Anuvu UK Operations Limited (formerly Global Eagle Entertainment Limited)	85 Tottenham Court Road, London, United Kingdom, W1T 4TQ	100%
Global Eagle Entertainment Spain SL	Jose Ortega y Gasset 22-24, 5th Floor, Madrid, 28006, Spain	100%
IFE Services (USA), Inc.	1821 E Dyer Rd., Suite 125, Santa Ana, CA 92705 USA	100%
DTI Software Inc. (indirect)	3rd Floor, 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT	100%
DTI Software FZ-LLC (indirect)	1800 McGill College Avenue, Suite 1420, Montreal, Quebec, H3A 3J6, Canada	100%
PMG California, Inc. (indirect)	DMC Building 2, 1st Floor, Office 104, Dubai Media City, PO Box 502891, Dubai, UAE	100%
	1800 McGill College Avenue, Suite 1420, Montreal, Quebec, H3A 3J6, Canada	100%

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**ANUVU UK HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**6. Investments (continued)**

**Subsidiary undertakings (continued)**

<b>Name</b>	<b>Registered office</b>	<b>Holding</b>
Emphasis Video Entertainment Limited (indirect)	25/f Two Chinachem Exchange Square, Room 2505-09, 338 King's Road, North Point, Hong Kong	100%
navAero Avionics AB (indirect)	Förrådsgatan 4, Sundsvall, 856 33, Sweden	100%
Global Eagle Entertainment Media Technology (Beijing) Co., Ltd. (indirect)	Room 2429, Unit 2401, Floor 24, No. 56 East 4th Ring Road, Chaoyang District, Beijing, China	100%
Fairdeal Studios Private Limited (indirect)	The Capital, 207B, 2nd Floor, G Block, C70 Bandra Kurla Complex Bandra (East), Mumbai - 400 051 Maharashtra, India	100%
Anuvu New Zealand Operations Limited (formerly Inflight Productions Limited) (indirect)	Level 3, Candida Building 4, 61 Constellation Drive, Mairangi Bay, 0630, New Zealand	100%
Global Eagle Entertainment Pty Limited (indirect)	45 Evans Street, Balmain, NSW 2041, Australia	100%
Anuvu Singapore Operations Pte. Ltd. (indirect)	101 Thomson Road, #18-05/06, United Square, Singapore, 307591	100%
Anuvu Netherlands Operations BV(indirect)	Evert van de Beekstraat 1-15 The Base A, 7th Floor, 1118 CL, Schiphol, Netherlands	100%
Global Eagle Entertainment FZ-LLC (indirect)	DMC Building 2, 1st Floor, Office 104, Dubai Media City, PO Box 502891, Dubai, UAE	100%
Transmedia Publicidad SL (indirect)	Jose Ortega y Gasset 22-24, 5th Floor, Madrid, Spain 28006	100%
IFE Services SA (Pty) Limited (indirect)	1st Floor Block B North Park, Black River Park, 2 Fir Street Observatory, Western Cape 7925, South Africa	100%

The principal activity of the above subsidiary undertakings is the provision of in-flight entertainment.

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**ANUVU UK HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**7. Creditors: Amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Amounts owed to group undertakings	<b>3,928</b>	4,083
Other creditors	-	30
Accruals and deferred income	<b>42</b>	-
	<u><b>3,970</b></u>	<u>4,113</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

**8. Share capital**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Allotted, called up and fully paid</b>		
3 (2020 - 3) Ordinary shares of \$1.00 each	<b>3</b>	3
	<u><b>3</b></u>	<u>3</u>

**9. Reserves**

**Retained earnings**

The retained earnings account includes all current and prior period retained profits and losses.

**10. Related party transactions**

As the Company is a wholly owned direct subsidiary of GEE Foreign Holdings LLC., the Company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The Group financial statements of Anuvu Corp., within which this company is included can be obtained from the address given in note 11.

**11. Controlling party**

Following a group restructure in the year, at 31 December 2021 the immediate parent company was GEE Foreign Holdings LLC., whilst the ultimate parent company was Anuvu Corp.. Prior to the group restructure the ultimate parent company was Global Eagle Entertainment Inc.

Both GEE Foreign Holdings LLC and Anuvu Corp. are registered in USA and copies of the group financial statements as at 31 December 2021 can be obtained from Head Office, 1821 E.Dyer Road, Suite 125, Santa Ana, CA 92705. This is the smallest and largest group for which group financial statements are prepared which include this entity.

# ANUVU

**ANUVU CORP.**

## **Annual Financial Statements**

31 December 2021



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
Anuvu Corp.

### *Opinion*

We have audited the accompanying consolidated balance sheets of Anuvu Corp. (the "Company") as of December 31, 2021 (Successor balance sheet) and 2020 (Predecessor balance sheet), the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for the period from March 23, 2021 through December 31, 2021 (Successor operations), the period from January 1, 2021 through March 22, 2021, and the year ended December 31, 2020 (Predecessor operations), and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the Successor financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of their operations and their cash flows for the period from March 23, 2021 through December 31, 2021, in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the Predecessor financial statements present fairly, in all material respects, the financial position of the Predecessor as of December 31, 2020, and the results of their operations and their cash flows for the period from January 1, 2021 to March 22, 2021 and the year ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter – Bankruptcy Proceedings*

As discussed in Note 1 to the financial statements, on January 29, 2021 the Bankruptcy Court entered an order confirming the plan of reorganization, which became effective on March 23, 2021. Under the plan of reorganization, the Company is required to comply with certain terms and conditions as more fully described in Notes 1 and 2 to the financial statements. Accordingly, the accompanying financial statements have been prepared in conformity with Financial Accounting Standards Board Accounting Standards Codification (ASC) 852, *Reorganization*, for the Successor Company as a new entity with assets, liabilities, and a capital structure having carrying values not comparable with prior periods as described in Note 2 to the financial statements.



### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Anuvu Corp.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

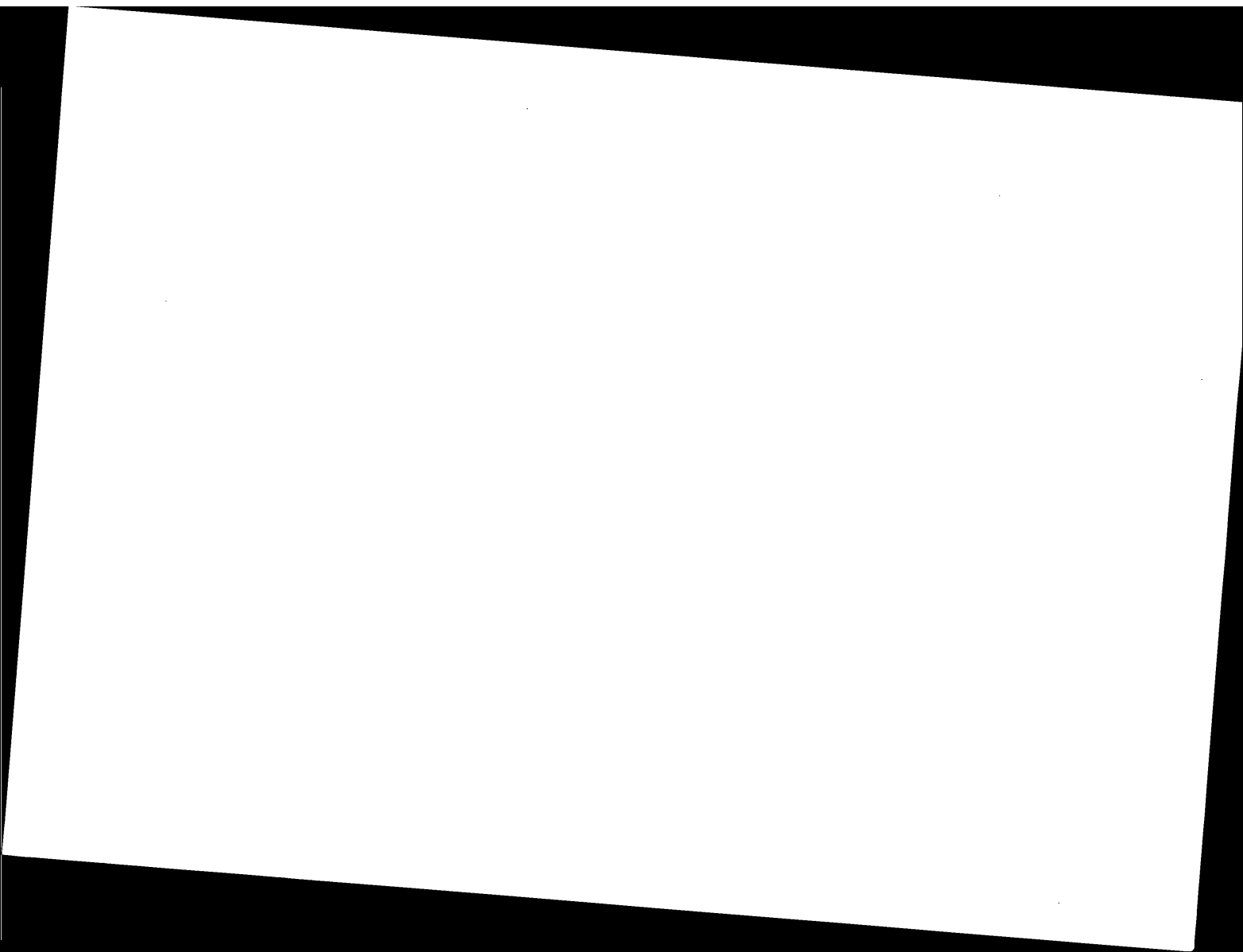
*Marcum LLP*

Marcum LLP  
Costa Mesa, California  
April 29, 2022

**ANUVU CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
*(In thousands, except the number of shares)*

	<b>Successor</b>	<b>Predecessor</b>
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 29,231	\$ 47,227
Restricted cash	5,875	1,637
Short-term investment	139	1,160
Accounts receivable, net	78,854	62,744
Inventories, net	31,629	24,403
Prepaid expenses	23,995	11,574
Other current assets	9,078	10,240
<b>TOTAL CURRENT ASSETS</b>	<b>178,801</b>	<b>158,985</b>
Content library	1,510	2,889
Property and equipment, net	96,600	93,448
Right-of-use assets, net	11,311	26,162
Goodwill	67,775	137,489
Intangible assets, net	196,138	33,218
Equity method investments	49,871	38,511
Deferred tax assets	2,564	1,744
Other non-current assets	18,270	27,630
<b>TOTAL ASSETS</b>	<b>\$ 622,840</b>	<b>\$ 520,076</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Debtor-in-possession financing	\$ —	\$ 79,032
Accounts payable and accrued liabilities	67,300	57,978
Deferred revenue	7,955	8,373
Current portion of long-term debt	7,299	5,402
Current portion of operating lease liabilities	3,880	5,157
Other current liabilities	4,557	6,718
<b>TOTAL CURRENT LIABILITIES</b>	<b>90,991</b>	<b>162,660</b>
Deferred revenue, non-current	—	86
Long-term debt	375,950	85
Long-term operating lease liabilities	8,773	13,529
Deferred tax liabilities	5,674	2,865
Other non-current liabilities	9,886	19,706
Total liabilities not subject to compromise	491,274	198,931
Liabilities subject to compromise	—	1,011,297
<b>TOTAL LIABILITIES</b>	<b>491,274</b>	<b>1,210,228</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	—	—
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized, no shares issued and outstanding as of December 31, 2020 (Predecessor)	—	—
Common stock, \$0.001 par value; 12,100,000 shares authorized, 10,000,000 shares issued, 10,000,000 shares outstanding as of December 31, 2021 (Successor)	10	—
Common stock, \$0.0001 par value; 375,000,000 shares authorized, 3,881,212 shares issued, 3,759,067 shares outstanding as of December 31, 2020 (Predecessor)	—	10
Treasury stock, 122,145 shares as of December 31, 2020 (Predecessor)	—	(30,659)
Subscriptions receivable as of December 31, 2020 (Predecessor)	—	(597)
Additional paid-in capital	218,897	821,886
Accumulated deficit	(87,310)	(1,481,199)
Accumulated other comprehensive income (loss)	(31)	407
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>131,566</b>	<b>(690,152)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 622,840</b>	<b>\$ 520,076</b>

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



**ANUVU CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(In thousands)*

	Successor	Predecessor	
	March 23 Through December 31, 2021	January 1 Through March 22, 2021	Year Ended December 31, 2020
<b>Revenue:</b>			
Licensing and services	\$ 237,741	\$ 69,750	\$ 358,849
Equipment	26,342	4,048	20,299
Total revenue	<u>264,083</u>	<u>73,798</u>	<u>379,148</u>
<b>Cost of sales:</b>			
Licensing and services	201,227	54,830	302,076
Equipment	21,664	3,984	19,663
Total cost of sales	<u>222,891</u>	<u>58,814</u>	<u>321,739</u>
<b>Gross margin</b>	41,192	14,984	57,409
<b>Operating expenses:</b>			
Sales and marketing	13,542	4,150	17,107
Product development	15,026	5,802	18,580
General and administrative	48,747	18,575	90,215
Provision for legal settlements	396	—	163
Amortization of intangible assets	16,262	3,895	22,261
Goodwill and long-lived asset impairment	—	—	25,504
Total operating expenses	<u>93,973</u>	<u>32,422</u>	<u>173,830</u>
<b>Loss from operations</b>	(52,781)	(17,438)	(116,421)
<b>Other (expense) income:</b>			
Interest expense, net (Contractual interest for January 1 through March 22, 2021, and for the year ended December 31, 2020 was \$11,284 and \$90,074, respectively.)	(29,642)	(2,584)	(67,377)
Loss from equity method investments including impairment losses	(3,129)	(2,466)	(36,647)
Change in fair value of derivatives	—	—	283
Reorganization items	—	748,885	(92,514)
Other expense, net	(866)	(927)	(4,108)
Income (loss) before income taxes	<u>(86,418)</u>	<u>725,470</u>	<u>(316,784)</u>
Income tax expense	892	274	227
<b>Net income (loss)</b>	<u>\$ (87,310)</u>	<u>\$ 725,196</u>	<u>\$ (317,011)</u>

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

**ANUVU CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
*(In thousands)*

	<u>Successor</u>	<u>Predecessor</u>	
	<u>March 23 Through December 31, 2021</u>	<u>January 1 Through March 22, 2021</u>	<u>Year Ended December 31, 2020</u>
Net income (loss)	\$ (87,310)	\$ 725,196	\$ (317,011)
Other comprehensive income (loss):			
Unrealized foreign currency translation adjustments	(31)	(188)	375
Other comprehensive income (loss)	(31)	(188)	375
Comprehensive income (loss)	<u>\$ (87,341)</u>	<u>\$ 725,008</u>	<u>\$ (316,636)</u>

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

**ANUVU CORP.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**  
*(In thousands)*

	Common Stock		Treasury Stock		Subscriptions Receivable	Additional Paid-in Capital	Accumulated Equity (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Equity (Deficit)
	Shares	Amount	Shares	Amount					
<b>Balance, January 1, 2020 (Predecessor)</b>	3,838	\$ 10	(122)	\$ (30,659)	\$ (597)	\$ 818,961	\$ (1,162,901)	\$ 32	\$ (375,154)
Restricted stock units vested and distributed, net of tax	43	—	—	—	—	(80)	—	—	(80)
Stock-based compensation	—	—	—	—	—	3,005	—	—	3,005
Impact of adoption of ASU 2016-02	—	—	—	—	—	—	(1,287)	—	(1,287)
Net loss	—	—	—	—	—	—	(317,011)	—	(317,011)
Comprehensive income, net of tax	—	—	—	—	—	—	—	375	375
<b>Balance, December 31, 2020 (Predecessor)</b>	3,881	10	(122)	(30,659)	(597)	821,886	(1,481,199)	407	(690,152)
Stock-based compensation	—	—	—	—	—	251	—	—	251
Net income	—	—	—	—	—	—	725,196	—	725,196
Comprehensive loss, net of tax	—	—	—	—	—	—	—	(188)	(188)
<b>Balance, March 22, 2021 (Predecessor)</b>	3,881	10	(122)	(30,659)	(597)	822,137	(756,003)	219	35,107
Fresh-start adjustments:									
Cancellation of Predecessor common stock, treasury stock, subscriptions receivable, additional paid-in capital, accumulated deficit, and accumulated other comprehensive income	(3,881)	(10)	122	30,659	597	(822,137)	756,003	(219)	(35,107)
Additional paid-in capital recognized at fresh start	—	—	—	—	—	218,897	—	—	218,897
Issuance of Successor's common stock	10,000	10	—	—	—	—	—	—	10
<b>Balance, March 23, 2021 (Successor)</b>	10,000	10	—	—	—	218,897	—	—	218,907
Net loss	—	—	—	—	—	—	(87,310)	—	(87,310)
Comprehensive loss, net of tax	—	—	—	—	—	—	—	(31)	(31)
<b>Balance, December 31, 2021 (Successor)</b>	10,000	\$ 10	—	\$ —	\$ —	\$ 218,897	\$ (87,310)	\$ (31)	\$ 131,566

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

**ANUVU CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(In thousands)*

	Successor	Predecessor	
	March 23 Through December 31, 2021	January 1 Through March 22, 2021	Year Ended December 31, 2020
<b>OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ (87,310)	\$ 725,196	\$ (317,011)
<i>Adjustments to reconcile net income (loss) to net cash used in operations:</i>			
Depreciation and amortization	63,382	14,488	71,181
Amortization of right-of-use asset	2,968	1,330	4,857
Amortization of content library	1,341	372	3,275
Non-cash interest expense, net	1,639	2	29,352
Change in fair value of derivatives	—	—	(189)
Change in fair value of equity security investments	750	271	3,512
Stock-based compensation	—	209	2,583
Impairment of goodwill and long-lived assets	—	—	27,746
Reorganization items	—	(764,354)	59,152
Professional fees paid for services related to bankruptcy proceedings	—	—	8,831
Loss on disposal of fixed assets	527	194	304
Loss on equity method investments including impairment losses	3,130	2,466	36,647
Proceeds from equity method investments	—	—	3,675
Provision for expected credit losses	181	(370)	2,710
Deferred income taxes	639	(30)	(1,542)
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable	(20,915)	4,994	17,590
Inventories	(5,816)	(1,410)	2,292
Prepaid expenses	(6,668)	(5,896)	(4,821)
Other current assets	(211)	(123)	3,744
Content library	(161)	(173)	(2,259)
Other non-current assets	2,954	3,476	(4,939)
Accounts payable and accrued liabilities	(8,970)	3,018	(9,466)
Deferred revenue	629	(1,133)	(3,944)
Other liabilities	(15,614)	(3,058)	(16,172)
Net cash used in operating activities	<u>(67,525)</u>	<u>(20,531)</u>	<u>(82,892)</u>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property and equipment, net	(5,405)	(1,861)	(3,148)
Proceeds from business divestiture	—	2,040	—
Net cash provided by (used in) investing activities	<u>(5,405)</u>	<u>179</u>	<u>(3,148)</u>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from loans and other indebtedness	—	205,000	—
Borrowings on Delayed Draw Term (Letter of Credit) Loan	—	4,589	—
Proceeds from entering into Debtor-in-Possession facility	—	—	80,000
Proceeds from borrowings on revolving credit facility	—	—	44,750
Repayments on Delayed Draw Term (Letter of Credit) Loan	(700)	—	—
Repayments of Debtor-in-Possession loan	—	(80,000)	(2,611)
Repayments of revolving credit facility	—	—	(7,000)
Repayments of Second Lien Notes	—	(1,750)	—
Financing costs	(727)	(9,047)	(7,420)
Borrowings from related party	—	—	5,000
Repayments of related party loan	(2,000)	—	—
Repayments of indebtedness	(133)	(3,522)	(2,713)
Amount escrowed for predecessor's bankruptcy related liabilities	—	(31,967)	—
Net cash provided by (used in) financing activities	<u>(3,560)</u>	<u>83,303</u>	<u>110,006</u>
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(31)	(188)	436
Net increase (decrease) in cash, cash equivalents and restricted cash	(76,521)	62,763	24,402
Cash, cash equivalents and restricted cash as of beginning of period	111,627	48,864	24,462
Cash, cash equivalents and restricted cash as of end of period	<u>\$ 35,106</u>	<u>\$ 111,627</u>	<u>\$ 48,864</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid for:			
Taxes	\$ 3,703	\$ 958	\$ 2,285
Interest	\$ 18,498	\$ 2,050	\$ 33,321
<b>SIGNIFICANT NON-CASH ACTIVITIES:</b>			
Purchase consideration for equipment included in accounts payable	\$ 467	\$ 105	\$ 85
Conversion of PIK interest on loans to additional principal	\$ 9,113	\$ 80	\$ 12,513
Purchases of property and equipment held in accounts payable	\$ 894	\$ 46	\$ 239

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

## Anuvu Corp.

### Notes to Consolidated Financial Statements

#### Note 1. Business

Throughout these notes, Anuvu Corp. (formerly “GEE Acquisition Holdings Corp.”) is referred to as “Anuvu Corp.,” “Successor,” “we” or “the Company.” Global Eagle Entertainment Inc. is referred to as “Global Eagle” or “Predecessor.”

Anuvu Corp. is a Delaware corporation headquartered in Santa Ana, California. Anuvu Corp. (together with its subsidiaries) is a leading provider of media content and satellite-based connectivity to global mobility markets across air and sea. Anuvu Corp. offers a fully integrated suite of rich media content and seamless connectivity solutions that cover the globe.

On July 22, 2020, Global Eagle and 16 of its wholly owned U.S. subsidiaries (together with the Global Eagle, the “Debtors”) commenced voluntary chapter 11 proceedings under chapter 11 of the United States Bankruptcy Code, (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The chapter 11 proceedings were jointly administered under the caption Global Eagle Entertainment Inc., et al. (the “Chapter 11 Cases”), Case No. 20-11835. Prior to the closing of the Sale (as described below), Debtors continued to operate their business as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court. On October 15, 2020, the Bankruptcy Court entered an order (the “Sale Order”) approving the sale (the “Sale”) of substantially all of the Debtors’ assets to Anuvu Corp., which was a new legal entity formed for the benefit of the Debtors’ first lien lenders (the “First Lien Lenders”) pursuant to the credit agreement, dated as of January 6, 2017 (the “First Lien Credit Agreement”). On March 23, 2021, the Sale closed, and accordingly, the Company’s operations were no longer in the chapter 11 process. As described below, on January 29, 2021, following a hearing, the Court entered an order confirming the Plan (the “Confirmation Order”) to wind-down the Debtor entities. On March 31, 2021, the Plan was effective (the “Effective Date”), and the Debtor entities entered into the process of winding down and liquidating their estates.

The Company’s business is comprised of two operating segments: Media & Content and Connectivity, with the Connectivity segment encompassing the operations of the Aviation Connectivity segment and the Maritime, Energy & Government Connectivity (formerly Maritime & Land Connectivity) segment. See Note 16. Segment Information for further discussion on the Company’s reporting segments.

#### **Media & Content**

The Media & Content segment selects, manages, provides lab services and distributes wholly-owned and licensed media content, video and music programming, advertising, applications and video games to the airline, maritime and other “away from home” non-theatrical markets.

#### **Connectivity**

The Connectivity segment provides its customers, including their passengers and crew, with (i) Wi-Fi connectivity via C, X, Ka and Ku-band satellite transmissions that enable access to the Internet, live television, on-demand content, shopping and travel-related information and (ii) operational solutions that allow customers to improve the management of their internal operations.

#### Note 2. Basis of Presentation and Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements.

## ***Basis of Presentation***

### ***Voluntary Reorganization under Chapter 11 of the Bankruptcy Code***

As described above, on July 22, 2020, the Debtors commenced voluntary chapter 11 proceedings under chapter 11 of the Bankruptcy Code. Prior to the Sale closing, the Debtors operated the businesses as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. Following the Sale closing, the Debtors’ operations were no longer under the oversight of the Bankruptcy Court and were in the process of winding down.

### **Significant Bankruptcy Court Actions:**

#### ***Restructuring Support Agreement***

On July 22, 2020, the Debtors entered into a Restructuring Support Agreement (together with all exhibits and schedules thereto, the “RSA”) with creditors holding, in the aggregate, approximately 78.8% of the aggregate outstanding principal amount of the First Lien Loans (the “Consenting First Lien Lenders” or the “Investor Group”).

As contemplated under the RSA, Global Eagle filed for chapter 11 and pursued a going concern sale of the business of the Debtors pursuant to Section 363 of the Bankruptcy Code. In addition, the Investor Group served (through Anuvu Corp.) as a stalking horse bidder for the sale. Pursuant to the terms outlined in the RSA, Anuvu Corp. agreed to purchase the Debtors’ assets, subject to better or higher bids, through, in addition to other consideration, a credit bid of certain of the obligations under the First Lien Credit Agreement (the “Stalking Horse Bid”).

In addition, pursuant to the RSA, the Investor Group agreed to (i) consent to the Debtors’ use of cash collateral during the Chapter 11 Cases as well as (ii) provide “new money” loans under a debtor-in-possession facility, in accordance with the terms of a budget prepared by the Debtors and approved by the required lenders under and pursuant to the DIP Credit Agreement (as defined below). Finally, the RSA also provided that the Investor Group would ensure the Debtors retained sufficient cash following the closing of a sale transaction to wind-down their estates (“Wind-Down Reserve”).

