VIASAT INC
Form 10-K
May 26, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended April 3, 2015

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______.

Commission file number (000-21767)

VIASAT, INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0174996**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

6155 El Camino Real

Carlsbad, California 92009

(760) 476-2200

(Address of principal executive offices and telephone number)

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

(Title of Each Class)	**(Name of Each Exchange on which Registered)**
Common Stock, par value $0.0001 per share	**The NASDAQ Stock Market LLC**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. x Yes ¨ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes x No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of October 3, 2014 was approximately $2,415,318,451 (based on the closing price on that date for shares of the registrant s common stock as reported by the Nasdaq Global Select

Market).

The number of shares outstanding of the registrant s common stock, $.0001 par value, as of May 8, 2015 was 47,707,056.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with its 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K where indicated. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant s fiscal year ended April 3, 2015.

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including Management s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. We use words such as anticipate, believe, continue, could, estimate, expect, goal, intend, may, plan, project, seek, should, target, will, would, variations of such words ar identify forward-looking statements. In addition, statements that refer to projections of earnings, revenue, costs or other financial items; anticipated growth and trends in our business or key markets; future economic conditions and performance; the development, customer acceptance and anticipated performance of technologies, products or services; satellite construction and launch activities; the performance and anticipated benefits of the ViaSat-2 satellite; the expected capacity, service, coverage, service speeds and other features of ViaSat-2, and the timing, cost, economics and other benefits associated therewith; anticipated subscriber growth; plans, objectives and strategies for future operations; and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results to differ include: our ability to realize the anticipated benefits of the ViaSat-2 satellite; unexpected expenses related to the satellite project; our ability to successfully implement our business plan for our broadband satellite services on our anticipated timeline or at all, including with respect to the ViaSat-2 satellite system; risks associated with the construction, launch and operation of ViaSat-2 and our other satellites, including the effect of any anomaly, operational failure or degradation in satellite performance; our ability to successfully develop, introduce and sell new technologies, products and services; negative audits by the U.S. government; changes in the global business environment and economic conditions; delays in approving U.S. government budgets and cuts in government defense expenditures; our reliance on U.S. government contracts, and on a small number of contracts which account for a significant percentage of our revenues; reduced demand for products and services as a result of continued constraints on capital spending by customers; changes in relationships with, or the financial condition of, key customers or suppliers; our reliance on a limited number of third parties to manufacture and supply our products; increased competition and other factors affecting the communications and defense industries generally; the effect of adverse regulatory changes on our ability to sell products and services; our level of indebtedness and ability to comply with applicable debt covenants; our involvement in litigation, including intellectual property claims and litigation to protect our proprietary technology; our dependence on a limited number of key employees; and other factors identified under the heading Risk Factors in Item 1A, elsewhere in this report and our other filings with the Securities and Exchange Commission (the SEC). Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

ITEM 1. *BUSINESS*

Corporate Information

We were incorporated in California in 1986 under the name ViaSat, Inc., and subsequently reincorporated in Delaware in 1996. The mailing address of our worldwide headquarters is 6155 El Camino Real, Carlsbad, California 92009, and our telephone number at that location is (760) 476-2200. Our website address is *www.viasat.com.* The information on our website does not constitute part of this report.

Company Overview

We are an innovator in broadband technologies and services, including satellite and wireless networking applications and secure networking systems, products and services. We have leveraged our success developing

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complex satellite communication systems and equipment for the U.S. government and select commercial customers to develop next-generation satellite broadband technologies and services for both fixed and mobile users. Our product, systems and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that our portfolio of products and services, combined with our ability to effectively cross-deploy technologies between government and commercial segments and across different geographic markets, provides us with a strong foundation to sustain and enhance our leadership in advanced communications and networking technologies.

During the first quarter of fiscal year 2015, we completed the acquisition of NetNearU Corp. (NetNearU), a privately held Delaware corporation. NetNearU has developed a comprehensive network management system for Wi-Fi and other internet access networks that we expect to use to extend our Exede® broadband services to a wider subscriber base in multiple markets, including commercial airlines, live events, hospitality, enterprise networking and government broadband projects. NetNearU s primary operations currently support government applications. The purchase price for NetNearU was $60.2 million in cash consideration.

We conduct our business through three segments: satellite services, commercial networks and government systems. Financial information regarding our reporting segments and the geographic areas in which we operate is included in the consolidated financial statements and notes thereto.

For fiscal year 2015 and prior periods, our fiscal year ended on the Friday closest to March 31, resulting in a 52 or 53 week year. On May 4, 2015, our Board of Directors approved a change in our fiscal year from a 52 or 53 week fiscal year ending on the Friday closest to March 31 to a fiscal year ending on March 31 of each year, effective with the fiscal year commencing April 4, 2015. Beginning April 4, 2015, our fiscal quarters will end on June 30, September 30, December 31 and March 31 of each year.

Satellite Services

Our satellite services segment provides retail and wholesale satellite-based broadband services for our consumer, enterprise and mobile broadband customers primarily in the United States. Our Exede broadband services are designed to offer a high-quality broadband service choice to the millions of unserved and under-served consumers in the United States and to significantly expand the quality, capability and availability of high-speed broadband satellite services for U.S. consumers and enterprises. Our satellite services business also provides a platform for the provision of network management services to domestic and international satellite service providers.

Our first high-capacity Ka-band spot-beam satellite, ViaSat-1, was placed into service in January 2012. At the time of launch we believe ViaSat-1was the highest capacity, most cost-efficient satellite in the world, with a data throughput of approximately 140 Gigabits per second. In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite.