#### ***Debtor-in-Possession Financing***

On July 24, 2020, Global Eagle and its wholly-owned domestic subsidiaries, as guarantors, entered into a Senior Secured Super-Priority Term Loan Debtor-In-Possession Credit Agreement (the “DIP Credit Agreement”) with Citibank, N.A., as DIP agent (in such capacity, the “DIP Agent”) and escrow agent (in such capacity, the “Escrow Agent”) and the lenders party thereto (collectively, the “DIP Lenders”). Under the DIP Credit Agreement, the DIP Lenders agreed to provide a senior secured super-priority DIP term loan facility in an aggregate principal amount of \$80.0 million (the “DIP Term Loan Facility”), that accumulated interest based on an interest rate of LIBOR plus 10.00%, with a 1.25% LIBOR floor.

On August 5, 2020, the Company entered into a Senior Secured Super-Priority Letter of Credit Reimbursement Agreement (the “L/C Reimbursement Agreement”) with Citibank, N.A., as the issuing bank (the “Issuing Bank”).

Under the L/C Reimbursement Agreement, the Issuing Bank provided a super-priority letter of credit facility (the “DIP L/C Facility” and together with the DIP Term Loan Facility, the “DIP Facility”) in an amount equal to \$10 million less the aggregate face amount of then issued and outstanding letters of credit provided by Citibank, N.A. in its capacity as issuing bank under the 2017 Credit Agreement (the “DIP L/C Facility Limit”). Pricing of the DIP L/C Facility was substantially consistent with the terms applicable to existing letters of credit issued under the 2017 Credit Agreement. Letters of credit issued under the DIP L/C Facility were fully cash collateralized in 102% of the face amount of such letters of credit.

The Bankruptcy Court entered a final order approving the Debtors’ entry into the DIP Facility on August 18, 2020 (the “DIP Order”). The DIP Facility was subsequently amended on January 19, 2021 and on February 26, 2021 for two successive extension of terms. The DIP Facility provided the Debtors with the cash necessary to meet their operational

needs and administer the Chapter 11 Cases until the Sale closed. Pursuant to the Sale Order, upon the closing of the Sale, Anuvu Corp. either assumed the outstanding DIP obligations or paid down the DIP obligations in connection with the funding of the purchase price.

#### ***Sale to Anuvu Corp. and Marlink***

On August 19, 2020, the Bankruptcy Court entered an order (the “Bidding Procedures Order”) approving bidding procedures for a sale of substantially all of the Debtors’ assets and authorizing the Debtors to enter into an asset purchase agreement with Anuvu Corp., subject to higher or otherwise better offers at the Auction (as defined in the Bidding Procedures Order). On October 7, 2020, after receiving no alternative qualified bids, the Debtors filed the Notice of Auction Cancellation and Successful Bidder, designating Anuvu Corp. as the successful bidder. On October 15, 2020, the Bankruptcy Court entered the Sale Order approving the Sale to Anuvu Corp. The Sale Order provided that Anuvu Corp. would provide the following consideration in exchange for the purchase of the Debtors’ assets, among other things, (i) pursuant to section 363(k) of the Bankruptcy Code against \$586.5 million of First Lien Loan claims and, only to the extent necessary to acquire any DIP Collateral (as defined in the DIP Credit Agreement), up to \$5.0 million of the DIP obligations, (ii) either cash equal to the outstanding DIP obligations or an assumption of the outstanding DIP obligations at close, (iii) ensure the Debtors retained an amount of cash equal to the “Wind-Down Reserve” for purposes of winding down operations, administering the estate and paying all administrative and priority claims required to be paid pursuant to the Plan following the closing of the Sale (and as further described in the Sale Order and the Plan) and (iv) the assumption of certain Assumed Liabilities (as defined in the Sale Order). In addition, the Sale Order provided that Anuvu Corp. would pay additional sale consideration of up to \$8.5 million to resolve the objection of the official committee of unsecured creditors to the Sale (together with the settlement reached with Searchlight II TBO, L.P. and Searchlight II TBO-WL.P. Holders of certain debt, warrants and related parties (“Searchlight Parties”), (as defined in the Plan) described below, the “Plan Settlement”) as further described below.

On March 9, 2021, the Bankruptcy Court entered an order approving the private sale to Marlink AS of certain assets and liabilities related to a Debtor entity’s business providing connectivity services to certain enterprise and non-governmental organizations overseas (the “Enterprise/NGO Business”) (the “Marlink Sale”). Marlink AS provided consideration in exchange for the purchased assets of Emerging Markets Communications LLC totaling \$2.0 million plus an amount attributable to costs associated with employees and contingent workers associated with the Enterprise/NGO Business who did not transfer with the Purchased Assets, including other customary adjustments at closing, as well as the assumption of certain assumed liabilities. The Marlink Sale closed on March 23, 2021.

#### ***Plan Confirmation and Occurrence of the Effective Date***

On November 13, 2020, the Debtors filed the Joint Plan of Liquidation for Global Eagle Entertainment Inc. and its Affiliate Debtors Under Chapter 11 of the Bankruptcy Code (as further amended, restated, supplemented, or otherwise modified from time to time, the “Plan”) and the Disclosure Statement for Joint Plan of Liquidation for Global Eagle Entertainment Inc. and Its Affiliate Debtors Under Chapter 11 of the Bankruptcy Code (as further amended, restated, supplemented, or otherwise modified from time to time, the “Disclosure Statement”). The Plan effectuated and included settlements reached with the key creditor constituencies in the Chapter 11 Cases including the official committee of unsecured creditors in the Chapter 11 Cases, the Investor Group, and the Searchlight Parties, ensuring, among other things, certain recovery for unsecured claimants pursuant to the Plan (collectively, the “Plan Settlement”). By order, dated December 14, 2020, the Court approved the adequacy of the information contained in the Disclosure Statement and the Debtors commenced solicitation of the Plan shortly thereafter. On January 29, 2021, following a hearing, the Court entered an order confirming the Plan (the “Confirmation Order”). On March 31, 2021, the Plan Effective Date occurred.

The Plan Settlement, as accepted by second lien note holders, provided that (x) the Searchlight Parties would receive on the Plan Effective Date (i) a distribution of \$1.75 million in cash in full satisfaction of their second lien note claims (which amounts would not otherwise be subject to turnover) and (ii) certain releases by the Debtors as described in the Plan; and (y) the holders of other unsecured claims (including holders of the Convertible Notes claims, as described below, and general unsecured claims) would receive a pro rata share of \$4.0 million. Among other things, the Plan also provided for (i) the liquidation and orderly wind-down of all the Debtors’ remaining assets following the Sale closing, and (ii) the Wind-Down Reserve funding in accordance with the terms of the Plan and the Confirmation Order.

On March 23, 2021, the Sale closed, and following the closing of the Sale, Global Eagle's operations were no longer in the chapter 11 process and the Debtor estate was in the process of winding down.

### ***Liquidity and Capital Resources***

Anuvu Corp., upon emergence and in conjunction with the Sale, facilitated certain chapter 11 wind-down activities, primarily unsecured creditor payments on behalf of the Debtor estate, and operates as the successor enterprise not subject to the chapter 11 process.

On March 23, 2021, upon emergence and in conjunction with the Sale, Anuvu Holdings 2 LLC entered into a Senior Secured Priority Term Loan Credit Agreement (the "Priority Credit Agreement") with Anuvu Holdings 1 LLC, a guarantor party thereto, and certain other affiliated guarantors, Acquiom Agency Services LLC and Seaport Loan Products LLC, as Co-Administrative Agents, and the lenders party thereto. The Priority Credit Agreement provides for a \$205.0 million secured term loan facility, maturing March 23, 2025, and a \$12.5 million secured delayed draw term loan facility maturing September 23, 2023. As of December 31, 2021, the Company had drawn \$3.9 million of the delayed draw term loan facility.

The proceeds of the term loan facility were used in part to payoff \$80.0 million of loans under the debtor-in-possession credit facility of Global Eagle and the remainder may be used for working capital and other general corporate purposes. The proceeds of the delayed draw term facility shall be used solely to cash collateralize letters of credit, subject to specified exceptions.

Amounts outstanding under the Priority Credit Agreement accrue interest at a rate equal to (a) for the term loan facility either, at the Company's election, LIBOR plus a margin of 8.0% per annum, or base rate plus a margin of 7.0% per annum and (b) for the delayed draw term facility either, at the Company's election, LIBOR plus a margin of 7.0% per annum, or base rate plus a margin of 6.0% per annum; provided that if more than \$7.5 million of delayed draw term loans have been drawn, then interest shall accrue at a rate equal to either, at the Company's election, LIBOR plus a margin of 8.0% per annum, or base rate plus a margin of 7.0% per annum. Interest is payable on the last day of the applicable interest period for any LIBOR loan, and on the last business day of each March, June, September, and December for any base rate loan. Prior to the maturity date, there are no periodic amortization payments. Refer to Note 11. Financing Arrangements for more details.

On March 23, 2021, Anuvu Holdings 2 LLC entered into a Senior Secured Takeback Term Loan Credit Agreement (the "Takeback Credit Agreement") with Anuvu Holdings 1 LLC, a guarantor party thereto, and certain other affiliated guarantors, Acquiom Agency Services LLC and Seaport Loan Products LLC, as Co-Administrative Agents, and the lenders party thereto. The Takeback Credit Agreement provides for a \$170.0 million secured takeback term loan facility, maturing March 23, 2026.

The proceeds of the takeback term loan facility were used to pay off the loans under the pre-petition credit facility of Global Eagle.

Amounts outstanding under the Takeback Credit Agreement accrue interest at a rate equal to either, at the Company's election, LIBOR plus a margin of 8.25% per annum, or base rate plus a margin of 7.25% per annum. Until March 23, 2023, up to 6.75% of the interest may be paid in kind. Interest is payable on the last day of the applicable interest period for any LIBOR loan, and on the last business day of each March, June, September, and December for any base rate loan. Prior to the maturity date, there are no periodic amortization payments. Refer to Note 11. Financing Arrangements for more details.

Upon emergence and in conjunction with the Sale, the Company received (i) the wind-down reserve of \$17.3 million which was approved by the Court and provided by Anuvu Corp. shall ensure the Company sufficient funds to make all payments and distributions under the Plan; (ii) the funding from the previously described the \$205.0 million 2021 Term Loans which matures March 25, 2025, will provide liquidity and meet operational needs of the business. Net of a 4% Original Issue Discount (OID), the aforementioned \$17.3 million wind-down reserve, \$18.2 million professional fee escrow, the payoff of the \$80.0 million of loans under the debtor-in-possession credit facility, and \$11.7 million of certain

claim settlements and other professional and banking fees, the Company received \$69.6 million of cash as the net proceeds from the 2021 Term Loan. Accordingly, the Company assessed that in aggregate the Company will be able to meet its obligations as they become due within one year after the date that the financial statements are available to be issued.

Anuvu Corp., the ultimate parent company to Anuvu Holdings 2 LLC, is a holding company with no other operations, cash flows, material assets or liabilities other than the equity interests in Anuvu Holdings 1 LLC, which is a guarantor to the Priority Credit Agreement and Takeback Credit Agreement.

Upon emergence, Anuvu Corp. adopted fresh-start accounting in accordance with FASB ASC Topic 852, *Reorganizations*, which specifies the accounting and financial reporting requirements for entities reorganizing through chapter 11 bankruptcy proceedings. The application of fresh-start accounting resulted in a new basis of accounting and the Company becoming a new entity for financial reporting purposes. As a result of implementation of the Plan, consummation of the Sales, and the application of fresh-start accounting, our historical financial information may not be indicative of our future financial performance. Our capital structure was significantly altered under the Plan. Upon emergence from bankruptcy, we adopted fresh-start accounting in accordance with ASC 852, *Reorganizations*. Under fresh-start accounting rules that apply to us upon the Effective Date, our assets and liabilities have been adjusted to fair value and our accumulated deficit has been restated to zero. In addition, we have adopted certain accounting policy changes as part of fresh-start accounting and such policies could result in material changes to our financial reporting and results. Accordingly, our financial condition and results of operations following our emergence from chapter 11 are not comparable to the financial condition and results of operations reflected in our historical consolidated financial statements.

The Company and its end markets have experienced a delayed recovery from the COVID-19 pandemic, which has impacted cash flows from operations for the twelve months ended December 31, 2021. Net cash used in operations was \$67.5 million for the period March 23 through December 31, 2021, and \$20.5 million for the period January 1 through March 22, 2021, for a total of \$88.0 million, which included cash paid for interest of \$20.6 million (\$18.5 million for the period March 23 through December 31, 2021, and \$2.1 million for the period January 1 through March 22, 2021, the latter on the DIP loan). The audited Consolidated Financial Statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business.

### **Bankruptcy Accounting**

The consolidated financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business and reflect the application of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 852, “Reorganizations” (“ASC 852”). ASC 852 requires that the consolidated financial statements, for periods subsequent to the filing of the Chapter 11 Cases, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, gains and losses that are realized or incurred in the bankruptcy proceedings are recorded in reorganization items on the consolidated statements of operations. In addition, pre-petition unsecured and under-secured obligations that may be impacted by the bankruptcy reorganization process were classified as liabilities subject to compromise on the consolidated balance sheet as of December 31, 2020. As of December 31, 2021, there were no liabilities subject to compromise on our consolidated balance sheet.

As of December 31, 2020, the Liabilities Subject to Compromise were reported at the amounts expected to be allowed as claims by the Bankruptcy Court. Where there was uncertainty about whether a secured claim would be paid or impaired pursuant to the Chapter 11 Cases, the entire amount of the claim was classified as an outstanding liability subject to compromise as of December 31, 2020. For specific discussion on balances of liabilities subject to compromise and reorganization items, see section below. The consolidated financial statements as of December 31, 2020 do not purport to show: (i) the realizable value of assets on a liquidation basis or their availability to satisfy liabilities; (ii) the full amount of pre-petition liabilities that may be allowed for claims or contingencies, or the status and priority thereof; (iii) the effect on stockholders’ investment accounts of any changes that may be made to Global Eagle’s capitalization; or (iv) the effect on operations of any changes that may be made to Global Eagle’s business.

### *Liabilities Subject to Compromise*

As a result of the Chapter 11 Cases, the payment of pre-petition indebtedness was subject to compromise. Generally, actions to enforce or otherwise effect payment of pre-bankruptcy filing liabilities are stayed. Although payment of pre-petition claims is generally not permitted, the Bankruptcy Court granted Global Eagle the authority to pay certain pre-petition claims in designated categories and subject to certain terms and conditions. This relief generally was designed to preserve the value of the businesses and the assets. Among other things, the Bankruptcy Court authorized Global Eagle to pay certain pre-petition claims relating to employee wages and benefits, customers, vendors, and suppliers in the ordinary course of business as well as certain insurance, tax, and principal and interest payments. During the Chapter 11 Cases, we had also continued to pay undisputed post-petition claims in the ordinary course of business. With respect to pre-petition claims, we notified all known claimants of the deadline to file a proof of claim with the Bankruptcy Court, and distributions on allowed pre-petition claims and certain other claims entitled to distributions under the Plan were made by the Debtors' estates post-closing in connection with the terms of the Plan and the Confirmation Order. Debtor liabilities subject to compromise represented the estimate as of December 31, 2020 of claims expected. Pre-petition liabilities that are subject to compromise were required to be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts.

Liabilities Subject to Compromise as of December 31, 2020 in Global Eagle's consolidated balance sheet included \$117.4 million accounts payable and accrued liabilities, \$877.1 million long-term debt which included \$26.1 million accrued interest, and \$16.8 million finance leases. There were no liabilities subject to compromise as of December 31, 2021.

### *Reorganization Items*

The consolidated statement of operations for the year ended December 31, 2020 includes reorganization items, which represented amounts incurred from the Petition Date onward directly resulting from the Chapter 11 Cases, totaling \$92.5 million. Of which, Global Eagle recorded: (i) \$55.5 million non-cash write-off capitalized debt issuance costs and original debt interest discounts relating to long-term debt on the Petition Date; (ii) \$33.4 million profession service fees incurred and directly related to services provided for the bankruptcy proceedings; (iii) \$6.5 million amortization of debt issuance costs relating to the DIP Term Loan Facility; (iv) \$0.8 million DIP Trustee fees; conversely; (v) derecognizing of certain lease liabilities and associated Right-of-Use assets and resulting a net non-cash gain of \$3.7 million.

The Predecessor consolidated statement of operations for the period January 1 through March 22, 2021 includes reorganization items, which represent amounts incurred in the period January 1, 2021 through the Plan Effective Date directly resulting from the Chapter 11 Cases, totaling \$748.9 million. Of which, the Company recorded: (i) \$714.4 million extinguishment of Predecessor's term loans; (ii) \$46.5 million bankruptcy settlements; (iii) \$7.5 million derecognizing of certain lease liabilities and associated Right-of-Use assets; conversely; (iv) \$15.4 million profession service fees incurred and directly related to services provided for the bankruptcy proceedings; (v) \$3.1 million fair value true up of various other assets and liabilities; (vi) \$1.0 million amortization of debt issuance costs relating to the DIP Term Loan Facility.

As of December 31, 2020, \$10.1 million of professional fees were unpaid and accrued in accounts payable and accrued liabilities and \$1.3 million retainer fees were recorded in other current assets, in the accompanying Consolidated Balance Sheet. As of December 31, 2021, no professional fees were unpaid and accrued in accounts payable and accrued liabilities and no retainer fees were recorded in other current assets, in the accompanying Consolidated Balance Sheet.

### *Interest Expense*

The Debtors did not incur interest expense during bankruptcy and it was not an allowable claim. Accordingly, the Debtors did not accrue interest expense for financial reporting purposes; however, unpaid contractual interest is calculated for disclosure purposes.

### *Reverse Stock Split*

On April 15, 2020, the Global Eagle Board of Directors approved a reverse stock split of Global Eagle's outstanding and authorized shares of common stock at a ratio of 1-for-25 (the "Reverse Stock Split"). As a result of the Reverse Stock Split, the number of Global Eagle's issued and outstanding shares of common stock was decreased from 92,944,935 to 3,717,797, all with a par value of \$0.0001. The Effective Date of the Reverse Stock Split was April 16, 2020. The Reverse Stock Split affected all Global Eagle stockholders uniformly and did not alter any stockholder's percentage interest in the

Company's common stock, except for adjustments that may result from the treatment of fractional shares as follows: (i) no fractional shares were issued as a result of the Reverse Stock Split; and (ii) stockholders who would have been entitled to a fractional share as a result of the Reverse Stock Split instead received a cash payment from the transfer agent in an amount equal to the fractional share multiplied by the closing price of Global Eagle common stock the day before the Reverse Stock Split became effective.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned, majority-owned and controlled subsidiaries. Intercompany balances and transactions have been eliminated in consolidation. The results of acquired businesses are included in the consolidated financial statements from the date of acquisition. 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. The Company has two such equity affiliates.

### ***Use of Estimates***

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue (allocated on the basis of the relative selling price of deliverables) and expenses during the reporting period. Significant items subject to such estimates and assumptions include revenue, allowance for doubtful accounts, the assigned value of acquired assets and assumed liabilities associated with business combinations, legal settlements, valuation of media content library and equipment inventory, useful lives and impairment of property and equipment, intangible assets, goodwill and other assets, the fair value of the Company's equity-based compensation awards and convertible debt instruments, and deferred income tax assets and liabilities. Actual results could differ materially from those estimates. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

### ***Revenue Recognition***

The Company accounts for a contract with a customer when an approved contract exists, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of substantially all of the consideration is probable. Revenue is recognized as the Company satisfies performance obligations by transferring a promised good or service to a customer (see further discussion in Note 3. Revenue Recognition).

Deferred revenue consists substantially of amounts received from customers in advance of the Company's performance service period and of fees deferred for future support services. Deferred revenue is recognized as revenue on a systematic basis that is proportionate to the period that the underlying services are rendered, which in a majority of arrangements is straight line over the remaining contractual term.

Certain of the Company's revenue contracts contains variable consideration that require management estimates. The Company's management constrains the estimates to reduce the probability of a significant revenue reversal in future periods, allocates variable consideration to the identified performance obligations and recognizes revenue in the period the services are provided. Estimates are based on historical experience, anticipated future performance, market conditions and the best judgment at the time. For the years ended December 31, 2021 and 2020, the Company's estimates included management's assumptions for the ongoing impact of COVID-19, which may include significant decline in flight levels. A significant change in one or more of these estimates could affect the estimated contract value. For example, estimates of variable revenue within certain contracts require estimation of the number of sessions or megabytes that will be purchased over the contract term and the average revenue per connectivity session, which varies based on the connectivity options available to passengers on each airline. Estimated revenue under these contracts anticipates increases in take rates over time and assumes an average revenue per session consistent with our historical experience. The estimated contract revenue may differ significantly from the initial estimates to the extent actual take rates and average revenue per session differ from the Company's historical experience.

The Company's revenue is principally derived from the following segments:

### **Media & Content**

The Company curates and manages the licensing of content to the airline, maritime, and non-theatrical industries globally and provides associated services, such as technical services, delivery of digital media advertising, the encoding of video and music products, development of graphical interfaces or the provision of materials. Media & Content licensing revenue is principally generated through the sale or license of media content, video and music programming, applications and video games to customers in the aviation, maritime and non-theatrical markets.

#### *Licensing Revenues*

- *Film, Audio, and Television licensing* - The Company selects, procures, manages, and distributes video and audio programming, and provides similar applications to the airline, maritime and other "away from home" non-theatrical markets. The Company delivers content compatible with the Company systems as well as compatible with a multitude of third-party in-flight entertainment ("IFE") systems. The Company acquires non-theatrical licenses from major Hollywood, independent and international film and television producers and distributors, and licenses the content to airlines, maritime companies, non-theatrical customers, and other content service providers. In addition to the content licenses, the Company provides the content literature for the seat-back inflight magazine, trailers for the website, and metadata for the Inflight Entertainment systems ("IFE systems"). Revenue recognition is dependent on the nature of the customer contract. Content licenses to customers are typically categorized into usage-based or flat fee-based fee structures. For usage-based fee structures, revenue is recognized as the usage occurs. For flat-fee based structures revenue is recognized upon the available date of the license, typically at the beginning of each cycle, or straight-line over the license period.
- *Games and applications licensing* - The Company produces games customized to suit the in-flight environment. The Company acquires multi-year licenses from reputable game publishers to adapt third-party-branded games and concepts for in-flight use. The Company also licenses applications for use on airline customer's IFE systems. These applications allow airlines the ability to present information and products to its customers (i.e., passengers) such as their food and beverage menu offerings, magazine content, and flight locations. Games and applications licenses are operated under usage or flat fee-based fee structures. Revenue recognition is dependent on the nature of the customer contract. Content licenses to customers are typically categorized into usage-based or flat fee-based fee structures. For usage-based fee structures, revenue is recognized as the usage occurs. For flat fee-based structures revenue is recognized upon the available date of the license, typically at the beginning of each cycle, or straight-line over the license period.

#### *Services Revenues*

- *Advertising Services* - The Company sells airline advertisement spots to customers through the use of insertion orders which normally range between one and six months. The advertising revenue is generally based on certain agreed upon minimum guarantees in addition to variable considerations such as type of advertisement (e.g., pop-up, banner, etc.) and on which media platform. Variable consideration are estimated based on historical trend. Further, the Company acquires certain advertising distribution rights from airlines via supplier agreements that are normally revenue-share arrangements which provide the Company with exclusive distribution rights. These agreements with airlines are generally have one-to-three-year terms. Revenue is recognized over time, ratably over the term of a contract or when promised services are delivered. When the Company enters into revenue-sharing arrangements with the airlines, the Company evaluates whether it is the principal or agent. When the Company is considered the principal, the Company reports the underlying revenue on a gross basis in its Consolidated Statements of Operations and records these revenue-sharing payments to the airline as service costs. In circumstances where the Company acts as an agent in the arrangement, the associated revenues are recorded net.
- *Lab Services* - The Company addresses a variety of technical customer needs relating to content regardless of the particular IFE system being used. Content acquired from studios and producers is normally provided to the Company in certain languages, aspect ratios, and file sizes. The Company's customers (e.g., airlines) have IFE

systems requiring certain aspect ratios and file sizes. In addition, the customers' request additional languages for their global passenger base. These technical services include encoding, editing and metadata services, as well as language subtitle and dubbing services, and are generally performed in-house in the Company's technical facilities (collectively considered "Lab Services"). Lab Services are typically priced on a flat fee per month, ad hoc basis, or included in the content pricing. Revenue is recognized when the Lab Services performance obligation is complete, and the underlying content has been accepted by and is available to the customer, typically on the license available date of the respective content.

- *Ad Hoc Services* - The Company may perform additional non-recurring implementation, configuration, interactive development or other ad hoc services connected with the games and applications delivery. These services include embedding of customer logo(s) and population of content within applications (e.g., food and beverage content within the Company's eMealMenu application).

## **Connectivity**

*Aviation Services Revenue.* Services revenue for Connectivity includes satellite-based Internet services and related technical and network operational support and management services and live television. The connectivity services provide airlines with the capability to provide its passengers' wireless access to the Internet, which allows passengers to web-surf, email, text, and access live television. The connectivity experience also permits passengers to enjoy inflight entertainment, such as streaming for non-live television, and movies and video-on-demand, delivered through a web-based framework for an initial "landing page." The revenue is recognized over time as control is transferred to the customer (i.e. the airline), which occurs continuously as customers receive the bandwidth/ connectivity services.

*Aviation Equipment Revenue.* Equipment revenue is recognized when control passes to the customer, which is at the later of shipment of the equipment to the customer or obtaining the Supplemental Type Certificates ("STC"), as applicable. In determining whether an arrangement exists, the Company ensures that a binding arrangement is in place, such as a purchase order or a fully executed customer-specific agreement. The Company can objectively determine that control of a good or service has been transferred to the customer in accordance with the agreed-upon specifications in the contract, accordingly customer acceptance is a formality that does not affect the entity's determination of when the customer has obtained control of good or service. In certain cases where the Company sells its equipment to an aviation customer on a stand-alone basis, it may charge a fee for obtaining STCs from the relevant aviation regulatory body, which permits the Company's equipment to operate on certain model/type of aircraft. An STC is highly interrelated with the Connectivity services as it is often required for new equipment and/or for new types of aircrafts prior to the airlines installing the equipment. When an STC is required, it would not be sold separately as it has no value to the customer without the equipment and vice versa. As such, in such circumstances, the Company does not consider an STC separate from the equipment. To the extent that the Company contracts to charge STC fees in equipment-only sales, the Company will record these fees as revenue at the later of shipment of the equipment to the customer or obtaining the STC, as applicable.

*Maritime and Land Service Revenue* - The Maritime business provides satellite telecommunications services ("connectivity services") through the Company's private network that utilizes very small aperture terminal ("VSAT") satellite technology for cruise ships and ferries, commercial shipping companies, yachts, and offshore drilling platforms. The technology enables voice and data capabilities to customers with ocean-going vessels or ocean-based environments. For certain cruise ship customers, the Company also offers maritime live television services ("TV services"). The service offerings cover a wide range of end-to-end network service combinations for customers' point-to-point and point-to-multipoint telecommunications needs. These offerings range from simple connections to customized private network solutions through a network that uses "multiple channels per carrier" or "single channel per carrier" technology with bandwidth satellite capacity and fiber optic infrastructure. The business also offers teleport services through its proprietary teleports located in Germany and the US. In conjunction with the Connectivity services, the Company also provides equipment as part of the service for which the Company retains ownership of the equipment throughout the term of the service. Revenue is recognized over time in accordance with the transfer of control, which is continuously as the customer receives the bandwidth/ connectivity services. Certain of the Company's contracts involve a revenue sharing or reseller arrangement to distribute the connectivity services. The Company assesses these services under the principal versus agent criteria and determined that the Company acts in the role of an agent and accordingly records such revenues on a net basis.

*Maritime Installation Revenue* - To service its marine customers, the Company operates a network of field-support centers for installation and repair services. The Company has field support centers in several locations worldwide, several of which offer a spare parts inventory, a network operation center open 24/7, certified technicians, system integration and project management. These field centers provide third-party antenna and ship-based system integration, global installation support, and repair services. Revenue is recognized in accordance with the transfer of control, i.e., over-time as the installation services is provided based on labor hours incurred.

*Maritime Equipment Revenue* - Equipment revenue is recognized when control passes to the customer, which is generally upon shipment or arrival/ acceptance at destination depending on the contractual arrangement with the customer. Maritime equipment is generally priced as a one-time upfront payment at its standalone selling price (“SSP”).

### **Significant Judgments**

Judgment is required to determine the SSP for each distinct performance obligation under contracts where the Company provides multiple deliverables. In instances where SSP is not directly observable, such as when the Company does not sell the product or service separately, the Company determines the SSP using information that may include adjusted market assessment approach, expected cost plus margin approach, or the residual approach.

- For the *Media & Content business*, management sets prices for each performance obligation using an adjusted market assessment approach when entering into contracts. Contract prices reflect the SSP. As such, the Company uses the stated contract price for SSP allocation of the transaction price.
- For our *Connectivity Services*, we are able to establish SSP based on observable prices of services sold separately in comparable circumstances to similar customers. We use a single amount to estimate SSP when it has observable prices. If SSP is not directly observable, for example when pricing is highly variable, we use a range of SSP. We determine the SSP range using information that may include pricing practices or other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customer size and geography.
- For our *Equipment Sales*, we are not able to establish SSP based on observable prices of products sold separately in comparable circumstances to similar customers, therefore the Company uses a cost plus margin approach.

Topic 606 requires the Company to estimate variable consideration. Service Level Agreement (“SLA”) or service issue/outage credits that are considered variable consideration (i.e., customer credits) and require estimation including the use of historical credit levels. These credits have historically not been material in the context of the customer contracts for the Maritime or Media & Content businesses.

The contractual consideration used for allocation purposes includes connectivity, equipment and services, which may be based on a fixed monthly fee per aircraft, or a variable fee based on the volume of connectivity activity, or a combination of both. Examples of variable consideration within our contracts include megabyte overages and revenue sharing arrangements.

We constrain our estimates to reduce the probability of a significant revenue reversal in future periods, allocate variable consideration to the identified performance obligations and recognize revenue in the period the services are provided. Our estimates are based on historical experience, anticipated future performance, market conditions and our best judgment at the time.

A significant change in one or more of these estimates could affect our estimated contract value. For example, estimates of variable revenue within certain contracts require estimation of the number of equipment purchased or megabytes that will be purchased over the contract term and the average revenue per connectivity session, which varies based on the connectivity options available to passengers on each airline. Estimated revenue under these contracts anticipates increases in take rates over time and assumes an average revenue per session consistent with our historical experience. Our estimated contract revenue may differ significantly from our initial estimates to the extent actual take rates differ from our historical experience.

We regularly review and update our estimates and recognize adjustments under the cumulative catch-up method. Any adjustments under this method are recorded as a cumulative adjustment in the period identified and revenue for future periods is recognized using the new adjusted estimate.

### ***Cost of Sales***

#### **Media & Content**

Cost of sales for Media & Content consist primarily of the costs to license or purchase media content, direct costs to service content for aviation, maritime and other non-theatrical markets, and advertising revenue-sharing payments to its customers. Included in the cost of sales, when applicable, is amortization expense associated with the purchase of film content libraries acquired, personnel, support and occupancy costs.

#### **Connectivity**

Cost of sales for Connectivity consists primarily of equipment fees paid to third-party manufacturers, royalty expense as a result of revenue-sharing arrangements, Internet connection, satellite charges and related network operational support costs, and other platform operating expenses, including depreciation of property and equipment and internally developed software, website development costs, hardware and services used to build and operate the Connectivity platform and personnel costs relating to information technology.

#### **Sales and Marketing**

Sales and marketing expense primarily comprise of personnel costs, advertising costs, including promotional events and other brand building and product marketing expenses, corporate communications, certain professional fees, occupancy costs and travel expenses.

Advertising costs are expensed as incurred. Advertising expenses for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020 were not material.

#### **Product Development**

Product research and software development costs, other than certain internal-use software costs qualifying for capitalization, are expensed as incurred. Costs of computer software or websites developed or obtained for internal use that are incurred in the preliminary project and post-implementation stages are expensed as incurred. Certain costs of developing internal-use software incurred during the application and development stage, which include employee and outside consulting compensation and related expenses, costs of computer hardware and software, website development costs and costs incurred in developing additional features and functionality of the services, are capitalized. The estimated useful life of costs capitalized is evaluated for each specific project. Capitalized costs are generally amortized using the straight-line method over a three-year estimated useful life, beginning in the period in which the software is ready for its intended use. Unamortized amounts are included in Property and equipment, net, in the Consolidated Balance Sheets.

The Company's product development expenditures are focused on developing new products and services and obtaining STC as required by the FAA for each model/type of aircraft prior to providing Connectivity services. To the extent that the Company is contracted to obtain STC, and customers reimburse these costs, the Company will record these reimbursements directly against its product development expenses.

#### **Stock-Based Compensation**

Stock-based compensation expense related to all employee and, where applicable, non-employee stock-based awards was nil in the period March 23 to December 31, 2021, \$0.2 million in the period January 1 through March 23, 2021, and was \$2.6 million in the year ended December 31, 2020.

As a result of Global Eagle's chapter 11 proceedings, the exercise prices of the stock options were significantly in excess of the market price of the common shares. In addition, Global Eagle's Omnibus Long-Term Incentive Plan, as amended, and all of our share-based compensation awards issued under the that plan were cancelled as part of our Bankruptcy Plan of Reorganization. The Plan of Reorganization caused a change-in-control event resulting in the acceleration of vesting of all outstanding RSUs, PSUs, and CSRs.

Stock-based awards principally comprise of stock options, restricted stock units ("RSUs"), performance-based RSU ("PSU") awards, cash-settled stock appreciation rights, referred to as "phantom options." Stock-based awards are generally issued to certain senior management personnel and non-employee directors. Stock-based compensation cost (other than phantom options) is measured at the grant date based on the fair value of the award and is recognized as an expense over the requisite service period, which is the vesting period, on a straight-line basis, net of actual forfeitures. Phantom options are accounted for as liability awards and are re-measured at fair value each reporting period with compensation expense being recognized over the requisite service period.

The Company uses the Black-Scholes option pricing model and the Monte Carlo simulation to determine the grant date fair value of its stock options and phantom options, respectively, as well as the fair value at each reporting period. This model requires the Company to estimate the expected volatility and the expected term of the stock options, which are highly complex and subjective variables. The Company uses an expected volatility of its stock price during the expected life of the options that is based on the historical performance of the Company's stock price. The expected term is computed using the simplified method as the Company's best estimate given its lack of actual exercise history. The Company has selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected exercise term of the stock option. The Company currently has no history or expectation of paying cash dividends on its common stock.

The grant date fair value of the time-vesting RSUs equals the closing price of the Company's common stock on the grant date.

For PSU awards, the Company recognizes stock-based compensation expense over the requisite service period based on the grant date fair value of a unit multiplied by the number of units granted. The grant date fair value of a unit is computed using a Monte-Carlo simulation which uses a risk-free interest rate based on the U.S. Treasury rate on the date of grant commensurate with the term of the performance period.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with an initial maturity of 90 days or less to be cash equivalents.

### ***Restricted Cash***

The Company maintains certain letters of credit agreements with its customers that are secured by the Company's cash for periods up to three years. As of December 31, 2021 and 2020, the Company had restricted cash of \$5.9 million and \$1.6 million, respectively.

### ***Accounts Receivable, net***

The Company extends credit to its customers. An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of the Company's customers to make required payments. Management specifically analyzes the age of customer balances, historical bad debt experience, customer credit-worthiness and changes in customer payment terms when making estimates of the collectability of the Company's accounts receivable balances. If the Company determines that the financial condition of any of its customers has deteriorated, whether due to customer specific or general economic issues, an increase in the allowance may be made. After all attempts to collect a receivable have failed, the receivable is written off.

### ***Inventories***

Equipment inventory, which is classified as finished goods, is comprised of individual equipment parts and assemblies. 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 net realizable value, based upon assumptions about future demand; and is charged to the provision for inventory, which is a component of cost of sales. At the point of the write-down 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.

The Company generally is not directly responsible for warranty costs related to equipment it sells to its customers. The vendors that supply each of the individual parts, which comprise the assemblies sold by the Company to customers, are responsible for the equipment warranty directly to the customer.

### ***Short-term Investment***

The Company carries short-term investments on the balance sheet at fair value. In June 2020, the Company acquired 11.4 million shares of common stock of a non-US airline customer in full settlement of \$4.7 million of over-due trade receivable through a non-cash debt conversion arrangement offered by the customer. As of December 31, 2020, the shares are carried on the consolidated balance sheet at fair value of \$1.2 million. The loss of \$3.5 million is included in other income/(expense) in the consolidated statements of operations. As of December 31, 2021, the shares are carried on the consolidated balance sheet at fair value of \$0.1 million. The loss of \$0.8 million and \$0.3 million is included in other income/(expense) in the consolidated statements of operations for the periods March 23 through December 31, 2021 and January 1 through March 22, 2021, respectively.

### ***Valuation of Long-Lived Assets***

The Company evaluates the recoverability of its long-lived assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Such trigger events or changes in circumstances may include: a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used, a significant adverse change in legal factors or in the business climate, including those resulting from technology advancements in the industry, the impact of competition or other factors that could affect the value of a long-lived asset, a significant adverse deterioration in the amount of revenue or cash flows the Company expects to generate from an asset group, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Assets to be disposed of would be separately presented on the Consolidated Balance Sheets and reported at the lower of their carrying amount or fair value less costs to sell, and would no longer be depreciated or amortized.

The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable and the expected undiscounted future cash flows attributable to the asset group are less than the carrying amount of the asset group, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. Fair value is determined based upon estimated discounted future cash flows. During the periods March 23 through December 31, 2021 and January 1 through March 22, 2021, we recognized no impairments relating to fixed assets. During the year ended December 31, 2020, \$5.6 million impairment loss was recognized relating to fixed assets. Refer to Note 5. Property and Equipment, net for details.

### ***Content Library***

Content library represents minimum guaranteed amounts to acquire distribution rights. The Company capitalizes the amounts paid for the guarantees and records an asset and liability for any remaining unpaid portion of the guarantee when

the film is released for exploitation. Amounts owed in excess of the capitalized minimum guarantees are expensed when revenue from exploiting the film right have fully recouped the minimum guarantee based on the contractual royalty rates. The useful life of licensed film rights within the content library corresponds to the respective period over which the film rights will be licensed. Capitalized film rights are amortized ratably over their expected revenue streams and included in cost of sales. The Company anticipates that \$1.4 million of its capitalized film costs as of December 31, 2021 will be amortized within the next twelve months. As of December 31, 2021, unamortized film costs for released films were not material due to the short duration of the exploitation period (three to twelve months). Participations are accrued on an individual title basis and expensed in the proportion that the revenue is generated over the exploitation period. As of December 31, 2021, the Company expected to pay accrued participation liabilities of \$8.9 million during the next 12 months. As of December 31, 2021 and 2020, the Company had minimum guarantee liabilities, current of \$1.0 million and \$1.1 million, respectively, which are included in Accounts payable and accrued liabilities in the Consolidated Balance Sheets.

Content library is periodically tested for impairment, but no less than annually. The marketability of the individual film right can determine the fair value of such film and whether an impairment loss is necessary. If the fair value determined based on the estimated future cash flows for an individual film right is lower than its carrying amount as of the reporting date, an impairment loss is recognized in such period. The impairment charge for the content library was \$0.5 million for the period March 23 through December 31, 2021, and nil for January 1 through March 22, 2021, and \$1.2 million for the year ended December 31, 2020. The impairment charges are included in Cost of sales in the Consolidated Statements of Operations.

#### ***Property and Equipment, net***

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is recorded on a straight-line basis over the underlying assets' useful lives. The estimated useful life of technical and operating equipment is three to ten years. Leasehold improvements are amortized on the straight-line method over the shorter of the remaining lease term or estimated useful life of the asset. Buildings are depreciated on the straight-line method over 30 years. Repairs and maintenance costs are expensed as incurred.

The Company installs connectivity equipment under agreements entered into with its customers. The assets are recorded as Property and equipment, net, on the Consolidated Balance Sheets. The Company begins depreciating the assets when they are ready for their intended use over a 5-7 year term which approximates the expected useful lives of the equipment.

#### ***Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of***

We review long-lived assets to be held and used, including property and equipment, right-of-use asset ("ROU"), content library and long-lived assets to be disposed of for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. During the 2nd quarter of 2020, as a result of dramatic declines in macroeconomic conditions and the implementation of regulatory restrictions brought forth by the COVID-19 pandemic, and due to the Debtor filing for Chapter 11 Bankruptcy and subsequent delisting and deregistration, Global Eagle determined that it was more likely than not that an impairment may exist within its property and equipment, ROU assets, and content library, refer to Note 5. Property and Equipment, net, Note 4. Leases, and Note 3. Revenue Recognition for details.

Recoverability of assets to be held and used is measured by comparing the carrying amount of the asset to the future undiscounted net cash flows expected to be generated by the asset. Recoverability of assets held for sale is measured by comparing the carrying amount of the assets to their estimated fair market value. If any assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value. Also, we periodically reassess the useful lives of our long-lived assets to determine whether any changes are required.

## ***Goodwill and Intangible Assets***

The Company performs valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocates the purchase price of each acquired business to its respective net tangible and intangible assets and liabilities. Acquired intangible assets principally consist of technology, customer relationships, backlog and trademarks. Liabilities related to intangibles principally consist of unfavorable vendor contracts. The Company determines the appropriate useful life by performing an analysis of expected cash flows based on projected financial information of the acquired businesses. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the majority of the economic benefits are expected to be consumed. Intangible liabilities are amortized into cost of sales ratably over their expected related revenue streams over their useful lives.

Goodwill represents the excess of the cost of an acquired business over the fair value of the acquired net assets. Goodwill is tested reporting unit level. The Company's reporting units are defined by key revenue streams such as Aviation Connectivity, Maritime Connectivity, and Media & Content. The Company does not amortize goodwill, and instead evaluates it for impairment at the reporting unit level annually as of November 30 of each fiscal year or when an event occurs, or circumstances change that indicates the carrying value may not be recoverable. An impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit.

For the period ended March 31, 2020, Global Eagle identified a triggering event due to significant declines in the market capitalization and results of operations, which negatively impacted by the uncertainty related to the COVID-19 pandemic. Accordingly, Global Eagle assessed the fair value of its three reporting units as of March 31, 2020 and recorded a goodwill impairment charge of \$22.1 million related to its Maritime & Land Connectivity reporting unit. This impairment was driven primarily by the current year net operating loss which triggered a revised forecast for the reporting unit, due primarily to impacts of COVID-19 outbreak on our cruise and yacht channels, coupled with the loss of a Brazilian government customer and continuation of exiting the mobile network operation channel. Given these indicators, the Company then determined that there was a higher degree of uncertainty in achieving its original financial projections for this unit and as such, performed a full revision of its forecasted cash flows to consider the impacts of COVID-19 (as further discussed below) and increased its discount rate, which reduced the fair value of the reporting unit.

During the 4th quarter of 2020, as a result of continued declines in macroeconomic conditions and the implementation of regulatory restrictions brought forth by the COVID-19 pandemic, and due to the Debtors filing for Chapter 11 Bankruptcy and subsequent delisting and deregistration, Global Eagle determined that it was more likely than not that an impairment may exist within the Media & Content reporting units. Global Eagle performed a quantitative goodwill impairment test for these reporting units and determined goodwill was not impaired (refer to Note 6. Goodwill).

To determine the fair value of our reporting units and test for impairment, we utilized an income approach (discounted cash flow method), as we believe this is the most direct approach to incorporate the specific economic attributes and risk profiles of our reporting units into our valuation model. Historically we have used the market approach, however, due to the uncertainty related to COVID-19, management did not use this method in the current year to date analysis. However, to the extent market indicators of fair value become available, we consider such market indicators as well as market participant assumptions in our discounted cash flow analysis and determination of fair value. The discounted cash flow methodology is based, to a large extent, on assumptions about future events, which may or may not occur as anticipated, and such deviations could have a significant impact on the calculated estimated fair values of our reporting units. These assumptions included the use of significant unobservable inputs, representative of a Level 3 fair value measurement (further defined in Note 17. Fair Value Measurements), and included, but were not limited to, estimates of discount rates, future growth rates and terminal values for each reporting unit.

The discounted cash flow analysis for each of our reporting units included forecasted cash flows over a three-year forecast period (2022 through 2024, with our 2022 management budget used as the basis for our projections). These forecasted cash flows took into consideration historical and recent results, and near-term prospects and management's outlook for the future. A terminal value was also calculated using a terminal value growth assumption to derive the annual cash flows after the discrete forecast period. A reporting unit specific discount rate was applied to the forecasted cash flows and terminal cash flows to determine the discounted future cash flows, or fair value, of each reporting unit. Our

assessment took into consideration the changes in the projections discussed above and reflected the increased market risk surrounding the execution of those projections and adjusted our cost of capital assumptions to be in-line with recent market indicators for our company and industry. These increases in cost of capital and risk premium assumptions resulted in a significant increase in our discount rates utilized for purposes of determining our discounted cash flows and reduced the estimated fair values of our reporting units.

### ***Investments in Equity Affiliates***

On a periodic basis, the Company assesses whether there are any indicators that the value of its investments may be impaired, in accordance with FASB Accounting Standards Codification (“ASC”) 323, *Investment—Equity Method and Joint Ventures*. When circumstances indicate there may have been a reduction in the value of an equity method investment, the Company evaluates the equity method investment and any advances made for impairment by estimating its ability to recover its investment from future expected cash flows. If management determines the loss in value is other than temporary, the Company recognizes an impairment charge to reflect the equity investment and any advances made at fair value.

#### ***Wireless Maritime Services, LLC (“WMS”)***

As of December 31, 2021, the Company owns a 49% equity interest in WMS. The remaining 51% equity interest in WMS is owned by an unaffiliated U.S. company (the “WMS third-party investor”), which is the managing member of WMS and is responsible for its day-to-day management and operations. 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 of which are appointed by the WMS third-party investor and two of which are appointed by the Company. Profits and losses for any fiscal year are allocated between the Company and the WMS third-party investor in proportion to their respective ownership interests, after giving effect to any special allocations made pursuant to the WMS operating agreement. The excess of the fair value over the underlying equity in net assets of WMS is primarily comprised of amortizable intangible assets and nonamortizable goodwill. The Company’s carrying value in its investment in WMS is adjusted for contributions, distributions, and net income (loss) attributable to WMS, including the amortization of the cost basis difference associated with the amortizable intangible assets.

#### ***Santander Teleport S.L. (“Santander”)***

Global Eagle owned an interest in a teleport in Santander, Spain, which provided various telecommunication services, including teleport and terrestrial services. The Company held a 49% equity interest in Santander and the remaining 51% is held by an unaffiliated Spanish company (the “Santander third-party investor”).

On March 18, 2021, following a Court entered order, Maritime Telecommunications Network, Inc (a debtor entity and owner and holder of equity interest), sold the entire equity interest to the Santander third-party investor for a price of 1 euro. The transaction was finalized on March 23, 2021 and resulted in a gain of 1 euro for the period ended January 1 to March 22, 2021.

### ***Impairment of Equity Method Investment***

To determine the fair value of our equity method investments and test for impairment, we utilized an income approach (discounted cash flow method), as we believe this is the most direct approach to incorporate the specific economic attributes and risk profiles of our businesses into our valuation model. We generally do not utilize a market approach given the lack of relevant information generated by market transactions involving comparable businesses. However, to the extent market indicators of fair value become available, we consider such market indicators as well as market participant assumptions in our discounted cash flow analysis and determination of fair value. The discounted cash flow methodology is based, to a large extent, on assumptions about future events, which may or may not occur as anticipated, and such deviations could have a significant impact on the calculated estimated fair values of our equity method investments. These assumptions included the use of significant unobservable inputs, representative of a Level 3 fair value measurement, and included, but were not limited to, estimates of discount rates, future growth rates and terminal values for each equity method investment.

For the year ended December 31, 2021, we recognized no impairment charge relating to our equity method investment.

During the year ended December 31, 2020, in accordance with ASC 323, Investments-Equity Method and Joint Ventures, the Company's management completed an assessment of the recoverability of the equity method investments. We determined the carrying value of the interests in the WMS joint ventures exceeded their estimated fair value of the Company's interests, which management concluded was other than temporary. The Company recorded an impairment charge of \$28.0 million relating to its WMS equity investments. The WMS impairment was primarily driven by the continued adverse impact of COVID-19 on the operating results over the twelve months ended 2020 and foreseeable further thereafter, such as the cruise industry voluntarily committing to no-sail until late 2021.

During the year ended December 31, 2020, in accordance with ASC 323, Investments-Equity Method and Joint Ventures, the Company's management completed an assessment of the recoverability of the equity method investments. Since the carrying value of Santander joint ventures was nil after the impairment write-off incurred as of March 31, 2020, the Company performed reassessment over the investment in WMS only. It was determined that the carrying value of the interests in the WMS joint ventures exceeded the estimated fair value of the Company's interests, which management concluded was other than temporary. The Company recorded an impairment charge of \$28.0 million relating to its WMS equity investments. The WMS impairment was primarily driven by the continued adverse impact of COVID-19 on the operating results over the twelve months ended 2020 and foreseeable further thereafter, such as the cruise industry voluntarily committing to no-sail until late 2021. For the year ended December 31, 2020, the Company recorded an impairment charge \$3.0 million relating to its Santander equity investment. The Santander impairment was primarily driven by the result of a reduction in forecasted financial results for Santander due to the Company's efforts to reduce costs by shifting certain teleport and related network operations support services away from this joint venture to other vendors. This resulted in a reduction in the financial projections for the remainder of 2021 and beyond. As a result of the impairment write-off, carrying amount of the Santander investment was nil as of December 31, 2020.

The discounted cash flow analysis for each of our equity method investments included forecasted cash flows over a long-term forecast period. These forecasted cash flows took into consideration historical and recent results, a lack of sustained earnings, a deterioration of market conditions, primarily as a result of COVID-19, and management's prospective outlook. A terminal value was calculated using a terminal value growth assumption to derive the annual cash flows after the discrete forecast period. A specific discount rate was applied to the forecasted cash flows and terminal cash flows to determine the discounted future cash flows, or fair value, of each equity method investment. Our assessment took into consideration probability weighted scenarios using the above assumptions. We utilized an independent analysis to assist in our determination of fair value of our equity method investments.

See Note 9. Equity Method Investments for details regarding the 2020 impairment charges.

### *Leases*

The Company determines if an arrangement is a lease at inception. Operating leases are included in Operating lease right-of-use assets, Current operating lease liabilities, and Noncurrent operating lease liabilities in the Consolidated Balance Sheet. Finance leases are included in Property and equipment, net, Current maturities of long-term debt, and Long-term debt less current maturities in the Consolidated Balance Sheet.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The lease liability is measured as the present value of the unpaid lease payments, and the right-of-use asset value is derived from the calculation of the lease liability. Lease payments include fixed and in-substance fixed payments, variable payments based on an index or rate, reasonably certain purchase options, termination penalties, fees paid by the lessee to the owners of a special-purpose entity for restructuring the transaction, and probable amounts the lessee will owe under a residual value guarantee. Lease payments do not include (i) variable lease payments other than those that depend on an index or rate, (ii) any guarantee by the lessee of the lessor's debt, or (iii) any amount allocated to non-lease components. The Company uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments, since the Company does not know the actual implicit rates in its leases. The Company gives consideration to its recent debt issuances as well as publicly available data for instruments with similar characteristics

when calculating its incremental borrowing rate. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company combines lease and non-lease components for all asset groups. The Company's lease term includes any option to extend the lease when it is reasonably certain to be exercised based on considering all relevant economic factors.

The Company reviews the carrying value of its right-of-use assets for impairment whenever events or changes in circumstances indicate that the recorded value may not be recoverable. Recoverability of assets is measured by comparing the carrying amounts of the assets to the estimated future undiscounted cash flows, excluding financing costs. If the Company determines that an impairment exists, any related impairment loss is estimated based on fair values.

### ***Foreign Currency Translation***

The Company translates the assets and liabilities of its non-U.S.-dollar-functional-currency subsidiaries into U.S. dollars using exchange rates in effect at the end of each period. Revenue and expenses for these subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these translations are recognized in foreign currency translation included in Accumulated Other Comprehensive Income (Loss) in the Consolidated Balance Sheets. The Company's subsidiaries that use the U.S. dollar as their functional currency re-measure monetary assets and liabilities at exchange rates in effect at the end of each period, and re-measure inventories, property and nonmonetary assets and liabilities at historical rates.

### ***Income Taxes***

Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and the amounts that are reported in the income tax returns. Deferred taxes are evaluated for realization on a jurisdictional basis. The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In making this assessment, management analyzes future taxable income, reversing temporary differences and ongoing tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company will adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the Company's position. The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. The amount of unrecognized tax benefits (UTBs) is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax laws, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. The Company recognizes both accrued interest and penalties associated with uncertain tax positions as a component of Income tax (benefit) expense in the Consolidated Statements of Operations.

### ***Fair Value Measurements***

The carrying amounts of the Company's cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair market value due to the short-term nature of these investments. Certain assets for the Company are recorded at their fair value, using the fair value hierarchy, on a recurring basis, and other assets and liabilities including goodwill and intangible assets are subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review.

### ***Adoption of New Accounting Pronouncements***

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The purpose of ASU 2020-04 is to provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. More specifically, the amendments in ASU 2020-04 provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain

criteria are met. The amendments in ASU 2020-04 are effective as of March 12, 2020 through December 31, 2022. This guidance was effective upon issuance, as a result the Company adopted the guidance in the first quarter of fiscal 2020 and there was no financial impact on the Consolidated Financial Statements upon adoption.

On January 1, 2020, we adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which revises the methodology for the measurement and timing of the recognition of expected credit losses for financial assets held at amortized cost. The Company adopted Topic 326 using a modified retrospective approach with cumulative effect adjustments to the opening balance of accumulated deficit.

The cumulative effect adjustment from using the modified retrospective approach for the adoption of ASC 326 impacted Global Eagle's consolidated balance sheet as of January 1, 2020 (Predecessor) by the recognition of allowance for credit losses as summarized below (in thousands):

	<u>Balances at January 1, 2020</u>	<u>Impact of ASC 326</u>	<u>Balances Following Adoption of ASC 326</u>
<b>Assets</b>			
Accounts receivable	\$ 88,219	\$ (503)	\$ 87,716
Other current assets	\$ 12,839	\$ (111)	\$ 12,728
Other non-current assets	\$ 27,509	\$ (673)	\$ 26,836
<b>Equity</b>			
Accumulated deficit	\$ (1,162,901)	\$ (1,287)	\$ (1,164,188)

Refer to Note 8. Credit Loss Reserve and Allowances for further details.

In November 2019, the FASB issued ASU No. 2019-8, Compensation - Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements - Share-Based Consideration Payable to a Customer, which expedites the improvement process of the amendments and increase stakeholder awareness in ASU 2018-07, Compensation - Stock Compensation (Topic 718); Improvements to Nonemployee Share-Based Payment Accounting. The Company adopted ASU No. 2019-18 beginning January 1, 2020. The adoption of this standard did not have a material impact on its consolidated financial statements.

In March 2019, the FASB issued ASU No. 2019-01, Leases (Topic 842): Codification Improvements, to provide clarifications on ASC 842 and to correct unintended application of the guidance. The amendments in this update include the following items brought to FASB's attention through those interactions with stakeholders: (i) determining the fair value of the underlying asset by lessors that are not manufacturers or dealers; (ii) presentation on the statement of cash flows—sales-type and direct financing leases; and (iii) transition disclosures related to Topic 250, Accounting Changes and Error Corrections. The Company adopted ASU No. 2019-01 beginning January 1, 2020. The adoption of this standard did not have a material impact on its consolidated financial statements.

### ***Recently Issued Accounting Pronouncements***

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This ASU amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity, and also improves and amends the related EPS guidance for both Subtopics. The ASU will be effective for annual reporting periods after December 15, 2021 and interim periods within those annual periods and early adoption is permitted. The adoption of this standard would not have a material impact on its consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force). The new guidance clarifies the application of measurement alternatives and the accounting for certain forward contracts and purchased options to acquire investments. The ASU is the amendments in this Update are effective for fiscal years beginning after December 15, 2020,

and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this standard would not have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which identifies, evaluates and improves areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The ASU is effective for the Company beginning January 1, 2022, with early adoption permitted. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

### **Note 3. Revenue Recognition**

The Company accounts for a contract with a customer when an approved contract exists, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of substantially all of the consideration is probable. Revenue is recognized as the Company satisfies performance obligations by transferring a promised good or service to a customer.

Deferred revenue consists substantially of amounts received from customers in advance of the Company's performance service period and of fees deferred for future support services. Deferred revenue is recognized as revenue on a systematic basis that is proportionate to the period that the underlying services are rendered, which in a majority of arrangements is straight line over the remaining contractual term.

Our assessments regarding the timing of transfer of control and revenue recognition for our two operating segments are summarized below:

- **Media & Content** – specific to the sale and/or licensing of media content and the related technical services, such as digital delivery of media advertising, encoding of video and music products, development of graphical interfaces and provision of materials, we consider control to have transferred when: (i) the content has been delivered, and (ii) the services required under the contract have been performed. Revenue recognition is dependent on the nature of the customer contract. Content licenses to customers are typically categorized into usage-based or flat fee based fee structures. For usage-based fee structures, revenue is recognized as the usage occurs. For flat fee based structures, revenue is recognized upon the available date of the license, typically at the beginning of each cycle, or straight-line over the license period.
- **Connectivity** – we provide satellite-based Internet services and related technical and network support services, as well as the physical equipment to enable connectivity.

(i) *For Aviation*, the revenue is recognized over time as control is transferred to the customer (*i.e.* the airline), which occurs continuously as customers receive the bandwidth services. Equipment revenue is recognized when control passes to the customer, which is at the later of shipment of the equipment to the customer or obtaining regulatory certification for the operation of such equipment, as applicable.

(ii) *For Maritime and Land*, revenue is recognized over time as the customer receives the bandwidth services. Equipment revenue is recognized when control passes to the customer, which is typically from shipment of the equipment to the customer. In bandwidth arrangements where the equipment is leased, equipment revenue is determined and recognized in accordance with the assessed lease classification.

Certain of the Company's contracts involve a revenue sharing or reseller arrangement to distribute the connectivity services. The Company assesses these services under the principal versus agent criteria and determined that the Company acts in the role of an agent and accordingly records such revenues on a net basis.

The following table represents a disaggregation of the Company's revenue from contracts with customers for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020 (in thousands):

	Successor	Predecessor	
	March 23 Through December 31, 2021	January 1 Through March 22, 2021	Year Ended December 31, 2020
<b>Revenue:</b>			
Media & Content			
Licensing and Services	\$ 78,191	\$ 20,566	\$ 131,284
Total Media & Content	<u>78,191</u>	<u>20,566</u>	<u>131,284</u>
Connectivity			
Aviation Services	94,891	27,131	113,131
Aviation Equipment	23,218	3,135	13,938
Maritime & Land Services	64,659	22,053	114,434
Maritime & Land Equipment	3,124	913	6,361
Total Connectivity	<u>185,892</u>	<u>53,232</u>	<u>247,864</u>
Total revenue	<u>\$ 264,083</u>	<u>\$ 73,798</u>	<u>\$ 379,148</u>

#### *Contract Assets and Liabilities*

Aviation connectivity contracts involve performance obligations primarily relating to the delivery of equipment and services. Equipment is delivered upfront with payment due upon delivery. Services are rendered to the customer over time and are typically paid for upfront or as the services are delivered. Aviation connectivity revenue is allocated based upon SSP. The primary method used to estimate the SSP is the expected cost-plus margin approach. When the SSP exceeds the revenue allocation, the revenue to which the Company is entitled is contingent on performing the ongoing connectivity services and the Company records a contract asset accordingly.

The following table summarizes the significant changes in the balance for contract assets during the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020 (in thousands):

	Contract Assets
Balance as of January 1, 2020 (Predecessor)	\$ 14,431
Costs deferred for revenue recognized in excess of billings	8,063
Costs included in the beginning balance recognized during the period	<u>(8,995)</u>
Balance as of December 31, 2020 (Predecessor)	\$ 13,499
Costs deferred for revenue recognized in excess of billings	674
Costs included in the beginning balance recognized during the period	<u>(2,048)</u>
Balance as of March 22, 2021 (Predecessor)	\$ 12,125
Costs deferred for revenue recognized in excess of billings	1,511
Costs included in the beginning balance recognized during the period	<u>(3,198)</u>
Balance as of December 31, 2021 (Successor)	<u>\$ 10,438</u>
Current contract assets	\$ 4,524
Non-current contract assets	5,914
Balance as of December 31, 2021 (Successor)	<u>\$ 10,438</u>

The Company may invoice upfront for services recognized over time or for contracts in which it has unsatisfied performance obligations. Contract payment terms are generally 30 to 45 days. When the timing of invoicing differs from the timing of revenue recognition, the Company determines its contracts to include a financing component when the contractual term is for more than a year.

The following table summarizes the significant changes in the balance for contract liabilities, included within "Other non-current liabilities" in the consolidated balance sheets, during the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020 (in thousands):

	<u>Contract Liabilities</u>
Balance as of January 1, 2020 (Predecessor)	\$ 12,403
Revenue recognized including amount in contract liability balance at the beginning of the period	(9,113)
Increase due to cash received, excluding amounts recognized as revenue during the period	<u>5,169</u>
Balance as of December 31, 2020 (Predecessor)	\$ 8,459
Revenue recognized including amount in contract liability balance at the beginning of the period	(3,810)
Increase due to cash received, excluding amounts recognized as revenue during the period	<u>2,591</u>
Balance as of March 22, 2021 (Predecessor)	\$ 7,240
Revenue recognized including amount in contract liability balance at the beginning of the period	(9,785)
Increase due to cash received, excluding amounts recognized as revenue during the period	<u>10,500</u>
Balance as of December 31, 2021 (Successor)	<u>\$ 7,955</u>
Deferred revenue, current	\$ 7,955
Deferred revenue, non-current	<u>—</u>
Balance as of December 31, 2021 (Successor)	<u>\$ 7,955</u>

As of December 31, 2021, the Company had \$692.8 million of remaining performance obligations, which it also refers to as total backlog. The Company expects to recognize approximately 32% of its remaining performance obligations as revenue in 2022, approximately 25% in 2023, 22% by 2024, and the remaining balance thereafter.

\$9.8 million, \$3.8 million, and \$9.1 million of services revenue were recognized during the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020, respectively, and were included in the deferred revenue balances at the beginning of the respective period.

#### *Accounts Receivable, net*

The Company extends credit to its customers from time to time. The Company maintains an allowance for doubtful accounts for estimated losses resulting from its customers' inability to make required payments. Management analyzes the age of customer balances, historical bad debt experience, customer creditworthiness, estimate of our current expected credit losses, and changes in customer payment terms when making estimates of the collectability of its accounts receivable balances. If management determines that the financial condition of any of its customers has deteriorated, whether due to customer specific or general economic issues, an increase in the allowance may be made. After all attempts to collect a receivable have failed, the receivable is written off.

Accounts receivable consists of the following (in thousands):

	<u>Successor December 31, 2021</u>	<u>Predecessor December 31, 2020</u>
Accounts receivable, gross	\$ 83,747	\$ 69,905
Less: Allowance for doubtful accounts	<u>(4,893)</u>	<u>(7,161)</u>
Accounts receivable, net	<u>\$ 78,854</u>	<u>\$ 62,744</u>

Movements in the balance for allowance for doubtful accounts for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020 are as follows (in thousands):

	Successor	Predecessor	
	March 23 Through December 31, 2021	January 1 Through March 22, 2021	Year Ended December 31, 2020
Beginning balance	\$ 3,721	\$ 7,161	\$ 6,776
Additions charged to statements of operations	1,509	(370)	2,165
Less: Bad debt write offs	(369)	(2,883)	(1,376)
Other adjustments	32	(187)	(404)
Ending balance	\$ 4,893	\$ 3,721	\$ 7,161

### *Capitalized Contract Costs*

Certain of the Company's sales incentive programs meet the requirements to be capitalized as incremental costs of obtaining a contract. The Company recognizes an asset for the incremental costs if it expects the benefit of those costs to be longer than one year and amortize those costs over the expected customer life. The Company applies a practical expedient to expense costs as incurred for costs to obtain a contract when the amortization period would have been one year or less.

Additionally, the Company capitalizes assets associated with costs incurred to fulfill a contract with a customer. For example, the Company capitalizes the costs incurred to obtain necessary STC or other customer-specific certifications for its aviation, maritime and land customers.

The following table summarizes the significant changes in the contract assets balances during the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020 (in thousands):

	Contract Assets		
	Costs to Obtain	Costs to Fulfill	Total
Balance as of January 1, 2020 (Predecessor)	\$ 387	\$ 5,256	\$ 5,643
Capitalization during the period	201	615	816
Amortization during the period	(111)	(465)	(576)
Balance as of December 31, 2020 (Predecessor)	\$ 477	\$ 5,406	\$ 5,883
Capitalization during the period	(8)	292	284
Amortization during the period	(39)	(349)	(388)
Balance as of March 22, 2021 (Predecessor)	\$ 430	\$ 5,349	\$ 5,779
Capitalization during the period	(356)	1,028	672
Amortization during the period	(36)	(1,310)	(1,346)
Balance as of December 31, 2021 (Successor)	\$ 38	\$ 5,067	\$ 5,105

Contract assets are included within Other non-current assets on the Company's Consolidated Balance Sheets.

### *Practical Expedients, Policy Elections and Exemptions*

In circumstances where shipping and handling activities occur subsequent to the transfer of control, the Company has elected to treat shipping and handling as a fulfillment activity rather than a service to the customer.

The Company has made a policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer (e.g., sales, use, value added, and some excise taxes).

The Company applies a practical expedient to expense costs as incurred for incremental costs to obtain a contract when the amortization period would have been one year or less and did not evaluate contracts of one year or less for variable consideration.

#### **Note 4. Leases**

Our leasing operations consist of various arrangements, where we act either (i) as the lessee (primarily related to our corporate and regional offices, teleport co-location arrangements and satellite bandwidth capacity leases), or (ii) as the lessor (for our owned equipment rented to connectivity customers). The following describes the nature of our various leasing arrangements and the impact to our statement of operations for the periods March 23 through December 31, 2021 and January 1 through March 22, 2021:

##### **Real Estate Operating Leases (as a Lessee)**

The Company has operating leases for office facilities throughout the United States and around the world. Upon inception of a contract, the Company evaluates if the contract, or part of the contract, contains a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases include both a right-of-use asset and a lease liability. The right-of-use asset represents the Company's right to use the underlying asset in the lease, and it also includes prepaid lease payments. The lease liability represents the present value of the remaining lease payments discounted using the incremental borrowing rate ("IBR"). Maintenance and property tax expenses are accounted for on an accrual basis as variable lease cost. The Company has elected to separate the lease and non-lease components, if applicable.

The Company records lease expense on a straight-line basis over the lease term in general and administrative expense. Total lease expense for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020, was \$2.6 million, \$0.9 million, and \$5.2 million, respectively.

The Company's leases have remaining lease terms of one year to 4.0 years. Lease terms include renewal or termination options that the Company is reasonably certain to exercise. For leases with a term of 12 months or less, the Company has made an accounting policy election to not record a right-of-use asset and associated lease liability on its consolidated balance sheet.

For the year ended December 31, 2020, we recorded impairment charges of \$6.4 million for ROU assets related to the permanent closure of three office space within the U.S. as part of procedures within Global Eagle's Chapter 11 cases. In connection with the write-off of ROU assets, we derecognized \$10.1 million lease liabilities which resulted a \$3.7 million of net gain. There were no ROU impairment charges for the year ended December 31, 2021.

##### **Teleport Co-Location Operating Leases (as a Lessee)**

The Company engages certain bandwidth providers for teleport co-location services to deliver bandwidth to our network. These co-location service agreements typically include provisions for physical rack space at a third-party teleport facility. We have determined that the space provided for our equipment constitutes an operating lease.

These leases have remaining lease terms of one year to 3.0 years as of December 31, 2021. The Company records lease expense on a straight-line basis over the lease term as part of cost of sales -- licensing and services. Total lease cost recorded for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020, was \$1.2 million, \$0.4 million, and \$1.9 million, respectively.

### **Satellite Bandwidth Operating & Finance Leases (as a Lessee)**

The Company maintains agreements with satellite service providers to provide for certain satellite bandwidth capacity. The Company evaluates these arrangements for embedded leases when the Company has the right to control the use of a significant portion of the identified asset. The Company has elected to separate the lease and non-lease components.

#### **Bandwidth Operating Leases**

The Company recorded right-of-use assets and lease liabilities for certain bandwidth capacity arrangements meeting the operating lease classification. These leases have remaining lease terms of one year to 4.25 years as of December 31, 2021. The Company records lease expense on a straight-line basis over the lease term as part of cost of sales -- licensing and services. Total lease cost recorded for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020, was nil, \$0.4 million, and \$1.4 million, respectively.

For leases with a term of 12 months or less, the Company has made an accounting policy election to not record a right-of-use asset and associated lease liability on its consolidated balance sheet.

#### **Bandwidth Finance Lease**

The finance lease had a remaining lease term of 5.75 years as of December 31, 2020. The lease was rejected as a part of the Bankruptcy Court action, and all obligations under the lease was settled as a part of the general bankruptcy claim. The Company recorded amortization of right-of-use assets and interest accretion on finance lease liabilities as part of cost of sales -- licensing and services and interest expense, net, respectively. The following table provides the components of the finance lease cost for the period January 1 through March 22, 2021 and for the year ended December 31, 2020 (in thousands):

	Successor	Predecessor	
	March 23 Through December 31, 2021	January 1 Through March 22, 2021	Year Ended December 31, 2020
Amortization of right-of-use asset, net of lease incentive and contract liability credits	\$ —	\$ 420	\$ 1,681
Interest accretion on finance lease liabilities	—	338	1,462
Total finance lease cost	\$ —	\$ 758	\$ 3,143

### **Other Arrangements (as a Lessee)**

The Company leases certain computer software and equipment facilities under finance leases that expire on various dates through 2022, for which the outstanding lease liability balance was assessed as not material as of December 31, 2021.

### **Equipment Held by Customers (as a Lessor)**

The Company either sells or leases certain equipment (including antennas, modems and routers, among others) as part of the bandwidth service to our Maritime and Land Connectivity customers. We account for existing equipment lease transactions as operating leases. We recognize lease payments for operating leases as licensing and services revenue in our consolidated statement of operations on a straight-line basis over the lease term.

We assess new equipment lease arrangements or modifications to existing equipment lease arrangements for operating or sales-type lease classification. We recognize investments in leases for sales-type leases when the risk and rewards of ownership are not fully transferred to the customer due to our continued involvement with the equipment. We allocate the total consideration in a contract assessed with a sales-type lease using the expected cost-plus margin and residual methods for the lease and non-lease components, respectively.

The service revenues (with embedded operating equipment leases) and recognized revenues on sales-type equipment leases in which the Company acts as the lessor for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020, are presented in the following table (in thousands):

	Successor	Predecessor	
	March 23 Through December 31, 2021	January 1 Through March 22, 2021	Year Ended December 31, 2020
Bandwidth service and equipment revenues <sup>(1)</sup>	\$ 34,780	\$ 10,071	\$ 80,654
Earned revenues on sales-type leases at commencement <sup>(2)</sup>	—	—	915
<b>Total Licensing and service revenues -- Maritime and Land Connectivity</b>	<b>\$ 34,780</b>	<b>\$ 10,071</b>	<b>\$ 81,569</b>

<sup>(1)</sup> This is presented as part of Revenues -- Licensing and services in our consolidated statement of operations, and includes the equipment lease component that is embedded in the overall bandwidth service arrangement. Since we adopted the practical expedient to not separate the lease and non-lease components as allowed with the ASC 842 implementation as of January 1, 2019, we will continue to classify existing embedded equipment arrangements as operating leases, to the extent unmodified.

<sup>(2)</sup> This includes the equipment lease revenues recognized at commencement date of the customer equipment arrangements classified as sales-type leases. As equipment leasing is a standard component in our connectivity business model, we present equipment revenues relating to these sales-type leases on a gross basis, and recognize a corresponding cost of sales equal to the net book value of the leased equipment. Interest income component is considered immaterial.

#### Supplemental Cash Flow Information, Weighted-Average Remaining Lease Term and Discount Rate

Because the rate implicit in each lease is not readily determinable, the Company uses its IBR to determine the present value of the lease payments. The following table discloses the weighted-average remaining lease term and IBR, as well as supplemental cash flow information for the periods March 23 through December 31, 2021 and January 1 through March 22, 2021 (in thousands):

	Successor	Predecessor
	March 23 Through December 31, 2021	January 1 Through March 22, 2021
Supplemental cash flow information		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 4,188	\$ 1,324
Cash paid for amounts included in the measurement of finance lease liabilities	\$ 124	\$ 160
Right-of-use-assets obtained in exchange for operating lease obligations	\$ 7,255	\$ 935
Weighted average remaining lease term -- real estate operating leases	4.32 years	5.00 years
Weighted average remaining lease term -- teleport co-location operating leases	2.27 years	3.02 years
Weighted average IBR -- real estate operating leases	10.30 %	10.30 %
Weighted average IBR -- teleport co-location operating leases	8.98 %	8.98 %
Weighted average IBR -- finance lease	8.30 %	8.30 %

### Annual Future Minimum Lease Payments

The following table reflects a summary of annual future minimum lease payments and the Company's lease assets as of December 31, 2021 (Successor) (in thousands):

Lease Classification	As a Lessee			As a Lessor
	Real Estate	Teleport Co-Location	Total	Equipment Held by Customers
	Operating	Operating		Sales-Type
2022	\$ 3,346	\$ 1,552	\$ 4,898	\$ 585
2023	2,794	1,094	3,888	261
2024	2,603	678	3,281	180
2025	2,938	—	2,938	43
2026	—	—	—	—
Total Future Lease Payments	\$ 11,681	\$ 3,324	\$ 15,005	\$ 1,069
Less: Imputed interest	—	—	—	(95)
Present value of lease liabilities	\$ 11,681	\$ 3,324	\$ 15,005	
Net investment in Sales-Type Leases				\$ 974

In response to the COVID-19 pandemic and related government restrictions negatively impacting our operations, subsequent to March 31, 2020, we began renegotiating certain lease agreements to obtain rent relief in the near term, in order to help offset the negative financial impacts of COVID-19. On April 10, 2020, the Financial Accounting Standards Board ("FASB") staff issued a question-and-answer document providing guidance for lease concessions provided to lessees in response to the effects of COVID-19. Such guidance allows lessees to make an election not to evaluate whether a lease concession provided by a lessor should be accounted for as a lease modification in the event the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee. We elected to adopt the practical expedient for all lease concessions provided for our real estate lease agreements. For both of the periods March 23 through December 31, 2021 and January 1 through March 22, 2021, rent concession received was nil.

The book value of the equipment held by customers under operating leases, which are classified as "Equipment" in Note 5. Property and Equipment, net, is as follows (in thousands):

Equipment	Successor	Predecessor
	December 31, 2021	December 31, 2020
Gross balance	\$ 13,667	\$ 45,883
Accumulated depreciation	(4,584)	(29,433)
Net book value	\$ 9,083	\$ 16,450

### Note 5. Property and Equipment, net

Adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes and the recording of the Company's assets and liabilities at their fair value as of the Effective Date, with the excess of reorganization value over net asset values recorded as goodwill, in conformity with FASB ASC 805, *Business Combinations*. The estimated fair values of the Company's assets and liabilities as of that date differed from the recorded values of its assets, including property and equipment, as reflected in its historical consolidated financial statements, which created a new basis as of the fresh-start date. For details on how the Company determined the reorganization value, and how the reorganization value was allocated the assets and liabilities in relation to their fair values upon emergence from chapter 11, see Note 21. Fresh-start Accounting. The fair value of property and equipment was determined by first identifying the assets and categorizing them into various assets classes, and using certain valuation assumptions, namely, (i) market participant assumptions – that the fair value of the tangible assets was estimated based on the assumptions that

market participants would make in determining the price of the assets, and ii) premise of value assumption – that, in general, the highest and best use for the assets acquired as of the valuation date is their continued use for the purpose that they were designed and installed in combination with other assets and liabilities such that their optimal value is realized. In order to estimate the fair value of the tangible assets, we considered three approaches to value: the cost approach, the sales comparison approach, and the income approach. Our analysis primarily relied upon the cost approach, as it is typically the most reliable method to estimate value for assets that interact with each other held within a business, but neither have a substantial used market nor an identifiable revenue stream by asset. The sales comparison method was applied as the primary method for the land.

Property and equipment, net, consisted of the following (in thousands):

	<u>Successor</u> <u>December 31, 2021</u>	<u>Predecessor</u> <u>December 31, 2020</u>
Leasehold improvements	\$ 4,475	\$ 8,132
Furniture and fixtures	1,354	681
Equipment	82,704	160,484
Computer software	7,538	53,737
Automobiles	134	242
Buildings	3,976	4,974
Company-owned aircraft	387	456
Satellite transponders	40,069	70,100
Construction in-progress	3,083	1,485
Total property and equipment	\$ 143,720	\$ 300,291
Accumulated depreciation	(47,120)	(206,843)
Property and equipment, net	\$ 96,600	\$ 93,448

During the periods March 23 through December 31, 2021 and January 1 through March 22, 2021, the Company recognized no impairment charges. During the year ended December 31, 2020, Global Eagle recognized \$5.6 million in impairment losses, of which, \$3.4 million relating to closing of certain office facilities during Global Eagle's initiatives of relocation of worldwide operating facilities to reduce ongoing costs, \$1.0 million relating to decommissioned vessels and \$1.2 million relating to accelerated disposal of equipment which primarily due to the impact of COVID-19 pandemic. Additionally, the \$3.4 million is included in goodwill and long-lived asset impairment and the \$2.2 million is included in cost of sales in the accompanying consolidated statements of operations.

Depreciation expense for property and equipment, including software amortization expense and amortization of assets under capital leases, for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020 is as follows (in thousands):

	<u>Successor</u> <u>March 23</u> <u>Through</u> <u>December 31, 2021</u>	<u>Predecessor</u>	
		<u>January 1</u> <u>Through March</u> <u>22, 2021</u>	<u>Year Ended</u> <u>December 31, 2020</u>
Cost of sales	\$ 37,721	\$ 8,056	\$ 35,394
Sales and marketing	1,373	371	1,451
Product development	1,616	436	1,576
General and administrative	6,410	1,730	10,499
Total depreciation expense	\$ 47,120	\$ 10,593	\$ 48,920

## Note 6. Goodwill

Adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes and the recording of the Company's assets and liabilities at their fair value as of the Effective Date, with the excess of reorganization value over net asset values recorded as goodwill, in conformity with FASB ASC 805, *Business*

*Combinations.* The estimated fair values of the Company's assets and liabilities as of that date differed from the recorded values of its assets, including goodwill, as reflected in its historical consolidated financial statements, which created a new basis as of the fresh-start date. The fresh-start adjustment in the goodwill roll forward as of December 31, 2021 presented below reflects the adjustment that was required to bring the goodwill balance to its new basis. For details on how the Company determined the reorganization value, and how the reorganization value was allocated the assets and liabilities in relation to their fair values upon emergence from chapter 11, see Note 21. Fresh-start Accounting.

Goodwill is allocated to the Company's three reporting units. The changes in the carrying amounts of goodwill by reporting unit are as follows (in thousands):

	Aviation Connectivity	Maritime & Land Connectivity	Media & Content	Total
Balance as of January 1, 2020 (Predecessor)	\$ 54,022	\$ 22,130	\$ 83,455	\$ 159,607
Impairment loss	—	(22,130)	—	(22,130)
Foreign currency translation adjustments	—	—	12	12
Balance as of December 31, 2020 (Predecessor)	\$ 54,022	\$ —	\$ 83,467	\$ 137,489
Foreign currency translation adjustments	—	—	15	15
Balance as of March 22, 2021 (Predecessor)	\$ 54,022	\$ —	\$ 83,482	\$ 137,504
Fresh-start adjustments	(16,618)	12,468	(65,579)	(69,729)
Balance as of December 31, 2021 (Successor)	<u>\$ 37,404</u>	<u>\$ 12,468</u>	<u>\$ 17,903</u>	<u>\$ 67,775</u>
Gross carrying amount	\$ 37,404	\$ 12,468	\$ 17,888	\$ 67,760
Accumulated foreign currency translation adjustments	—	—	15	15
Balance as of December 31, 2021 (Successor)	<u>\$ 37,404</u>	<u>\$ 12,468</u>	<u>\$ 17,903</u>	<u>\$ 67,775</u>

### ***Goodwill Impairment***

During the periods March 23 through December 31, 2021 and January 1 through March 22, 2021, we had no impairment of goodwill.

During the 4th quarter of 2020, as a part of its annual assessment, and as a result of continued declines in macroeconomic conditions and the implementation of regulatory restrictions brought forth by the COVID-19 pandemic, and due to Debtors' filing for Chapter 11 Bankruptcy and subsequent delisting and deregistration, the company determined that it was more likely than not that an impairment may exist within the Media & Content reporting units. Global Eagle performed a quantitative goodwill impairment test for these reporting units and determined goodwill was not impaired. The Aviation Connectivity reporting unit was not negatively impacted by COVID-19 pandemic as much as the other reporting units. Consequently, Global Eagle performed a qualitative valuation of its goodwill relating to the reporting units and noted the fair value of the Aviation Connectivity reporting unit exceeded its carrying values. As such, no impairment of goodwill was necessary as of December 31, 2020.

During the first quarter which ended March 31, 2020, Global Eagle identified a triggering event due to a significant decline in the market capitalization of Global Eagle and results of operations predominately impacted by the uncertainty related to the COVID-19 pandemic. Accordingly, Global Eagle assessed the fair value of its three reporting units as of March 31, 2020 and recorded a goodwill impairment charge of \$22.1 million related to its Maritime & Land Connectivity reporting unit.

### **Note 7. Intangible Assets, net**

Adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes and the recording of the Company's assets and liabilities at their fair value as of the Effective Date, with the excess of reorganization value over net asset values recorded as goodwill, in conformity with FASB ASC 805, *Business Combinations*. The estimated fair values of the Company's assets and liabilities as of that date differed from the recorded

values of its assets, including finite-life intangible assets, as reflected in its historical consolidated financial statements, which created a new basis as of the fresh-start date. For details on how the Company determined the reorganization value, and how the reorganization value was allocated the assets and liabilities in relation to their fair values upon emergence from chapter 11, see Note 21. Fresh-start Accounting.

The Company's finite-lived intangible assets recorded based on their new basis have assigned useful lives ranging from 2.0 to 15.0 years.

Intangible assets, net, consisted of the following (in thousands):

	Successor December 31, 2021			
	Weighted Average Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:				
Existing technology - software	4.0 years	\$ 24,100	\$ 3,955	\$ 20,145
Existing technology - games	3.0 years	5,000	2,017	2,983
Customer relationships	14.0 years	181,700	9,957	171,743
Other	4.0 years	1,600	333	1,267
Total		<u>\$ 212,400</u>	<u>\$ 16,262</u>	<u>\$ 196,138</u>
	Predecessor December 31, 2020			
	Weighted Average Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:				
Existing technology - software	5.2 years	\$ 36,799	\$ 35,062	\$ 1,737
Developed technology	8.0 years	7,317	6,631	686
Customer relationships	8.7 years	138,358	107,681	30,677
Backlog	3.0 years	18,300	18,300	—
Other	5.1 years	1,249	1,131	118
Total		<u>\$ 202,023</u>	<u>\$ 168,805</u>	<u>\$ 33,218</u>

The Company expects to record amortization of the intangible assets as follows (in thousands):

Years Ending December 31,	Amount
2022	\$ 21,897
2023	21,332
2024	20,285
2025	14,844
2026	12,960
Thereafter	104,820
Total	<u>\$ 196,138</u>

The Company recorded amortization expense of \$16.3 million, \$3.9 million, and \$22.3 million for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020, respectively.

#### Note 8. Credit Loss Reserve and Allowances

Upon adoption of ASC 326 as of January 1, 2020, the Company implemented an expected credit loss allowance methodology for accounts receivable using historical collection experience, current and future economic and market conditions, and a review of the current status of each customer's trade accounts receivables. As a part of the

implementation, the Company analyzed the prior history of credit losses on accounts receivable separately for each of the two business segments Media & Content and Connectivity, and within each segment, separately for Aviation, Land and Maritime verticals. Our business is managed between Media & Content and Connectivity, and therefore, it was deemed appropriate to first analyze losses separately for the two based on the nature of these segments and related customer base. Further, the Company noted that historically customers between the aviation, land and maritime groups exhibit common risk characteristics based upon the industries for which they operate in and believed a further breakdown of segments across aviation, land and maritime verticals was appropriate. The analysis resulted in the Company's history of credit losses on accounts receivable for a total of six aggregation points and determining loss rates for each based on a five-year period average.

Additionally, the Company estimates loss reserve based on the aging of the accounts receivable balances and the financial condition of customers and provides for specific allowance amounts for those customers that have a higher probability of default. We regularly monitor the collection status of accounts receivable through account reconciliation, dispute resolution, payment tracking, customer's financial condition and macroeconomic conditions. We write-off balances when determined to be uncollectible. We apply a similar methodology towards our current and non-current contract asset balances, which shares certain common risk factors with accounts receivable. Finally, for the twelve months ended December 31, 2021, we have reviewed and considered the current and future economic and market conditions resulting from the ongoing COVID-19 pandemic in determining our estimated credit losses.

A summary of our allowances for credit losses were as follows (in thousands):

	Accounts Receivable	Prepaid and Other Current Assets	Other Non-Current Assets	Total
Balance as of January 1, 2020 (Predecessor)	\$ 6,776	\$ —	\$ —	\$ 6,776
Cumulative-effect adjustment of ASC 326 adoption	503	111	672	1,286
Current-period provision for expected credit losses	2,165	605	(60)	2,710
Write-offs and dispositions	(1,376)	—	—	(1,376)
Foreign currency rate changes	(907)	—	—	(907)
Balance as of December 31, 2020 (Predecessor)	\$ 7,161	\$ 716	\$ 612	\$ 8,489
Current-period provision for expected credit losses	(370)	—	—	(370)
Write-offs and dispositions	(2,883)	—	—	(2,883)
Foreign currency rate changes	(187)	—	—	(187)
Balance as of March 22, 2021 (Predecessor)	\$ 3,721	\$ 716	\$ 612	\$ 5,049
Current-period provision for expected credit losses	1,509	(716)	(612)	181
Write-offs and dispositions	(369)	—	—	(369)
Foreign currency rate changes	32	—	—	32
Balance as of December 31, 2021 (Successor)	<u>\$ 4,893</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,893</u>

The current-period provision for expected credit losses was due primarily to the impact of COVID-19.

#### Note 9. Equity Method Investments

The carrying value of Santander investment was fully impaired in the first quarter of 2020 as a result of Global Eagle's moving away from the teleport, and management determined that it did not expect to recover value from the investment, even from a potential sale of its equity interest.

On March 18, 2021, following a Court entered order, Maritime Telecommunications Network, Inc ("Seller"), a wholly owned subsidiary of Global Eagle, owner and holder of 589,519 registered shares ("Shares") of Santander Teleport, S.L.'s share capital, each with a par value of 1 euro, fully paid in, representing a 49% of the share capital, sold its entire equity interest to Erzia Technologies, S.L. ("Buyer"), a Spanish company, with registered office in Santander (Cantabria-Spain) for a price of 1 euro. As previously noted, on October 15, 2020, the bankruptcy court had entered an order (the "Sale Order") approving the Seller and certain of its affiliates' (the "Debtors") entry into an Asset Purchase Agreement (the "APA") providing for the sale (the "Sale") of substantially all of the debtors' assets to Anuvu Corp. or its designee(s) (the

“GEE Purchaser”). Pursuant to the APA, the GEE Purchaser has designated the Shares for assignment to Erzia, effective as of the date of the closing of the Sale (the “Sale Closing Date”).

As of December 31, 2021 and 2020, the Company owns 49% interests in WMS.

Upon emergence from chapter 11 of the U.S. Bankruptcy Code, the Company’s balance sheet was restated to fair value, pursuant to Accounting Standards Codification (“ASC”) Topic 852 (“ASC 852”), *Reorganizations*, which incorporated the guidance in AICPA Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code.

In connection with Global Eagle’s emergence from bankruptcy and in accordance with ASC 852, we qualified for and adopted fresh-start accounting on the Effective Date (March 23, 2021). In accordance with ASC 852, with the application of fresh-start accounting, we allocated the reorganization value to individual assets based on their estimated fair values in conformity with ASC 805, *Business Combinations*. The reorganization value represents the fair value of the Successor Company’s assets before considering liabilities. The excess reorganization value over the fair value of identified tangible and intangible assets is reported as goodwill. In line with the ASC 852 requirements, management performed a fair valuation of the Equity Investment in WMS pursuant to the provisions of ASC 805 as of March 23, 2021.

The Company’s 49% equity investment in WMS was valued at \$53.0 million, of which \$25.3 million was allocated to customer relationship intangible assets. The customer relationship was assigned a useful life of 10 years based on past performance and future uncertainties on the profitability of WMS.

No impairment of WMS investment was recognized during the periods March 23 through December 2021 and January 1 through March 22, 2021.

During the year ended December 31, 2020, in accordance with ASC 323, Investments-Equity Method and Joint Ventures, Global Eagle completed an assessment of the recoverability of the equity method investments. Since the carrying value of Santander joint ventures was nil after the impairment write-off incurred at March 31, 2020, the reassessed the WMS equity investment. Global Eagle determined the carrying value of the interests in the WMS joint ventures exceeded the estimated fair value of the interests and concluded was other than temporary. Global Eagle recorded an impairment charge of \$28.0 million relating to its WMS equity investment. The WMS impairment was primarily driven by the continued adverse impact of COVID-19 on the operating results over the twelve months ended 2020 and foreseeable further thereafter, such as the cruise industry voluntarily committing to no-sail until late 2021. For the year ended December 31, 2020, Global Eagle recorded a \$3.0 million impairment charge relating to its Santander equity investment. During the fourth quarter of 2020, in accordance with ASC 323, Global Eagle completed an equity method investments recoverability assessment. Since the investment of Santander was nil as of December 31, 2020, the Company only performed assessment over the WMS equity investment. During the year ended December 31, 2020, the carrying value of its interest in the WMS joint venture exceeded the estimated fair value of its interest, which management concluded was other than temporary, and accordingly recorded an impairment charge of \$17.9 million relating to its WMS equity investment.

Following is the summarized financial information for such equity method investments on an aggregated basis as of and for the years ended December 31, 2021 and 2020 (in thousands):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 17,473	\$ 21,009
Non-current assets	\$ 15,386	\$ 23,751
Current liabilities	\$ 7,291	\$ 3,154
Non-current liabilities	\$ 89	\$ 9,877

	<u>Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 23,863	\$ 39,101
Operating expenses	\$ (28,567)	\$ 42,238
Net loss	\$ (4,704)	\$ (3,137)

The carrying values of the Company's equity interests in WMS and Santander as of December 31, 2021 and 2020 were as follows (in thousands):

	<u>Successor</u>	<u>Predecessor</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying value in the equity method investments	\$ 49,871	\$ 38,511

As of March 23, 2021, the carrying value of the equity method investment in WMS was restated to its fair value of \$53 million, of which \$25.3 million was allocated to amortizable definite-life intangible assets. The weighted-average life of the intangible assets at the time of the fresh-start accounting was 10 years. The net book value of the intangible assets included in the carrying value of the equity method investment was \$23.4 million as of December 31, 2021.

As of December 31, 2020, there was an aggregate difference of \$22.3 million between the carrying amounts (inclusive of the impact of the impairment losses) of these investments and the amounts of underlying equity in net assets in these investments. The difference was determined by applying the acquisition method of accounting in connection with the EMC Acquisition and was being amortized ratably over the life of the related acquired intangible assets.

#### Note 10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following (in thousands):

	<u>Successor</u>	<u>Predecessor</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	\$ 17,171	\$ 95,362
Content license and royalties	19,694	25,842
Accrued legal settlements	1,075	4,780
Accrued payroll obligations	10,370	8,784
Accrued professional fees	1,063	10,324
Other accrued expenses	17,927	30,279
Reclass to liabilities subject to compromise	—	(117,393)
Total	<u>\$ 67,300</u>	<u>\$ 57,978</u>

#### Note 11. Financing Arrangements

The filing of the Chapter 11 Cases constituted an event of default that accelerated substantially all of Global Eagle's obligations under the documents governing the 2017 Senior Secured Agreement, Convertible Senior Notes due 2035, Second Lien Notes due 2023 and Warrant, and other debt. As of December 31, 2020, we reclassified all debt obligations to "Long term debt due within one year," based on the event of default or reinstatement provisions of each security in the RSA. We then present them as "Liabilities Subject to Compromise" on the consolidated balance sheet as of December 31, 2020. The debt classified as "Liabilities Subject to Compromise" as of December 31, 2020 were extinguished or settled as directed by the Bankruptcy Court in conformity with the Plan.

Pursuant to Section 362 of the Bankruptcy Code, the filing of the Chapter 11 Cases automatically stayed most actions against or on behalf of Global Eagle Parties, including actions to collect indebtedness incurred prior to the Petition Date or to exercise control over Global Eagle Parties' property.

For information related to the RSA, the Chapter 11 Cases, the Plan and the DIP Financing, refer to Note 2. Basis of Presentation and Summary of Significant Accounting Policies.

The following table sets forth the summary of the Company's outstanding indebtedness (in thousands):

	<u>Successor</u> <u>December 31, 2021</u>	<u>Predecessor</u> <u>December 31, 2020</u>
Senior secured priority term loan, due March 23, 2025 <sup>(1)</sup>	\$ 205,000	\$ —
Senior secured takeback term loan, due March 23, 2026 <sup>(2)</sup>	178,917	—
Delayed draw term loans (DDTL), due September 23, 2023 <sup>(3)</sup>	3,889	—
Senior secured term loan facility, due January 2023 <sup>(4)</sup>	—	513,390
Senior secured revolving credit facility, due January 2022 <sup>(4)</sup>	—	81,065
Convertible senior notes, due February 2035 <sup>(4)</sup>	—	82,500
Second lien notes, due June 2023 <sup>(5)</sup>	—	196,779
Senior secured super-priority term loan (debtor-in-possession) <sup>(6)</sup>	—	80,000
Other debt	3,584	25,658
Unamortized financing issue costs <sup>(7)</sup>	(8,141)	(968)
Total carrying value of debt prior to reclassifications	383,249	978,424
Less: Debtor-in-Possession financing	—	(79,032)
Less: debt subject to compromise	—	(893,905)
Total debt	<u>\$ 383,249</u>	<u>\$ 5,487</u>

- <sup>(1)</sup> This facility is a component of the Senior Secured Priority Term Loan Credit Agreement (the "Priority Credit Agreement") entered into by the Company with the lenders on March 23, 2021. The Priority Credit Agreement provides for a \$205.0 million secured term loan facility, maturing March 23, 2025. The carrying value as set forth in the above table includes principal amount outstanding \$205.0 million as of December 31, 2021.
- <sup>(2)</sup> This facility is a component of the Senior Secured Takeback Term Loan Credit Agreement (the "Takeback Credit Agreement") entered into by the Company with the lenders on March 23, 2021. The Takeback Credit Agreement provides for a \$170.0 million secured takeback term loan facility, maturing March 23, 2026. The carrying value as set forth in the table above includes principal amount outstanding \$170.0 million and approximately \$8.9 million of payment-in-kind ("PIK") interest converted to principal since debt issuance.
- <sup>(3)</sup> This facility is a component of the Senior Secured Priority Term Loan Credit Agreement (the "Priority Credit Agreement") entered into by the Company with the lenders on March 23, 2021. The Priority Credit Agreement provides for a \$12.5 million secured delayed draw term loan ("DDTL") facility maturing September 23, 2023. The carrying value as set forth in the table above includes principal amount drawn and outstanding \$3.9 million as of December 31, 2021.
- <sup>(4)</sup> All outstanding debts as of December 31, 2020, other than the Senior Secured Super-Priority Term Loan, were subject to compromise in the chapter 11 bankruptcy proceedings and settled for amounts materially different from their carrying value. The Company emerged out of bankruptcy on March 23, 2021, on which date the entire amount of these First Lien loans that remained owed to the lenders were converted to the Senior Secured Takeback Term Loan of \$170.0 million as previously stated.
- <sup>(5)</sup> The principal amount outstanding of the Second Lien Notes, due June 2023 as set forth in the above table was \$178.0 million as of December 31, 2020 and included approximately \$18.8 million of payment-in-kind ("PIK") interest converted to principal since debt issuance was subject to compromise in the chapter 11 bankruptcy proceedings and settled for amounts materially different from their carrying value. The Company emerged out of bankruptcy on March 23, 2021, on which date the entire amount of the loan that remained owed to the lenders was settled for a final amount of approximately \$1.8 million.
- <sup>(6)</sup> The Senior Secured Super-Priority Term Loan Debtor-In-Possession Credit Agreement (the "DIP Credit Agreement") entered into with the DIP lenders provided a facility in an aggregate principal amount of \$80.0 million (the "DIP Term Loan Facility"). As described previously, the Company emerged out of bankruptcy on March 23, 2021, on which date the entire \$80.0 million loan that remained owed to the DIP lenders was converted, together with an additional \$125.0 million of aggregate principal amount, into the Senior Secured Priority Term Loan of \$205.0 million as previously stated.
- <sup>(7)</sup> Includes \$8.0 million for the Senior Secured Priority Term Loan and \$0.2 million for the Delayed draw term loans (DDTL) as of December 31, 2021, and \$1.0 million for the Senior secured super-priority term loan (debtor-in-possession) as of December 31, 2020.

### ***Debtor-in-Possession Credit Agreement***

On July 24, 2020, the Debtors entered into a Senior Secured Super-Priority Term Loan Debtor-In-Possession Credit Agreement (the "DIP Credit Agreement") with Citibank, N.A. Under the DIP Credit Agreement, the DIP Lenders agreed to provide a senior secured super-priority DIP term loan facility in an aggregate principal amount of \$80.0 million (the

“DIP Term Loan Facility”), which term loan accumulated interest based on an interest rate of LIBOR plus 10.00%, with a 1.25% LIBOR floor (11.25% as of December 31, 2020). For detailed terms and conditions of the DIP Agreement, see Note 2. Basis of Presentation and Summary of Significant Accounting Policies.

The DIP loan was repaid concurrent with the execution of the Plan as of March 23, 2021.

#### ***Letter of Credit Reimbursement Agreement***

On August 5, 2020, the Debtors entered into the Letter of Credit Reimbursement Agreement which was discussed in detail in Note 2. Basis of Presentation and Summary of Significant Accounting Policies.

#### ***Exit Credit Agreement (2021 Credit Agreements)***

On March 23, 2021, subsequent to the year-end December 31, 2020 and in conjunction with the Sale process and emergence from chapter 11 proceedings, Anuvu Holdings 2 LLC (a new entity) entered into a Senior Secured Priority Term Loan Credit Agreement (the “Priority Credit Agreement”) with Anuvu Holdings 1 LLC, a guarantor party thereto, and certain other affiliated guarantors, Acquiom Agency Services LLC and Seaport Loan Products LLC, as Co-Administrative Agents, and the lenders party thereto. The Priority Credit Agreement provides for a \$205.0 million secured term loan facility, maturing March 23, 2025, and a \$12.5 million secured delayed draw term loan facility maturing September 23, 2023. As of April 30, 2021, the Company had drawn \$4.6 million of the delayed draw term loan facility.

The proceeds of the term loan facility were used in part to refinance \$80.0 million of loans under the debtor-in-possession credit facility of Global Eagle and the remainder may be used for working capital and other general corporate purposes. The proceeds of the delayed draw term facility shall be used solely to cash collateralize letters of credit, subject to specified exceptions.

Amounts outstanding under the Priority Credit Agreement accrue interest at a rate equal to (a) for the term loan facility either, at the Company’s election, LIBOR plus a margin of 8.0% per annum, or base rate plus a margin of 7.0% per annum and (b) for the delayed draw term facility either, at the Company’s election, LIBOR plus a margin of 7.0% per annum, or base rate plus a margin of 6.0% per annum; provided that if more than \$7.5 million of delayed draw term loans have been drawn, then interest shall accrue at a rate equal to either, at the Company’s election, LIBOR plus a margin of 8.0% per annum, or base rate plus a margin of 7.0% per annum. Interest is payable on the last day of the applicable interest period for any LIBOR loan, and on the last business day of each March, June, September, and December for any base rate loan. Prior to the maturity date, there are no periodic amortization payments.

The covenants of the Priority Credit Agreement include customary negative covenants that, among other things, restrict the Company’s ability to incur secured indebtedness, grant liens and make certain acquisitions, investments, asset dispositions and restricted payments.

The Priority Credit Agreement includes customary events of default, and customary rights and remedies upon the occurrence of any event of default thereunder, including rights to accelerate the loans and terminate the commitments thereunder.

On March 23, 2021, Anuvu Holdings 2 LLC entered into a Senior Secured Takeback Term Loan Credit Agreement (the “Takeback Credit Agreement”) with Anuvu Holdings 1 LLC, a guarantor party thereto, and certain other affiliated guarantors, Acquiom Agency Services LLC and Seaport Loan Products LLC, as Co-Administrative Agents, and the lenders party thereto. The Takeback Credit Agreement provides for a \$170.0 million secured takeback term loan facility, maturing March 23, 2026. Refer to Note 2. Basis of Presentation and Summary of Significant Accounting Policies for details.

The proceeds of the takeback term loan facility were used to refinance the loans under the pre-petition credit facility of Global Eagle.

Amounts outstanding under the Takeback Credit Agreement accrue interest at a rate equal to either, at the Company's election, LIBOR plus a margin of 8.25% per annum, or base rate plus a margin of 7.25% per annum. Until March 23, 2023, up to 6.75% of the interest may be paid in kind. Interest is payable on the last day of the applicable interest period for any LIBOR loan, and on the last business day of each March, June, September, and December for any base rate loan. Prior to the maturity date, there are no periodic amortization payments.

The covenants of the Takeback Credit Agreement include customary negative covenants that, among other things, restrict the Company's ability to incur secured indebtedness, grant liens and make certain acquisitions, investments, asset dispositions and restricted payments.

The Takeback Credit Agreement includes customary events of default, and customary rights and remedies upon the occurrence of any event of default thereunder, including rights to accelerate the loans and terminate the commitments thereunder.

### ***Pre-petition financing agreements***

Pursuant to the Bankruptcy Code, Global Eagle stopped accruing interest expense relating to long-term debt, including the 2017 Senior Secured Agreement, Convertible Senior Notes due 2035, Second Lien Notes due 2023 and Warrant, all of which are subject to compromise, and discussed below. In addition, we wrote off capitalized debt issuance costs related to such long-term debts totaling \$55.5 million during the year ended December 31, 2020, which was included in Reorganization costs on the consolidated statement of operations for the year ended December 31, 2020.

### ***Senior Secured Credit Agreement (2017 Credit Agreement)***

On January 6, 2017, Global Eagle entered into a senior secured credit agreement ("2017 Credit Agreement") that provides for aggregate principal borrowings of up to \$585 million, consisting of a \$500 million term-loan facility (the "2017 Term Loans") maturing January 6, 2023 and a \$85 million revolving credit facility (the "2017 Revolving Loans") maturing January 6, 2022. The Company used the proceeds of borrowings under the 2017 Credit Agreement to repay the then outstanding balance under a former EMC credit facility assumed in the EMC Acquisition and terminated the former credit facility assumed from EMC.

The 2017 Credit Agreement also provided for the issuance of letters of credit in the amount equal to the lesser of \$15.0 million and the aggregate amount of the then-remaining revolving loan commitment. As of December 31, 2020, Global Eagle had outstanding letters of credit of \$4.3 million under the 2017 Credit Agreement.

Certain of Global Eagle's subsidiaries were guarantors of its obligations under the 2017 Credit Agreement. In addition, the 2017 Credit Agreement was secured by substantially all of Global Eagle's tangible and intangible assets, including a pledge of all of the outstanding capital stock of substantially all of Global Eagle's domestic subsidiaries and 65% of the shares or equity interests of foreign subsidiaries, subject to certain exceptions.

### ***2.75% Convertible Senior Notes due 2035***

In February 2015, Global Eagle issued an aggregate principal amount of \$82.5 million of convertible senior notes due 2035 (the "Convertible Notes") in a private placement. The Convertible Notes were issued at par, pay interest semi-annually in arrears at an annual rate of 2.75% and mature on February 15, 2035, unless earlier repurchased, redeemed or converted pursuant to the terms of the Convertible Notes. In certain circumstances and subject to certain conditions, the Convertible Notes were convertible at an initial conversion rate of 2.1563 shares of common stock per \$1,000 principal amount of notes (which represented an initial conversion price of approximately \$463.75 per share), subject to adjustment. Holders of the Convertible Notes could convert their Convertible Notes at their option at any time prior to the close of business on the business day immediately preceding November 15, 2034, only if one or more of the following conditions has been satisfied: (1) during any calendar quarter beginning after March 31, 2015 if the closing price of the Company's common stock equals or exceeds 130% of the respective conversion price per share during a defined period at the end of the previous quarter, (2) during the five consecutive business day period immediately following any five consecutive trading day period in which the trading price per \$1,000 principal amount of Convertible Notes for each trading day was

less than 98% of the product of the last reported sale price of Global Eagle’s common stock and the conversion rate on each such trading day; (3) if specified corporate transactions occur, or (4) if the Company calls any or all of the Convertible Notes for redemption, at any time prior to the close of business on the second business day immediately preceding the redemption date. On or after November 15, 2034, until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder could convert all or a portion of its Convertible Notes at any time, regardless of the foregoing circumstances.

As of December 31, 2020, the outstanding principal on the Convertible Notes was \$82.5 million, and the outstanding Convertible Notes balance, net of debt issuance costs and discount associated with the equity component, was \$71.1 million, respectively.

***Second Lien Notes due June 2023 and Warrants***

On March 27, 2018 (the “Closing Date”) Global Eagle issued to Searchlight II TBO, L.P. (“Searchlight”) \$150.0 million in aggregate principal amount of its Second Lien Notes, and to Searchlight II TBO-W L.P. warrants to acquire an aggregate of 722,631 shares of Global Eagle’s common stock, par value \$0.0001 per share (the “Common Stock”), at an exercise price of \$0.25 per share (the “Penny Warrants”), and warrants to acquire an aggregate of 520,000 shares of Common Stock at an exercise price of \$39.25 per share (the “Market Warrants” and, together with the Penny Warrants, the “Warrants”), for an aggregate price of \$150.0 million. The Second Lien Notes mature on December 31, 2023.

***Other Debt***

As of December 31, 2021, and 2020, the Company had \$0.1 million and \$17.1 million of finance lease obligations, respectively, included in Other debt. In addition, the Company borrowed \$5.0 million from its related party, of which \$3.0 million principal and \$0.5 million interest outstanding as of December 31, 2021 were included in Other Debt. For details of the related party loan, see Note 12. Related Party Transactions.

The aggregate contractual maturities of all borrowings due subsequent to December 31, 2021, are as follows (in thousands):

Year Ending December 31,	Amount
2022	\$ 3,584
Total	\$ 3,584

**Note 12. Related Party Transactions**

***Loan Advances in lieu of Future Payouts from WMS***

In April 2020, the Company entered into a demand promissory note with WMS (as an advance against future dividends that WMS may pay the Company) for approximately \$10.0 million, of which \$5.0 million was funded at the signing of the promissory note and the remaining \$5.0 million could be withdrawn at any time prior to August 31, 2020. As of December 31, 2021, the outstanding borrowing was \$3.0 million plus accrued interests of \$0.5 million, refer to Note 11. Financing Arrangements, Other debt section. The promissory note accrues interest at 6.5% per annum. The Company concurrently signed an agreement to waive future dividends or other such distributions by WMS to the Company until such time as the outstanding principal and accrued but unpaid interest on the demand promissory note has been repaid in full. The outstanding demand promissory note would be reduced dollar-for-dollar by any such distribution amounts waived. The Company may prepay the promissory note at any time without prepayment penalty. The entire principal balance of this promissory note together with all accrued but unpaid interest is due on the earliest to occur of (i) demand by the holder, (ii) July 31, 2021 and (iii) the date of acceleration of the promissory note as a result of the occurrence of an event of default. However, the loan amount including accrued interest for a total of \$3.5 million was outstanding as of December 31, 2021. During the year ended December 31, 2020, WMS approved a deemed dividend to the Company totaling \$3.7 million, which was distributed in cash to the Company in the second quarter of 2020. The Company approved no such dividend during the year ended December 31, 2021.

### ***Due to Santander***

In connection with the EMC Acquisition, the Company acquired a 49% equity interest in Santander. The Company accounts for its interest in Santander using the equity method and includes our share of Santander's profits or losses in Income from equity method investments in the consolidated statements of operations. The Company purchased approximately nil and \$3.9 million for the year ended December 31, 2021 and December 31, 2020, respectively, from Santander for their Teleport services and related network operations support services. As of December 31, 2021 and 2020, the Company owed Santander approximately nil and \$2.6 million, respectively, as remaining payments for these services, which is included in accounts payable and accrued liabilities in the consolidated balance sheets for their teleport services and related network operations support services.

### ***Subscription Receivable with Former Employee***

A former employee is the borrowing party to a Secured Promissory Note dated July 15, 2011, pursuant to which the former employee agreed to pay the Company (as successor to Row 44, Inc., which is a Company subsidiary) a principal sum of approximately \$0.4 million, plus interest thereon at a rate of 6% per annum. The former employee granted the Company a security interest in shares of Row 44 held by him (which Row 44 shares were subsequently converted into 8,956 shares of the Company's common stock) to secure his obligations to repay the loan. As of December 31, 2020, the balance of the note (with interest) was approximately \$0.6 million, which is presented as a subscription receivable. We recognize interest income on the note when earned (using the simple interest method) but have not collected any interest payments since the origination of the note. Interest income recognized by the Company during the year ended December 31, 2020 was not material. The Company has been making ongoing assessments regarding the collectability of this note and the subscription receivable balance and has been in litigation with the former employee to recover the loan and to address his allegations that we breached related settlement agreements with him in 2014 and 2015. On December 16, 2019, following trial in the Superior Court of California for the County of Los Angeles, the jury returned a verdict in favor of the Company regarding the employee's obligation to repay the note and a mixed verdict regarding the alleged breach of two claimed settlement agreements between the parties. On February 24, 2020, the Court entered judgement deeming the Company the prevailing party in the lawsuit and, among other things, providing for a net monetary award in favor of the Company of approximately \$0.5 million, which award represents the full value of the note and associated interest offset by the amount the employee claimed he would have saved under the purported 2015 settlement agreement. On May 6, 2020, the former employee filed a Notice of Appeal; the Company cross-appealed on June 2, 2020. In addition, the Company filed a motion for attorneys' fees in the trial court for over \$0.9 million, which was set for hearing on September 9, 2020. On July 24, 2020, the Company filed a suggestion of bankruptcy in both the trial court and the Court of Appeal. As a result, all matters in those courts have been stayed. The Company will continue making assessments regarding the collectability of the monetary award enforcement of which is not currently stayed.

### **Note 13. Equity Transactions**

Pursuant to the Plan of Reorganization, and upon the consummation of the Stalking Horse Sale Transaction (as defined in the RSA), and subject to the terms and conditions set forth in the Senior Secured Takeback Term Loan Credit Agreement Dated as of March 23, 2021, the Lenders agreed to convert the "Loans" (and accrued fees and interest thereon) (the "Refinanced Loans") previously made available to Global Eagle under, and as defined in, the Pre-Petition Agreement and which remain owed to the Lenders on the Closing Date into (i) 100% of the equity interests of Anuvu Corp. and (ii) \$170,000,000 of Loans pursuant to the terms of the Takeback Loan Agreement.

As per the Amended and Restated Certificate of Incorporation of Anuvu Corp., the total number of shares of stock that the Corporation shall have authority to issue is 12,100,000 shares, consisting of solely 12,100,000 shares of common stock, par value USD\$0.001 per share (the "Common Stock"), of which 10,000,000 shares have been issued and were outstanding as of December 31, 2021.

Global Eagle's Common Stock was previously suspended from trading on Nasdaq on August 4, 2020 and has not traded on Nasdaq since that time. The trading of the Company's common stock transitioned to the OTC Bulletin Board or "pink sheets" market. In addition, no RSUs, PSUs, or CSRs (as described below) were granted during the twelve months ended December 31, 2021 and 2020.

## **Shareholder Rights Plan**

On March 19, 2020, Global Eagle's Board of Directors adopted a stockholder rights plan, as set forth in a Rights Agreement between the Company and American Stock Transfer and Trust Company, LLC (the "Rights Plan") and issued the rights contemplated thereby (the "Rights") on March 30, 2020. The Rights Plan was intended to promote the fair and equal treatment of all of our stockholders and ensure that no person or group can gain control of us through open market accumulation or other tactics without paying a control premium and potentially disadvantaging the interest of all stockholders. The Rights Plan ensures that the Global Eagle's Board of Directors had sufficient time to exercise its fiduciary duties to make informed judgments about the actions of third parties that might not be in the best interests of Global Eagle and its stockholders.

As a result of Global Eagle's chapter 11 proceedings, the Shareholders Rights Plan was cancelled on March 31, 2021 when the Plan of Reorganization was approved by the Bankruptcy court.

## **Common Stock**

As of March 31, 2021, pursuant to the Plan of Reorganization approved the bankruptcy court, and upon the consummation of the Stalking Horse Sale Transaction (as defined in the RSA), and subject to the terms and conditions set forth in the Senior Secured Takeback Term Loan Credit Agreement Dated as of March 23, 2021, the Lenders agreed to convert the "Loans" (and accrued fees and interest thereon) (the "Refinanced Loans") previously made available to Global Eagle Entertainment, Inc. under, and as defined in, the Pre-Petition Agreement and which remain owed to the Lenders on the Closing Date into (i) 100% of the equity interests of Anuvu Corp. and (ii) \$170,000,000 of Loans pursuant to the terms of the Takeback Loan Agreement.

As per the Amended and Restated Certificate of Incorporation of Anuvu Corp., the total number of shares of stock that the Corporation shall have authority to issue is 12,100,000 shares, consisting of solely 12,100,000 shares of common stock, par value USD\$0.001 per share (the "Common Stock"), of which 10,000,000 shares have been issued and were outstanding as of December 31, 2021.

On August 4, 2020, Global Eagle's common stock was suspended from trading on Nasdaq and has not traded on Nasdaq since that time. The trading of Global Eagle's common stock transitioned to the OTC Bulletin Board or "pink sheets" market (refer to Note 2. Basis of Presentation and Significant Accounting Policies, Significant Bankruptcy Court Actions section for details).

On April 15, 2020, the Board of Directors approved a reverse stock split of Global Eagle's outstanding and authorized shares of common stock at a ratio of 1-for-25 (the "Reverse Stock Split"). As a result of the Reverse Stock Split, the number of Global Eagle's issued and outstanding shares of common stock was decreased from 92,944,935 to 3,717,797, all with a par value of \$0.0001. The effective date of the Reverse Stock Split was April 16, 2020. The Reverse Stock Split affects all stockholders uniformly and did not alter any stockholder's percentage interest in the Global Eagle's common stock, except for adjustments that might result from the treatment of fractional shares as follows: (i) no fractional shares will be issued as a result of the Reverse Stock Split; and (ii) stockholders who would have been entitled to a fractional share as a result of the Reverse Stock Split will instead receive a cash payment from the transfer agent in an amount equal to the fractional share multiplied by the closing price of Global Eagle's common stock the day before the Reverse Stock Split became effective.

## **2013 and 2017 Equity Plan**

Since the expiration date of the 2013 Equity Plan, no awards have been or may be granted under such plan. On December 21, 2017, Global Eagle's stockholders approved a new 2017 Omnibus Long-Term Incentive Plan (the "2017 Omnibus Plan"). Global Eagle had 83,914 shares remaining shares available for issuance under the 2013 Equity Plan (as of that date) and those shares rolled into the 2017 Omnibus Plan became available for grant thereunder. The 2017 Omnibus Plan separately made available 260,000 shares of Global Eagle's common stock for new issuance thereunder, in addition to those rolled over from the 2013 Equity Plan. The Administrator of the 2017 Omnibus Plan, which is the Compensation Committee of Global Eagle's Board of Directors, may grant share awards (through stock options, restricted stock, RSUs

(including both time-vesting and performance-based RSUs) and other incentive awards) to employees, officers, non-employee directors, and consultants. On June 25, 2018, Global Eagle's stockholders approved an amendment and restatement of the 2017 Equity Plan that increased by 80,000 the number of shares of Global Eagle's common stock authorized for issuance thereunder.

As a result of Global Eagle's chapter 11 proceedings, the exercise prices of the stock options were significantly in excess of the market price of our common shares. In addition, Global Eagle's Omnibus Long-Term Incentive Plan, as amended, and all of our share-based compensation awards issued that plan were cancelled as part of Global Eagle's Bankruptcy Plan of Reorganization. The Plan of Reorganization caused a change in control event resulting in the acceleration of vesting of all outstanding RSUs, PSUs, and CSRs.

### **Stock-Based Awards**

Global Eagle's Omnibus Long-Term Incentive Plan, as amended, and all of our share-based compensation awards issued that plan were cancelled as part of the Bankruptcy Plan of Reorganization. The Plan of Reorganization caused a change in control event resulting in the acceleration of vesting of all outstanding RSUs, PSUs, and CSRs.

### ***EMC Employment Inducement Awards***

In connection with the EMC Acquisition, Global Eagle granted certain EMC employees, in the aggregate, nonqualified stock options to purchase 2,904 shares of Global Eagle's common stock and 2,950 restricted stock units as employment inducement awards. The exercise price per share of the nonqualified stock options was equal to the closing price of Global Eagle's stock on the EMC Acquisition Date. The options are subject to continuous employment and vested with respect to one-fourth of the underlying shares on July 27, 2017, with the remainder vesting monthly on a pro rata basis thereafter over the next three years until fully vested. Subject to continuous employment through each vesting date, the restricted stock units will vest in four equal installments, with the first installment vested on July 27, 2017 and the remaining installments vesting annually thereafter. As of December 31, 2020, all awards within the EMC Employment Inducement Plan were vested.

### ***Stock Options***

The exercise price of stock option awards granted is generally equal to the per share closing price of the common stock on the date the options were granted. Employee stock option grants generally have five- and seven- year terms (depending on when they were issued) and employee stock options generally vest over a four-year period, with 1/4th on the anniversary of the vesting commencement date and 1/36th monthly thereafter, over the remaining three-year period.

Stock options granted to members of Global Eagle's Board of Directors have five- and seven- year terms (depending on when they were issued) and vest 25% per quarter during the calendar year. In 2018, Global Eagle's Board of Directors' Compensation Committee determined that it would only issue stock options (vesting in full on the earlier of the next annual meeting of stockholders and the 12-month anniversary of the grant date) as part of its director compensation program. The stock options granted to members of the Board during 2018 and 2019 have a seven-year term. Certain stock option awards, including the stock options granted to members of the Board in 2018 and 2019, have accelerated vesting provisions in the event of a change in control or termination without cause within a certain period following a change in control.

In 2020, Global Eagle's Compensation Committee modified its director compensation program to award compensation in the form of cash, rather than equity, resulting in no stock option awards being granted to Global Eagle's Board of Directors during the year-ended December 31, 2020.

The fair values of stock options issued were determined on the grant date using the Black-Scholes option pricing model. There was no significant intrinsic value of options exercised during the year ended December 31, 2020.

### ***Restricted Stock Units (“RSU”)***

Under the 2013 Equity Plan and 2017 Omnibus Plan, Global Eagle’s time vesting RSU awards to employees generally vest annually on each anniversary of the grant date and generally over a four-year term. The grant date fair value of the time-vesting RSUs generally equals the closing price of the common stock on the grant date.

Under the 2017 Omnibus Plan, beginning on June 25, 2018, the Compensation Committee of the Company’s Board of Directors (the “Committee”) granted new RSU awards (“KBL RSUs”) to the Company’s key business leaders with time-based vesting conditions that differ from the time-based vesting conditions in previous RSU awards. These KBL RSU awards (along with the KBL PSU and \$100 and \$200 Goal Stock Options discussed below) were sized as multi-year grants and are intended to replace the Company’s traditional annual refresher equity program. These KBL RSUs generally vest as follows: (i) 50% of the RSUs will vest on the second anniversary of the vesting commencement date, (ii) 25% of the RSUs will vest on the third anniversary of the vesting commencement date and (iii) 25% of the RSUs will vest on the fourth anniversary of the vesting commencement date, subject to the recipient’s continuous service through each applicable vesting date.

No RSUs were granted during the years ended December 31, 2021 and 2020. There was no significant intrinsic value of RSUs vested during the year ended December 31, 2020.

### ***Performance-Based Restricted Stock Units (“PSU”)***

Under the 2017 Omnibus Plan, beginning on June 25, 2018, the Committee granted new PSU awards (“KBL PSUs”) to key business leaders with time and performance based vesting conditions that differ from those conditions applicable to previous PSU awards. These KBL PSUs generally vest as follows: (i) 50% of the PSUs will vest on the second anniversary of the vesting commencement date, (ii) 25% of the PSUs will vest on the third anniversary of the vesting commencement date and (iii) 25% of the PSUs will vest on the fourth anniversary of the vesting commencement date, subject to the recipient’s continuous service through each vesting date, and provided that the Company’s volume-weighted average price per share of common stock (“VWAP”) equals or exceeds \$100.00 for 45 consecutive trading days at any time on or prior to the fifth anniversary of the grant date.

The compensation expense recognized for the awards is based on the grant date fair value of a unit that is determined using Monte-Carlo simulation multiplied by the number of units granted. Depending on the outcome of these performance goals, a recipient may ultimately earn a number of units greater or less than the number of units granted. In general, participants vest in their PSU awards at the end of the performance period with continuous employment or service during the period.

No PSUs were granted during the years ended December 31, 2021 and 2020. As of December 31, 2020, there were 6,040 nonvested PSUs outstanding.

### ***Phantom Stock Options***

Global Eagle’s stock-based awards also include cash-settled stock options referred to as “phantom options” or “CSRs.” The phantom options are accounted for as liability awards and are re-measured at fair value using the Monte-Carlo simulation each reporting period with compensation expense being recognized over the requisite service period. The Company has, however, reserved the right to later settle all or a portion of the phantom options in shares of its common stock as opposed to cash.

During 2018, Global Eagle granted two types of phantom options, which Global Eagle refers to as the “\$100 Goal Stock Options” and the “\$200 Goal Stock Options.”

- *\$100 Goal Stock Options.* The \$100 Goal Stock Options have a five-year term, are subject to both time-based and performance-based vesting conditions and, except in the case of the Company’s Executive Chairman, generally vest and become exercisable as follows: (i) 50% of the Stock Options will vest on the second anniversary of the vesting commencement date, (ii) 25% of the Stock Options will vest on the third anniversary of the vesting commencement date and (iii) 25% of the Stock Options will vest on the fourth anniversary of the vesting commencement date, subject to the recipient’s continuous service through each applicable vesting date, and provided that the Company’s VWAP equals or exceeds \$100.00 for 45 consecutive trading days at any time on or prior June 25, 2023. The \$100 Goal Stock Options granted to the Company’s Executive Chairman generally vest and become exercisable as follows: (i) 50% of the Stock Options were vested at grant on June 25, 2018, (ii) 25% of the Stock Options will vest on March 27, 2019 and (iii) 25% of the Stock Options will vest on March 27, 2020, subject to the continuous service of the Executive Chairman as either an employee of the Company or a member of the Company’s Board through each applicable vesting date, and provided that the Company’s VWAP equals or exceeds \$100.00 for 45 consecutive trading days at any time on or prior to the fifth anniversary of the grant date.
- *\$200 Goal Stock Options.* The \$200 Goal Stock Options have a seven-year term, are subject to both time-based and performance-based vesting conditions and, except in the case of the Company’s Executive Chairman, generally vest and become exercisable as follows: (i) 50% of the Stock Options will vest on the second anniversary of the vesting commencement date and (ii) 50% of the Stock Options will vest on the third anniversary of the vesting commencement date, subject to the recipient’s continuous service through each applicable vesting date, and provided that the Company’s VWAP equals or exceeds \$200.00 for 45 consecutive trading days at any time on or prior to June 25, 2025. The \$200 Goal Stock Options granted to the Company’s Executive Chairman generally vest and become exercisable as follows: (i) 50% of the Stock Options were vested at grant on June 25, 2018, (ii) 25% of the Stock Options will vest on March 27, 2019 and (iii) 25% of the Stock Options will vest on March 27, 2020, subject to the continuous service of the Executive Chairman as either an employee of the Company or a member of the Company’s Board through each applicable vesting date, and provided that the Company’s VWAP equals or exceeds \$200.00 for 45 consecutive trading days at any time on or prior to the seventh anniversary of the grant date.
- *Exercise Price.* The exercise price for all of the Stock Options equals the Company’s Nasdaq closing price on the grant date.

No phantom options were granted during the years ended December 31, 2021 and 2020. As of December 31, 2020, there were 8,900 unvested phantom options outstanding.

As of December 31, 2020, the aggregate estimated fair value of the vested portion of the cash-settled phantom stock was recognized as a liability in the consolidated balance sheet in the amount of \$0.04 million.

### ***Stock-Based Compensation Expense***

Stock-based compensation expense related to all employees and, where applicable, non-employee stock-based awards was as follows for the period January 1 through March 22, 2021 and for the year ended December 31, 2020 (in thousands):

	Successor	Predecessor	
	March 23 Through December 31, 2021	January 1 Through March 22, 2021	Year Ended December 31, 2020
Cost of services	\$ —	\$ 10	\$ 125
Sales and marketing	—	11	136
Product development	—	26	188
General and administrative	—	162	2,134
Total	\$ —	\$ 209	\$ 2,583

As of December 31, 2020, the Company had approximately \$0.9 million of unrecognized employee related stock-based compensation, which was recognized in 2021 when the Plan of Reorganization caused a change in control.

### ***Searchlight Warrants***

On March 27, 2018 (the “Searchlight Closing Date”), Global Eagle issued to Searchlight warrants to acquire an aggregate of 722,631 shares of common stock at an exercise price of \$0.25 per share (the “Searchlight Penny Warrants”), and warrants to acquire an aggregate of 520,000 shares of common stock at an exercise price of \$39.25 per share (the “Searchlight Market Warrants” and, together with the Searchlight Penny Warrants, the “Searchlight Warrants”), for an aggregate price of \$150.0 million.

The Searchlight Warrants vest and become exercisable at any time and from time to time after the Vesting Date (as defined below) until on or prior to the close of business on the tenth anniversary of the Searchlight Closing Date. The Searchlight Warrants vest and become exercisable on January 1, 2021 (the “Vesting Date”), if the average of the 45-day volume-weighted average price (“VWAP”) of the Company’s common stock (as reported by Nasdaq) is at or above (i) \$100.00, in the case of the Searchlight Penny Warrants, and (ii) \$60.00, in the case of the Searchlight Market Warrants, in each case for 45 consecutive trading days at any time following the Searchlight Closing Date. The VWAP condition in respect of the Searchlight Market Warrants was satisfied in July 2018.

The holders of the Searchlight Warrants cannot exercise the Searchlight Warrants if and to the extent, as a result of such exercise, either (i) such holder’s (together with its affiliates) aggregate voting power on any matter that could be voted on by holders of the common stock would exceed 19.9% of the maximum voting power outstanding or (ii) such holder (together with its affiliates) would beneficially own more than 19.9% of the then outstanding common stock, subject to customary exceptions in connection with public sales or the consummation of a specified liquidity event described in the Searchlight Warrants.

The Searchlight Warrants also include customary anti-dilution adjustments.

Until the earlier of (i) the date on which Searchlight no longer beneficially owns at least 25% of the number of the Searchlight Market Warrants issued on the Searchlight Closing Date (and/or the respective shares of common stock issued in connection with the exercise of the Searchlight Market Warrants) and (ii) January 1, 2021, without the prior consent of Searchlight, the Company will not directly or indirectly redeem, purchase or otherwise acquire (any such event, an “Acquisition”) any equity securities of the Company for a consideration per share (plus, in the case of any options, rights, or securities, the additional consideration required to be paid to the Company upon exercise, conversion or exchange) greater than the market price (as defined in the Searchlight Warrants) per share of common stock immediately prior to the earlier of (x) the announcement of such acquisition or (y) such Acquisition.

Prior to January 1, 2021, Searchlight was not permitted to transfer the Searchlight Warrants, except to its controlled affiliates or in connection with certain tender offers, exchange offers, mergers or similar transactions. On and after January 1, 2021, the Searchlight Warrants and the underlying shares of common stock are freely transferable by Searchlight.

As a result of the chapter 11 proceedings, the Searchlight Warrants were cancelled on March 31, 2021 when the Plan of Reorganization was approved by the Bankruptcy court.

**Note 14. Employee Benefit Plans**

The Company has one defined contribution plan under Section 401(k) of the Internal Revenue Code (“401(k)”) covering full-time domestic employees who meet certain eligibility requirements, the Global Eagle Entertainment Retirement Plan (“GEE 401(k) Plan”). During January of 2018, the Company transferred the Emerging Markets Communications Volume Submitter Defined Contribution Plan (the “EMC 401(k) Plan”) into the GEE 401(k) Plan.

Under the GEE 401(k) Plan, eligible employees may defer up to 100% of their eligible compensation on either a pre-tax or after-tax Roth 401(k) basis, or up to the annual maximum allowed by the Internal Revenue Service (“IRS”). The Company may, but is not obligated to, match a portion of the employee contributions up to a defined maximum. For the period March 23, 2021 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020, the Company recognized a total expense of \$1.4 million, \$0.9 million, and \$2.0 million, respectively, for matching contribution for both 401(k) plans.

**Note 15. Income Taxes**

United States and foreign income (loss) from operations before income taxes was as follows (in thousands):

	Successor March 23 Through December 31, 2021	Predecessor	
		January 1 Through March 22, 2021	Year Ended December 31, 2020
United States	\$ (82,890)	\$ 728,919	\$ (284,427)
Foreign	(3,528)	(3,449)	(32,357)
Income (loss) before income taxes	<u>\$ (86,418)</u>	<u>\$ 725,470</u>	<u>\$ (316,784)</u>

The income tax provision based on the income (loss) from operations was as follows (in thousands):

	Successor March 23 Through December 31, 2021	Predecessor	
		January 1 Through March 22, 2021	Year Ended December 31, 2020
Current provision:			
Federal	\$ 599	\$ —	\$ 1,069
State	12	—	66
Foreign	180	274	2,365
Total current provision	791	274	3,500
Deferred provision (benefit):			
Federal	72	—	(32)
State	52	—	(32)
Foreign	(23)	—	(3,209)
Total deferred provision (benefit)	101	—	(3,273)
Total income tax provision	<u>\$ 892</u>	<u>\$ 274</u>	<u>\$ 227</u>

The Company's effective tax rate ("ETR") differs from the statutory federal income tax rate of 21%, primarily due to foreign withholding taxes, FIN 48 reserves, and valuation allowance on deferred tax assets.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred income taxes are as follows (in thousands):

	<u>Successor</u> <u>December 31, 2021</u>	<u>Predecessor</u> <u>December 31, 2020</u>
Deferred tax assets:		
Property and equipment	\$ 2,749	\$ —
Goodwill	—	7,173
Allowances and reserves	980	2,879
Accrued liabilities	759	1,668
Inventories	243	1,721
Stock-based compensation	—	1,195
Interest expense carryover	14,795	56,219
Tax credits	—	2,229
Intangible assets	—	1,070
Net operating losses	21,749	137,765
Investments in affiliates	541	—
Right-of-use liability	719	6,520
Restructuring costs	130	8,167
Debt costs	—	3,026
Other	954	1,711
Total deferred tax assets	<u>43,619</u>	<u>231,343</u>
Less: valuation allowance	<u>(42,969)</u>	<u>(214,838)</u>
Net deferred tax assets	<u>\$ 650</u>	<u>\$ 16,505</u>
Deferred tax liabilities:		
Property and equipment	\$ —	\$ (7,338)
Right-of-use assets	(678)	(4,236)
Goodwill	(764)	—
Intangible assets	(2,238)	—
Investments in affiliates	—	(6,052)
Debt costs	(80)	—
Total deferred tax liabilities	<u>(3,760)</u>	<u>(17,626)</u>
Net deferred tax liabilities	<u>\$ (3,110)</u>	<u>\$ (1,121)</u>

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. The Company is currently under audit in certain foreign tax authorities. The audits are in varying stages of completion. With certain exceptions, as of December 31, 2021, the Company's tax years from 2015 through 2021 are subject to examination by the tax authorities. The use of NOL carryforwards in future periods could trigger a review of attributes and other tax matters in years that are not otherwise subject to examination.

The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In making this assessment, management analyzes future taxable income, reversing temporary differences and ongoing tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company will adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

As of December 31, 2021, the Company has recorded a valuation allowance of \$19.2 million and \$23.8 million against its domestic and certain foreign deferred tax assets, respectively, due to the uncertainties over its ability to realize future

taxable income in those jurisdictions. As of December 31, 2020, the valuation allowance on domestic and foreign deferred tax assets were \$193.3 million and \$20.5 million, respectively.

As of December 31, 2021 and 2020, the Company had federal NOL carry-forwards of \$28.3 million and \$506.4 million, respectively, and in addition, the Company had state NOL carry-forwards of \$29.4 million and \$268.6 million, respectively. In addition, the Company had foreign NOL carry-forward from various jurisdictions of \$74.2 million and \$69.2 million as of December 31, 2021 and 2020, respectively. The Company's federal, state and foreign NOLs will begin to expire during the fiscal years ending in December 31, 2027, 2023, and 2022, respectively. These NOLs may be used to offset future taxable income, to the extent the Company generates any taxable income, and thereby reduce or eliminate future federal income taxes otherwise payable.

The Internal Revenue Code of 1986, as amended, imposes substantial restrictions on the utilization of net operating losses in the event of an "ownership change" of a corporation. Accordingly, a company's ability to use net operating losses may be materially limited as prescribed under Internal Revenue Code Section 382 ("IRC Section 382"). Events which may cause limitations in the amount of the domestic net operating losses that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. For the year ended December 31, 2021, the Company had no prior year NOLs for IRC Section 382 purposes as it was the first year of operation under fresh-start accounting. As such, no IRC Section 382 impact in 2021.

Prior to the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), U.S. taxes were not provided for on cumulative earnings of the Company's foreign subsidiaries as the Company had intended to invest the undistributed earnings indefinitely. However, as a result of the Tax Act, all of the accumulated earnings of its foreign subsidiaries were taxed for U.S. federal purposes. The Company has provisionally asserted that the \$62.3 million earnings of its foreign subsidiaries will continue to be indefinitely reinvested. If in the future these earnings are repatriated to the United States, or if the Company determines that the earnings will be remitted in the foreseeable future, additional provisions for U.S. states not conforming to the federal Tax Act and foreign withholding taxes may be required. It is not practical to calculate the deferred taxes associated with these earnings because of the variability of multiple factors that would need to be assessed at the time of any assumed repatriation.

As a result of the COVID-19 pandemic, US Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act in 2020 and Consolidated Appropriations Act (CCA) in 2021. These Acts, collectively provided for various individual and small business tax relief. The Company took advantage of certain payroll tax deferrals in the US.

As of December 31, 2021 and 2020, the liability for income taxes associated with uncertain tax positions was \$1.0 million and \$5.3 million, respectively.

The net decrease in the liabilities during the year is primarily attributable to activity related to ongoing examinations by the Canada Revenue Agency regarding the taxability and presence of the subsidiary's operations in Dubai and whether income derived from Dubai would have constituted taxable earnings subject to Canadian income tax. The net amounts of \$1.0 million and \$5.3 million as of December 31, 2021 and 2020, respectively, if recognized, would favorably affect the Company's effective tax rate. Additionally, there was a significant reduction in the reserves for physical establishment tax exposure where Anuvu Corp. believes it has significant assets and/or physical presence. This reduction is a result of the Company's adoption of fresh-start accounting. We believe that it is not reasonably possible to determine the amount of the decrease in unrecognized tax benefits within the next 12 months due to the impact of the world-wide pandemic on government tax agencies.

The Company's continuing practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense. As of December 31, 2021 and 2020, the Company had accrued \$0.6 million and \$5.9 million, respectively, of interest and penalties related to uncertain tax positions and presented as an income taxes liability on the balance sheet.

## Note 16. Segment Information

The Company reports its operations through two operating segments—Media & Content and Connectivity. The CODM evaluates financial performance and allocates resources by reviewing revenue, costs of sales and contribution profit separately for the Company’s two segments. Total segment gross margin provides the CODM a measure to analyze operating performance of each of the Company’s operating segments and its enterprise value against historical data and competitors’ data, although historical results may not be indicative of future results, as operating performance is highly contingent on many factors, including customer tastes and preferences. All other financial information is reviewed by the CODM on a consolidated basis.

Revenue and contribution profit by segment were as follows (in thousands):

	<u>Successor</u>	<u>Predecessor</u>	
	<u>March 23 Through December 31, 2021</u>	<u>January 1 Through March 22, 2021</u>	<u>Year Ended December 31, 2020</u>
Revenue:			
Media & Content			
Media & Content -- Licensing and Services	\$ 78,191	\$ 20,566	\$ 131,284
Connectivity			
Connectivity -- Services	159,550	49,184	227,565
Connectivity -- Equipment	26,342	4,048	20,299
Total	<u>185,892</u>	<u>53,232</u>	<u>247,864</u>
Total revenue	<u>\$ 264,083</u>	<u>\$ 73,798</u>	<u>\$ 379,148</u>
Cost of sales:			
Media & Content			
Media & Content -- Licensing and Services	\$ 50,038	\$ 13,635	\$ 108,471
Connectivity			
Connectivity -- Services	151,189	41,195	193,605
Connectivity -- Equipment	21,664	3,984	19,663
Total	<u>172,853</u>	<u>45,179</u>	<u>213,268</u>
Total cost of sales	<u>\$ 222,891</u>	<u>\$ 58,814</u>	<u>\$ 321,739</u>
Gross Margin:			
Media & Content	\$ 28,153	\$ 6,931	\$ 22,813
Connectivity	13,039	8,053	34,596
Total Gross Margin	<u>41,192</u>	<u>14,984</u>	<u>57,409</u>
Other operating expenses	93,973	32,422	173,830
Loss from operations	<u>\$ (52,781)</u>	<u>\$ (17,438)</u>	<u>\$ (116,421)</u>

The Company’s total assets by segment were as follows (in thousands):

	<u>Successor</u>	<u>Predecessor</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Media & Content	\$ 91,413	\$ 212,008
Connectivity	501,367	256,663
Total segment assets	<u>592,780</u>	<u>468,671</u>
Corporate assets	30,060	51,405
Total assets	<u>\$ 622,840</u>	<u>\$ 520,076</u>

Geographical revenue by segment as presented below is based on the billing location of the customer. Revenue from external customers was as follows (in thousands):

	<u>Successor</u>	<u>Predecessor</u>	
	<u>March 23 Through December 31, 2021</u>	<u>January 1 Through March 22, 2021</u>	<u>Year Ended December 31, 2020</u>
<b>Media &amp; Content:</b>			
United States and Canada	\$ 24,489	\$ 5,403	\$ 34,080
Europe	9,974	823	16,897
Africa, Middle East, and Asia	39,793	13,287	69,595
Other	3,935	1,053	10,712
Total	<u>\$ 78,191</u>	<u>\$ 20,566</u>	<u>\$ 131,284</u>
<b>Connectivity:</b>			
United States	\$ 139,443	\$ 42,191	\$ 181,174
Europe	40,360	7,000	44,653
Africa, Middle East, and Asia	3,707	3,175	16,731
Other	2,382	866	5,306
Total	<u>\$ 185,892</u>	<u>\$ 53,232</u>	<u>\$ 247,864</u>
<b>Total revenue</b>	<u>\$ 264,083</u>	<u>\$ 73,798</u>	<u>\$ 379,148</u>

The following table summarizes property and equipment, net by country (in thousands):

	<u>Successor</u>	<u>Predecessor</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>Media &amp; Content:</b>		
United States and Canada	\$ 422	\$ 307
India	1,847	1,586
United Kingdom	56	—
United Arab Emirates	336	—
Other	175	170
Total	<u>\$ 2,836</u>	<u>\$ 2,063</u>
<b>Connectivity:</b>		
United States	\$ 75,167	\$ 73,602
Germany	15,119	10,586
Other	1,842	3,357
Total	<u>\$ 92,128</u>	<u>\$ 87,545</u>
<b>Corporate</b>		
United States	\$ 1,636	\$ 3,840
Total	<u>\$ 1,636</u>	<u>\$ 3,840</u>
<b>Property and equipment, net</b>	<u>\$ 96,600</u>	<u>\$ 93,448</u>

The following table summarizes net intangible assets by country (in thousands):

	<u>Successor</u> <u>December 31, 2021</u>	<u>Predecessor</u> <u>December 31, 2020</u>
Media & Content:		
United States	\$ 9,496	\$ —
Canada	5,816	—
United Kingdom	5,854	—
Netherlands	1,035	—
India	—	4,257
Other	1,716	—
Total	<u>\$ 23,917</u>	<u>\$ 4,257</u>
Connectivity:		
United States	\$ 169,543	\$ 22,032
Other	2,678	226
Total	<u>\$ 172,221</u>	<u>\$ 22,258</u>
Corporate		
United States	\$ —	\$ 6,703
Total	<u>\$ —</u>	<u>\$ 6,703</u>
Intangible assets, net	<u>\$ 196,138</u>	<u>\$ 33,218</u>

#### Note 17. Fair Value Measurements

The accounting guidance for fair value establishes a framework for measuring fair value and establishes a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- **Level 1:** Observable quoted prices in active markets for identical assets and liabilities.
- **Level 2:** Observable quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- **Level 3:** Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assets and liabilities which are fair valued on a recurring basis are described below and contained in the following tables. In addition, on a non-recurring basis, the Company may be required to record other assets and liabilities at fair value. These non-recurring fair value adjustments involve the lower of carrying value or fair value accounting and write-downs resulting from impairment of assets.

Due to the short-term nature, carrying amounts of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value.

The following tables summarize the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020, respectively (in thousands, except as presented in footnotes to the tables):

	<u>Balance Sheet Location</u>	<u>December 31, 2021 (Successor)</u>	<u>Quotes Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
<b>Assets:</b>					
Shares of common stock	Short-term investment	\$ 139	\$ 139	\$ —	\$ —
		<u>\$ 139</u>	<u>\$ 139</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Liabilities:</b>					
Contingently issuable shares <sup>(1)</sup>	Accounts payable and accrued liabilities	\$ —	\$ —	\$ —	\$ —
Phantom stock options <sup>(2)</sup>	Other non-current liabilities	—	—	—	—
Total		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

	<u>Balance Sheet Location</u>	<u>December 31, 2020 (Predecessor)</u>	<u>Quotes Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
<b>Assets:</b>					
Shares of common stock	Short-term investment	\$ 1,160	\$ 1,160	\$ —	\$ —
		<u>\$ 1,160</u>	<u>\$ 1,160</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Liabilities:</b>					
Contingently issuable shares <sup>(1)</sup>	Accounts payable and accrued liabilities	\$ 8	\$ —	\$ —	\$ 8
Phantom stock options <sup>(2)</sup>	Other non-current liabilities	41	—	—	41
Total		<u>\$ 49</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 49</u>

<sup>(1)</sup> In connection with the Sound Recording Settlements (as described below in Note 19. Commitments and Contingencies, the Company was obligated to issue to UMG (as defined in that Note) 20,000 shares of Global Eagle's common stock when and if the closing price of Global Eagle's common stock exceeds \$250.00 per share and an additional 16,000 shares of common stock when and if the closing price of Global Eagle's common stock exceeds \$300.00 per share. Such contingently issuable shares are classified as liabilities and are re-measured to fair value each reporting period.

<sup>(2)</sup> Global Eagle's cash-settled phantom stock options, granted during 2018, are accounted for as liability awards and are re-measured at fair value each reporting period with compensation expense being recognized over the requisite service period. As of December 31, 2020, the aggregate estimated fair value of Global Eagle's cash-settled phantom stock options was \$0.8 million, for which the vested portion recognized as a liability in its Consolidated Balance Sheets was nil. The cash-settled phantom stock options are described in more detail in Note 13. Equity Transactions.

The following table presents the fair value roll-forward reconciliation of Level 3 assets and liabilities measured at fair value for the period March 23 through December 31, 2021, the period January 1 through March 22, 2021, and the year ended December 31, 2020 (in thousands):

	Shares of Common Stock (Level 1)	Phantom Stock Options (Level 3)	Contingently Issuable Shares (Level 3)
Balance, January 1, 2020 (Predecessor)	\$ —	\$ 464	\$ 305
Fair value of shares of common stock	4,672	—	—
Change in value	<u>(3,512)</u>	<u>(423)</u>	<u>(297)</u>
Balance, December 31, 2020 (Predecessor)	\$ 1,160	\$ 41	\$ 8
Change in value	<u>(271)</u>	<u>(41)</u>	<u>(8)</u>
Balance, March 22, 2021 (Predecessor)	\$ 889	\$ —	\$ —
Change in value	<u>(750)</u>	<u>—</u>	<u>—</u>
Balance, December 31, 2021 (Successor)	<u>\$ 139</u>	<u>\$ —</u>	<u>\$ —</u>

The valuation methodology used to estimate the fair value of the financial instruments in the tables above is summarized as follows:

**Shares of Common Stock.** The Company carries short-term investments on the balance sheet at fair value. During the year ended December 31, 2020, the Company acquired 11.4 million shares of common stock of a non-U.S. airline customer. The fair value of the common stock shares was \$0.1 million and \$1.2 million as of December 31, 2021 and 2020, respectively, per the quoted stock market pricing.

**Phantom Stock Options.** Global Eagle's phantom options are accounted for as liability awards and are re-measured at fair value each reporting period with compensation expense being recognized over the requisite service period. The Company uses the Black-Scholes option pricing model and the Monte Carlo simulation to determine the grant date fair value of its phantom options, as well as the fair value at each reporting period. This model requires the Company to estimate the expected volatility and the expected term of the stock options, which are highly complex and subjective variables. The Company uses an expected volatility of its stock price during the expected life of the options that is based on the historical performance of the Company's stock price. The expected term is computed using the simplified method as the Company's best estimate given its lack of actual exercise history. The Company has selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected exercise term of the stock option. The Company currently has no history or expectation of paying cash dividends on its common stock.

**Contingently Issuable Shares.** The liabilities for these contingently issuable shares are included in Accounts payable and accrued liabilities on the December 31, 2021 and 2020, Consolidated Balance Sheet. The fair values of these contingently issuable shares were determined using a quantitative put option method. The change in the fair value of the contingently issuable shares is included in change in fair value of derivatives in the December 31, 2021 and 2020, Consolidated Statement of Operations.

#### ***Nonrecurring Fair Value Measurements.***

The Company evaluates its goodwill for impairment at the reporting unit level annually as of December 31 of each fiscal year or when an event occurs, or circumstances change that indicates the carrying value may not be recoverable. An impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit. To determine the fair value of our reporting units and test for impairment, we utilized an income approach (discounted cash flow method), as we believe this is the most direct approach to incorporate the specific economic attributes and risk profiles of our reporting units into our valuation model. During the first quarter which ended March 31, 2020, the Company identified a triggering event due to a significant decline in the market capitalization of the Company and results of operations predominately impacted by the uncertainty related to the COVID-19 pandemic. Accordingly, the Company assessed the fair value of its three reporting units as of March 31, 2020 and recorded a goodwill impairment charge of \$22.1 million related to its Maritime & Land Connectivity reporting unit. Refer to Note 2. Basis of Presentation and Summary of Accounting Policies and Note 6. Goodwill for further details.

The Company measures its equity method investments at fair value on a nonrecurring basis, when they are deemed to be other-than-temporarily impaired, using Level 3 unobservable inputs. Based on our non-controlling 49% interest and having no direct comparable publicly-listed competitor to WMS or Santander, management concluded that utilizing the income approach, specifically the discounted cash flow method, would be the most reasonable method of assessing the fair value of WMS and Santander investments. During the year ended December 31, 2020, the Company recorded an impairment charge of \$28.0 million and \$3.0 million relating to its WMS and Santander equity investments, respectively, after determining that the carrying value of its interest in the WMS joint venture exceeded the estimated fair value of its interest. The net carrying value of our WMS and Santander equity investments as of December 31, 2020 amounted to \$38.5 million and nil, respectively. See Note 9. Equity Method Investments.

The Company evaluates the recoverability of its long-lived assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. During the year ended December 31, 2020, the Company identified triggering events which primarily negatively impacted by the COVID-19 pandemic; consequently, a \$5.6 million impairment loss was recognized relating to fixed assets. Refer to Note 5. Property and Equipment, net for details.

No impairment of equity method investment was recognized during the periods March 23 through December 2021 and January 1 through March 22, 2021.

The following table shows the carrying amounts of the Company's long-term debt in the consolidated financial statements (in thousands):

	Successor December 31, 2021		Predecessor December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior secured priority term loan, due March 23, 2025 <sup>(1)</sup>	\$ 197,033	\$ 197,033	\$ —	\$ —
Senior secured takeback term loan, due March 23, 2026 <sup>(2)</sup>	178,917	178,917	—	—
Delayed draw term loans (DDTL), due September 23, 2023 <sup>(3)</sup>	3,715	3,715	—	—
Senior secured term loan facility, due January 2023 <sup>(4)</sup>	—	—	513,390	N/A
Senior secured revolving credit facility, due January 2022 <sup>(4)</sup>	—	—	81,065	N/A
Convertible senior note, due February 2035 <sup>(4)</sup>	—	—	82,500	N/A
Second lien notes, due June 2023 <sup>(5)</sup>	—	—	196,779	N/A
Senior secured super-priority term loan (debtor-in-possession) <sup>(6)</sup>	—	—	79,032	79,032
Other debt	3,584	3,584	25,658	N/A
	<u>\$ 383,249</u>	<u>\$ 383,249</u>	<u>\$ 978,424</u>	<u>\$ N/A</u>

<sup>(1)</sup> This facility is a component of the Senior Secured Priority Term Loan Credit Agreement (the "Priority Credit Agreement") entered into by the Company with the lenders on March 23, 2021. The Priority Credit Agreement provides for a \$205.0 million secured term loan facility, maturing March 23, 2025. The carrying value as set forth in the above table includes principal amount outstanding \$205.0 million, net of approximately \$8.0 million of unamortized debt issuance costs as December 31, 2021.

<sup>(2)</sup> This facility is a component of the Senior Secured Takeback Term Loan Credit Agreement (the "Takeback Credit Agreement") entered into by the Company with the lenders on March 23, 2021. The Takeback Credit Agreement provides for a \$170.0 million secured takeback term loan facility, maturing March 23, 2026. The carrying value as set forth in the table above includes principal amount outstanding \$170.0 million and approximately \$8.9 million of payment-in-kind ("PIK") interest converted to principal since debt issuance.

<sup>(3)</sup> This facility is a component of the Senior Secured Priority Term Loan Credit Agreement (the "Priority Credit Agreement") entered into by the Company with the lenders on March 23, 2021. The Priority Credit Agreement provides for a \$12.5 million secured delayed draw term loan ("DDTL") facility maturing September 23, 2023. The carrying value as set forth in the table above includes principal amount drawn and outstanding \$3.9 million and approximately \$0.2 million of unamortized debt issuance costs as of December 31, 2021.

<sup>(4)</sup> All outstanding debts as of December 31, 2020, other than the Senior Secured Super-Priority Term Loan, were subject to compromise in the chapter 11 bankruptcy proceedings and settled for amounts materially different from their carrying value. The Company emerged out of bankruptcy on March 23, 2021, on which date the entire amount of these First Lien loans that remained owed to the lenders were converted to the Senior Secured Takeback Term Loan of \$170.0 million as previously stated.

- <sup>(5)</sup> The principal amount outstanding of the Second Lien Notes, due June 2023 as set forth in the above table was \$178.0 million as of December 31, 2020 and included approximately \$18.8 million of payment-in-kind (“PIK”) interest converted to principal since debt issuance was subject to compromise in the chapter 11 bankruptcy proceedings and settled for amounts materially different from their carrying value. The Company emerged out of bankruptcy on March 23, 2021, on which date the entire amount of the loan that remained owed to the lenders was settled for a final amount of approximately \$1.8 million.
- <sup>(6)</sup> The Senior Secured Super-Priority Term Loan Debtor-In-Possession Credit Agreement (the “DIP Credit Agreement”) entered into with the DIP lenders provided a facility in an aggregate principal amount of \$80.0 million (the “DIP Term Loan Facility”). As described previously, the Company emerged out of bankruptcy on March 23, 2021, on which date the entire \$80.0 million loan that remained owed to the DIP lenders was converted, together with an additional \$125.0 million of aggregate principal amount, into the Senior Secured Priority Term Loan of \$205.0 million as previously stated.

**Draw Down of the Revolving Credit Facility.** On February 28, 2021, we have fully drawn down the available capacity under the DIP credit facility.

**Draw Down of the Senior Secured Super-Priority Term Loan.** As of the date of these financial statements, we have fully drawn down the available capacity under the Senior Secured Super-Priority Term Loan credit facility, with a corresponding increase in our cash on hand.

## Note 18. Concentrations

### Concentrations of Credit and Business Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and accounts receivable.

As of December 31, 2021 and 2020, cash and cash equivalents were maintained primarily with major U.S. financial institutions and foreign banks. Deposits with these institutions at times exceed the federally insured limits, which potentially subjects the Company to concentration of credit risk. The Company has not experienced any losses related to these balances and believes that there is minimal risk. Of its cash and cash equivalents as of December 31, 2021, approximately \$13.3 million was held by its foreign subsidiaries. If these funds were repatriated for use in the Company’s U.S. operations, the Company may be required to pay income taxes in the U.S. on the repatriated amount at the tax rates then in effect, reducing the net cash proceeds to the Company after repatriation. In the event the Company elects to repatriate any of these funds, the Company believes it has sufficient net operating losses for the foreseeable future to offset any repatriated income. As a result, the Company does not expect any such repatriation would create a tax liability in the U.S. or have a material impact on its effective tax rate.

A substantial portion of the Company’s revenue is generated through arrangements with Southwest Airlines. The Company may not be successful in renewing these agreements, or if they are renewed, they may not be on terms as favorable as current agreements. The percentage of revenue generated through the customer representing more than 10% of consolidated revenue is as follows:

	Successor	Predecessor	
	March 23 Through December 31, 2021	January 1 Through March 22, 2021	Year Ended December 31, 2020
Southwest Airlines as a percentage of total revenue	34 %	39 %	30 %
Southwest Airlines as a percentage of Connectivity revenue	47 %	52 %	44 %

No other customer accounted for revenue greater than 10% for the periods presented. Accounts receivable from Southwest Airlines represented 24% and 23% of total accounts receivable as of December 31, 2021 and 2020, respectively.

## Note 19. Commitments and Contingencies

Information related to the Chapter 11 Cases that we filed on July 22, 2020 is included in Note 2. Basis of Presentation and Summary of Significant Accounting Policies. In addition, we are involved in legal and governmental proceedings as part of the normal course of the Company's business.

### *Movie License and Internet Protocol Television ("IPTV") Commitments*

In the ordinary course of business, the Company has long-term commitments, such as license fees and guaranteed minimum payments owed to content providers. In addition, the Company has long-term arrangements with service and television providers to license and provide content and IPTV services that are subject to future guaranteed minimum payments from the Company to the licensor.

The following is a schedule of future unconditional minimum commitments under movie and IPTV arrangements as of December 31, 2021 (in thousands):

Years Ending December 31,	Amount
2022	\$ 26,738
2023	8,154
2024	7,916
2025	1,918
Total	<u>\$ 44,726</u>

### *Satellite Capacity Commitments*

The Company maintains agreements with satellite service providers to provide for satellite capacity. The Company expenses these satellite fees in the month the service is provided as a charge to licensing and services cost of sales. The following is a schedule of future unconditional minimum satellite costs as of December 31, 2021 (in thousands):

Years Ending December 31,	Amount <sup>(1)</sup>
2022	\$ 63,981
2023	27,582
2024	17,816
2025	2,061
2026	515
Total	<u>\$ 111,955</u>

<sup>(1)</sup> Future unconditional minimum satellite costs as of December 31, 2021 are adjusted for certain service provider contract rejected or cancelled as a part of Management's cost restructure plan.

### *Other Commitments*

In the normal course of business, the Company enters into future purchase commitments with some of its connectivity vendors to secure future inventory for its airline customers and the development pertaining to engineering and antenna projects.

### *Contingencies*

The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business and that have not been fully adjudicated. The Company recorded accruals for loss contingencies when management concludes it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. On a regular basis, the Company's management evaluates developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that has been accrued previously. While it is not possible to accurately predict or determine the eventual outcomes of these matters, an adverse determination in one or more of these

matters could have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

From time to time, the Company may be party to various legal matters incidental to the conduct of its business. These legal matters may include speculative claims for indeterminate amounts of damages, for which the Company has not recorded any contingency accrual. Although the Company cannot predict with certainty the ultimate resolution of these speculative matters, based on its current knowledge, the Company does not believe that the outcome of any of these matters will have a material adverse effect on its financial statements.

#### Note 20. Debtor-In-Possession Financial Information

The financial statements below represent the condensed combined financial statements of the Debtors. For the twelve months ended December 31, 2020, the results of the Debtor's subsidiaries that are not part of the Chapter 11 Case, are not included in these combined financial statements.

Intercompany transactions amount the Debtors have been eliminated in the financial statements contained herein. Intercompany transactions among the Debtors and the subsidiaries that are not part of the Chapter 11 Case have not been eliminated in the Debtors' financial statements.

#### DEBTORS COMBINED BALANCE SHEETS

December 31, 2020

(In thousands)

Total current assets	\$	108,027
Property and equipment, less accumulated depreciation of \$193,350		77,528
Investment in non-debtor entities		8,081
Total other assets		355,852
Total assets	\$	<u>549,488</u>
Total current liabilities		117,141
Liabilities subject to compromise		1,011,297
Deferred tax liabilities		46
Other long-term liabilities		111,156
TOTAL LIABILITIES		<u>1,239,640</u>
Total equity		(690,152)
Total liabilities and equity	\$	<u>549,488</u>

#### DEBTORS COMBINED STATEMENT OF OPERATIONS

For the Twelve Months Ended December 31, 2020

(In thousands)

Operating revenue	\$	298,260
Operating expenses		(406,768)
Other expense		(83,406)
Reorganization items		(92,514)
Provision for income taxes		(1,071)
Net loss attributable to debtor entities		<u>(285,499)</u>
Equity in loss of non-debtor entities, net of tax		(31,512)
Net loss attributable to Debtors	\$	<u>(317,011)</u>

## Note 21. Fresh-Start Accounting

Under FASB ASC 852, *Reorganizations*, fresh-start accounting is required upon emergence from chapter 11 if (i) the reorganization value of the assets of the emerging entity immediately before the date of confirmation is less than the total of all post-petition liabilities and allowed claims and (ii) holders of existing voting shares immediately before confirmation receive less than 50% of the voting shares of the emerging entity. The Company qualified for and adopted fresh-start accounting as of the Effective Date.

Adopting fresh-start accounting results in a new reporting entity with no beginning retained earnings or deficit. The cancellation of all existing shareholdings outstanding on the Effective Date and issuance of new shares of the reorganized entity resulted in a change of control of the Company under FASB ASC 852.

Adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes and the recording of the Company's assets and liabilities at their fair value as of the Effective Date, with the excess of reorganization value over net asset values recorded as goodwill, in conformity with FASB ASC 805, *Business Combinations*. The estimated fair values of the Company's assets and liabilities as of that date differed from the recorded values of its assets and liabilities as reflected in its historical consolidated financial statements. In addition, the Company's adoption of fresh-start accounting affected its results of operations following the fresh-start reporting date, as the Company had a new basis in its assets and liabilities. Consequently, the Company's consolidated financial statements on or after the Effective Date are not comparable with the financial statements prior to that date, and the historical financial statements before the Effective Date are not reliable indicators of its financial condition and results of operations for any period after it adopted fresh-start accounting.

**Reporting Date**—On July 24, 2020, the Debtors filed a motion to sell substantially all of their assets. On August 19, 2020, the Bankruptcy Court entered an order approving the bidding and auction procedures in connection with such sale. On October 15, 2020, the Bankruptcy Court entered an order authorizing the sale. On November 13, 2020, the Debtors filed their Plan of Reorganization and the Disclosure Statement related thereto. On December 16, 2020, the hearing to consider approval of the disclosure statement was held. On January 29, 2021, the Bankruptcy Court held a hearing to consider confirmation of the Plan. On January 29, 2021, the Bankruptcy Court entered the Order confirming the Plan. On March 23, 2021, the sale of substantially all of the Debtors' assets was closed. Following the closing of the Sale, the Company's operations are no longer in the chapter 11 process. On March 31, 2021, the Effective Date of the Plan occurred, and the Plan was consummated.

FASB ASC 852 requires that fresh-start accounting be applied as of the date the Plan was approved, or as of a later date when all material conditions precedent to effectiveness of the Plan are resolved, which occurred on March 23, 2021, when the sale of substantially all of the Debtors' assets was closed. The Company elected to apply fresh-start accounting effective March 31, 2021, to coincide with the timing of its normal March accounting period close. The Company evaluated the events between March 23 and March 31, 2021 and concluded that the use of an accounting convenience date of March 31, 2021 did not have a material impact on results of operations or financial position.

The consolidated financial statements for periods prior to March 31, 2021 are not comparable to consolidated financial statements presented on or after March 31, 2021. References to "Successor" or "Successor Company" refer to the Company on or after March 23, 2021, after giving effect to the implementation of the Plan and the application of fresh-start accounting. References to "Predecessor" or "Predecessor Company" refer to the Company on or prior to March 22, 2021.

**Effects of the Plan**—Key components of the Plan, which became effective on March 31, 2021, include:

- All outstanding obligations under the Predecessor First Lien Facility and Predecessor Second Lien Facility (collectively "Predecessor Liens") were cancelled, and the agreement governing the Predecessor Liens was terminated.
- All outstanding obligations under the Senior Secured Revolving Credit Facility and the Convertible Senior Notes were cancelled.
- All amounts outstanding under the debtor-in-possession revolving credit agreement were paid in full and such agreement was terminated in accordance with its terms.

- Distribution of \$1.75 million to the Searchlight Parties, the holder of the Second Lien Note, in cash in full satisfaction of their Second Lien Note claims.
- Certain releases by the Debtors as described in the Plan and the holders of other unsecured claims (including holders of the Convertible Notes claims and general unsecured claims) would receive a pro rata share of \$4.0 million.
- The liquidation and orderly wind-down of all the Debtors' remaining assets following the Sale closing.
- The funding of a wind-down reserve by Anuvu Corp. in accordance with the terms of the Plan and the Confirmation Order, which such reserve shall ensure that the Debtors have sufficient funds to make all payments and distributions otherwise required under the Plan.
- All of the Company's then existing shares ("Predecessor Shares"), were cancelled.
- The ("Predecessor Parent") Incentive Equity Plan and awards granted under such plan were terminated.
- Issuance of 10.0 million shares of Common stock of 12.1 million Common stock authorized to be issued ("Successor Shares") of \$0.001 par value to holders of the Predecessor First Lien Facility.
- Entry into the following new borrowing arrangement:
  - The Senior Secured Priority Term Loan Credit Agreement (the "Priority Credit Agreement") entered into by the Company with the lenders on March 23, 2021. The Priority Credit Agreement provides for a \$205.0 million secured term loan facility, maturing March 23, 2025. The Priority Credit Agreement also provides for a \$12.5 million secured delayed draw term loan ("DDTL") facility maturing September 23, 2023.
  - The Senior Secured Takeback Term Loan Credit Agreement (the "Takeback Credit Agreement") entered into by the Company with the lenders on March 23, 2021. The Takeback Credit Agreement provides for a \$170.0 million secured takeback term loan facility, maturing March 23, 2026.

**Reorganization Value**—Reorganization value is the value attributed to an entity emerging from bankruptcy. This value is viewed as the value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets of the entity immediately after emergence. Fresh-start accounting requires that the reporting entity allocate the reorganization value to its assets and liabilities in relation to their fair values upon emergence from chapter 11, with the excess of reorganization value over net asset values recorded as goodwill. The Company's valuation of the reorganized Company, which was included in the disclosure statement related to the Plan, estimated the enterprise value of the Company to be \$675 million. Upon fair valuation, the Company estimated the enterprise value of the Successor Company to be \$604 million. The estimated enterprise value and the equity value are highly dependent on the achievement of the future financial results contemplated in the projections that were set forth in the Plan. The estimates and assumptions made in the valuation are inherently subject to significant uncertainties. The primary assumptions for which there is a reasonable possibility of the occurrence of a variation that would have significantly affected the reorganization value include the assumptions regarding revenue growth, operating expenses, the amount and timing of capital expenditures, and the discount rate utilized.

In order to determine the reorganization value, the Company estimated the enterprise value of the Successor Company by using a discounted cash flow (DCF) analysis under the income approach and the guideline public company and guideline transaction methods under the market approach.

To estimate enterprise value utilizing the DCF method, the Company established an estimate of future cash flows for the period ranging from 2021 to 2030 and discounted the estimated future cash flows to present value, adding the present value of the terminal value of cash flows beyond 2030. The expected cash flows for the period 2021 to 2030 were based on the financial projections and certain assumptions. The expected cash flows for the period 2021 to 2030 were derived from earnings forecasts and assumptions regarding growth and margin projections and adjusted for other cash flows, including capital expenditures and charges to working capital, as applicable, and expressed as a multiple of Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA). The discount rate of 12.0% to 15.5% was estimated based on an after-tax weighted-average cost of capital reflecting the rate of return that would be expected by a market participant. The weighted average cost of capital also takes into consideration a company-specific risk premium reflecting the risk associated with the overall uncertainty of the financial projections used to estimate future cash flows.

The guideline public company and guideline transaction analysis identified a group of comparable companies and transactions that have operating and financial characteristics comparable in certain respects to the Company, including, for example, comparable lines of business, business risks, and market presence. Under these methodologies, certain financial multiples and ratios that measure financial performance and value are calculated for each selected company or transactions and then compared to the implied multiples from the DCF analysis. The Company considered enterprise value as a multiple of each selected company and transactions publicly available EBITDA.

Fresh-start accounting reflects the value of the Successor Company as determined in the confirmed Plan. Under fresh-start accounting, asset values are remeasured and allocated based on their respective fair values in conformity with the acquisition method of accounting for business combinations in FASB ASC 805. Liabilities existing as of the Effective Date, other than deferred taxes, were recorded at the present value of amounts expected to be paid using appropriate risk-adjusted interest rates. Deferred taxes were determined in conformity with applicable accounting standards. Predecessor accumulated depreciation, accumulated amortization, accumulated deficit and accumulated other comprehensive loss were eliminated.

The following table reconciles the Company's enterprise value to the estimated fair value of the Successor's equity as of the Effective Date (in thousands):

Enterprise Value (including cash and cash equivalents)	\$ 604,000
Less: Fair value of debt (excluding debt issuance costs)	(385,103)
Equity value	<u>\$ 218,897</u>

The following table reconciles the Company's enterprise value to the reorganization value of the Successor's assets (in thousands):

Enterprise Value (including cash and cash equivalents)	\$ 604,000
Current liabilities (excluding current portion of long-term debt)	78,574
Debt issuance costs	(9,047)
Noncurrent liabilities (excluding long-term debt)	36,099
Reorganization value of Successor's assets	<u>\$ 709,626</u>

The total of all post-petition liabilities and allowed claims, including debt, immediately prior to confirmation of the Plan, was approximately \$1,011.3 million.

**Consolidated Balance Sheets**—The adjustments set forth in the following consolidated balance sheets reflect the effect of the consummation of the transactions contemplated by the Plan (reflected in the column "Reorganization Adjustments") as well as estimated fair value adjustments as a result of the adoption of fresh-start accounting (reflected in the column "Fresh-Start Adjustments"). The explanatory notes highlight methods used to determine estimated fair values or other amounts of assets and liabilities, as well as significant assumptions.

**Four-Column Consolidated Balance Sheets (in thousands):**

	As of March 23, 2021			
	Predecessor	Reorganization Adjustments	Fresh-Start Adjustments	Successor
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 29,563	\$ 44,385 A	\$ —	\$ 73,948
Restricted cash	2,542	3,170 B	—	5,712
Short-term investment	889	—	—	889
Accounts receivable, net	58,120	—	—	58,120
Inventories, net	25,813	—	—	25,813
Prepaid expenses	17,418	(91) C	—	17,327
Other current assets	10,362	4,914 D	—	15,276
<b>TOTAL CURRENT ASSETS</b>	<b>144,707</b>	<b>52,378</b>	<b>—</b>	<b>197,085</b>
Content library	2,690	—	—	2,690
Property and equipment, net	84,105	(1,577) E	55,420 O	137,948
Right-of-use assets, net	23,765	(8,825) F	—	14,940
Goodwill	137,504	—	(69,729) P	67,775
Intangible assets, net	29,361	—	183,039 Q	212,400
Equity method investments	36,045	—	16,955 R	53,000
Other non-current assets	25,898	(2,424) G	314 S	23,788
<b>TOTAL ASSETS</b>	<b>\$ 484,075</b>	<b>\$ 39,552</b>	<b>\$ 185,999</b>	<b>\$ 709,626</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>				
<b>CURRENT LIABILITIES:</b>				
Debtor-in-possession financing	\$ 80,000	\$ (80,000) H	\$ —	\$ —
Accounts payable and accrued liabilities	49,530	11,878 I	—	61,408
Deferred revenue	7,240	—	—	7,240
Current portion of long-term debt	5,336	4,432 J	—	9,768
Current portion of operating lease liabilities	4,441	2	—	4,443
Other current liabilities	5,473	—	—	5,473
<b>TOTAL CURRENT LIABILITIES</b>	<b>152,020</b>	<b>(63,688)</b>	<b>—</b>	<b>88,332</b>
Deferred revenue, non-current	86	—	—	86
Long-term debt	85	366,203 K	—	366,288
Long-term operating lease liabilities	12,016	—	—	12,016
Deferred tax liabilities	2,835	—	2,199 S	5,034
Other non-current liabilities	19,514	(551) L	—	18,963
Total liabilities not subject to compromise	186,556	301,964	2,199	490,719
Liabilities subject to compromise	1,011,297	(1,011,297) M	—	—
<b>TOTAL LIABILITIES</b>	<b>1,197,853</b>	<b>(709,333)</b>	<b>2,199</b>	<b>490,719</b>
<b>COMMITMENTS AND CONTINGENCIES</b>				
	—	—	—	—
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>				
Preferred stock	—	—	—	—
Common stock	10	—	— T	10
Treasury stock	(30,659)	—	30,659 T	—
Subscriptions receivable	(597)	—	597 T	—
Additional paid-in capital	822,137	—	(603,240) T	218,897
Accumulated earnings (deficit)	(1,504,888)	748,885 N	756,003 T	—
Accumulated other comprehensive income (loss)	219	—	(219) T	—
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>(713,778)</b>	<b>748,885</b>	<b>183,800</b>	<b>218,907</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 484,075</b>	<b>\$ 39,552</b>	<b>\$ 185,999</b>	<b>\$ 709,626</b>

**Reorganization Adjustments**—The consolidated financial information gives effect to the following reorganization adjustments, the Plan, and the implementation of the transactions, contemplated by the Plan. These adjustments give effect to the terms of the Plan and certain underlying assumptions, which include, but are not limited to, the following:

A. Reflects the cash receipts (payments) from implementation of the Plan (in thousands):

Record net proceeds from the Senior Secured Priority Term Loan of \$205.0 million and Delayed Draw Term Loan ("DDTL") of \$4.6 million, net of approximately \$0.9 million of debt issuance costs, and net of payment of the debtor-in-possession loan of \$80.0 million and accrued interest thereon	\$ 74,174
Record payment of SearchLight second lien loan in full settlement of all obligations	(1,750)
Record payment of lease cures and related legal fees	(3,360)
Record net proceeds from Marlink sale	2,040
Record payment of cures for accepted contracts	<u>(26,719)</u>
	<u>\$ 44,385</u>

B. Reflects the funding of the restricted cash account for cash collateral for letter of credits issued under the DDTL provided by the Senior Secured Priority Term Loan Agreement.

C. Represents write-off of prepaid balances for rejected service contracts in accordance with the Plan.

D. Represents return of cash from the estate received subsequent to the fresh-start date recorded as receivable, net of write-off of lease deposits and other deposits for rejected service contracts in accordance with the Plan.

E. Represents disposal of property and equipment included in the Marlink sale.

F. Reflects removal of Right-of-use assets from the balance sheet upon rejection of service contract that results in cancellation of all obligations under the contract.

G. Represents write-off of prepaid balances for rejected service contracts in accordance with the Plan.

H. Reflects repayment of the debtor-in-possession loan of \$80.0 million.

I. Reflects accrual of expenses incurred in accordance with the Plan upon emergence.

J. Reflects adjustments for debt classified as short term (in thousands):

Dividend Advance—WMS, classified as current because the demand note is already due	\$ 5,288
Letter of Credit Facility under DDTL	4,589
Debt issuance costs of LC Facility (discount)	(250)
Short-term portion of capital lease obligation	<u>141</u>
	9,768
Less: Balance in Predecessor's balance sheet	<u>(5,336)</u>
	<u>\$ 4,432</u>

K. Represents long-term debt, net of debt issuance costs (in thousands):

Senior Secured Term Loan	\$ 205,000
Senior Secured Takeback Loan	170,000
Letter of Credit Facility under DDTL	4,589
Capital lease obligation	226
Dividend Advance—WMS, classified as current because the demand note is already due	5,288
	<u>385,103</u>
Less: Debt issuance costs	<u>(9,047)</u>
	376,056
Less: Classifies as current portion of long-term debt	<u>(9,768)</u>
Long-term debt	366,288
Less: Balance in Predecessor's balance sheet	<u>(85)</u>
	<u>\$ 366,203</u>

L. Represents litigation reserve write-off.

M. Represents settlement of liabilities subject to compromise as follows (in thousands):

Senior secured term loan facility, due January 2023	\$ 513,390
Senior secured revolving credit facility, due January 2022	81,065
Convertible senior notes, due 2035	82,500
Second Lien Notes, due June 2023	196,779
Other debts	20,170
Other liabilities subject to compromise (Accounts payable and other accrued liabilities)	117,393
Liabilities subject to compromise	<u>\$ 1,011,297</u>

Issuance of Senior Secured Takeback Loan to settle all obligations under the Predecessor's First Lien Notes	\$ (170,000)
Amount paid for settlement of all obligations under the Predecessor's Second Lien Notes	(1,750)
Amount escrowed for settlement of all obligations under the Predecessor's Convertible Senior Notes	(2,475)
Cash payment for cure claims and other liabilities subject to compromise	(86,687)
Write-off of accrued interest balances related to Predecessor's debt	14,937
Bankruptcy-related professional fees	(15,469)
Interest charge on DIP loan for the period January 1 through March 22, 2021	<u>(968)</u>
Gain on settlement of liabilities subject to compromise	<u>\$ 748,885</u>

N. Reflects net gain from reorganization detailed as follows (in thousands):

Gain on debt extinguishment	\$ 714,446
Gain on bankruptcy settlement	46,476
Gain on satellite connectivity service contract settlement	7,488
Loss resulting from rejection of various service contracts	(3,088)
Bankruptcy-related professional fees	(15,469)
Interest charge on DIP loan for period January 1 through March 22, 2021	<u>(968)</u>
	<u>\$ 748,885</u>

#### Fresh-start Adjustments

O. Reflects step-up in the carrying value of property and equipment to equal to fair value determined in compliance with the provisions of ASC 805 and ASC 820 as of the Effective Date.

P. Reflects balance attributed to Goodwill after allocation of the Reorganization Value to all other assets (including intangible assets) and liabilities based on their respective fair values determined in compliance with the provisions of ASC 805 and ASC 820 as of the Effective Date (in thousands):

Reorganization value of assets	\$ 709,626
Less: fair value of:	
Total current assets, including cash and cash equivalents	(197,085)
Property and equipment, net	(137,948)
Intangible assets	(212,400)
Equity method investments	(53,000)
Right-of-use assets, net	(14,940)
Other assets	<u>(26,478)</u>
Goodwill (Successor)	67,775
Goodwill (Predecessor)	137,504
Fresh-start adjustment	<u>\$ (69,729)</u>

Q. Reflects balance attributed to Intangible assets based on the fair value determined in compliance with the provisions of ASC 805 and ASC 820 as of the Effective Date.

R. Reflects balance attributed to Equity method investment based on the fair value determined in compliance with the provisions of ASC 805 and ASC 820 as of the Effective Date.

S. Reflects the adjustment to fair value of the Company's deferred tax assets and liabilities related to our inside basis investment difference in our foreign whole-owned subsidiaries.

T. Represents the cumulative impact of fresh-start adjustments as discussed above and the elimination of Predecessor accumulated deficit and other comprehensive income.