We believe that growth in our fixed and mobile broadband businesses will be driven in coming years by consumer demand for our Exede broadband services, as well as by increasing demand from enterprise and mobile users worldwide for mobile broadband solutions and broadband services offering greater bandwidth and higher speeds.

The primary services offered by our satellite services segment are comprised of:

Retail and Wholesale Broadband Satellite Services. We offer retail and wholesale broadband satellite services under the Exede and WildBlue® brands that provide two-way satellite-based broadband internet access and Voice over Internet Protocol (VoIP) to consumers and businesses in the United States. We offer a range of service plans to both retail and wholesale customers, with pricing based on a number of different factors, including available capacity, bandwidth limits, service quality levels and terms of distribution. We offer wholesale and retail broadband services to our national and regional distribution partners, including direct-to-home satellite video providers, retail service providers and communications companies. As of April 3, 2015, we provided broadband satellite services to approximately 686,000 subscribers.

Mobile Broadband Services. Our Yonder® mobile broadband services provide global network management and high-speed internet connectivity services for customers using airborne, maritime and ground mobile satellite systems.

Enterprise Broadband Services. We also offer high-speed broadband services to enterprises, which increasingly require higher speed, and more economical communications in hard-to-reach locations, as well as mobile broadband solutions. Our enterprise broadband services include in-flight Wi-Fi (including our flagship Exede In The Air service), live on-line event streaming, oil and natural gas data gathering services and high definition satellite news gathering.

Commercial Networks

Our commercial networks segment develops and produces a variety of advanced end-to-end satellite and other wireless communication systems and ground networking equipment and products that address five key market segments: consumer, enterprise, in-flight, maritime and ground mobile applications. These communication systems, networking equipment and products are generally developed through a combination of customer and discretionary internal research and development funding, and are either sold to our commercial networks customers or utilized to provide services through our satellite services segment.

With expertise in commercial satellite network engineering, gateway construction and remote terminal manufacturing for various types of interactive communication services, combined with our advanced satellite technology and systems integration experience, we have the ability to design, build, initially operate and then hand over on a turnkey basis fully operational, customized satellite communication systems capable of serving a variety of markets and applications. Our networking equipment and products include consumer broadband networking and indoor and outdoor customer premise equipment (CPE), satellite modem and antenna technologies, earth stations and satellite networking hubs. In particular, our consumer broadband products, satellite modems and antenna technologies enable airborne, ground mobile and maritime broadband communications and support expanding mobile and consumer broadband markets worldwide. In addition, the strength of our core government systems business provides us with an effective platform to continue to design and develop new equipment and products, as we adapt and customize communication systems and products designed for the government systems segment to commercial use and vice versa.

We believe growth of the commercial satellite market will continue to be driven in the coming years by a number of factors, including: (1) the continued growth in worldwide demand for communications services and, in particular, the rise in both consumer and enterprise demand for products and systems enabling broadband internet access, (2) our ability to leverage the launch of ViaSat-1 and our ViaSat-2 satellite under construction, as well as other high-capacity Ka-band satellites worldwide, to increase sales of next-generation satellite communication systems, ground networking equipment and products that operate on Ka-band frequencies, (3) the improving cost-effectiveness of satellite communication networks for many uses, and the ability to use satellite communication systems to rapidly deploy communications services across wide geographic areas and to large numbers of people within the satellite footprint, and (4) recent technological advancements that broaden applications for and increase the capacity and efficiency of satellite-based networks. As satellite communications equipment becomes less expensive and new capabilities emerge in satellite communications technology, we believe that the market for satellite communications will offer additional growth opportunities, as service providers seek to rapidly and cost-efficiently deploy broadband communications services across wide geographic areas, both in suburban and rural areas in the developed world and in developing countries where the deployment of terrestrial high-capacity solutions such as fiber-optic cable is neither cost-effective nor practical. Satellite communications also provide cost-effective augmentation capability for existing terrestrial networks or broadband service providers to address network congestion caused by the continued exponential increase in the volume of multimedia content accessed via the internet.

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Our satellite communication systems, ground networking equipment and products cater to a wide range of domestic and international commercial customers and include:

Fixed Satellite Networks. We are a leading end-to-end network technology supplier for the fixed satellite consumer and enterprise markets. Our next-generation satellite network infrastructure and ground terminals are designed to access Ka-band broadband services on high-capacity satellites such as ViaSat-1, KA-SAT (Eutelsat s high-capacity Ka-band satellite, which serves Europe and parts of the Middle East and Africa), and NBN Co. 1A and NBN Co. 1B (NBN Co. s high capacity Ka-band satellites being built to serve Australia). Our SurfBeam® network systems and modems enable satellite broadband access for residential or home office customers. We anticipate that demand for Ka-band network infrastructure and ground terminals will be driven by additional high-capacity Ka-band satellites around the world. We also offer enterprise customers related products and services to address bandwidth constraints, latency and other issues, such as our AcceleNet® wide area network (WAN) optimization product, which enables enterprise customers to optimize cloud computing services and other applications delivered over WANs.

Mobile Broadband Satellite Communication Systems. Our mobile satellite communication systems and related products provide high-speed, cost-efficient broadband access while on the move via small transceivers, and are designed for use in aircraft, high-speed trains and seagoing vessels. We also sell similar mobile satellite systems to government customers, which is included in our government satellite communication systems business.

Antenna Systems. We develop, design, produce, test and install turnkey ground terminals and antennas for terrestrial and satellite applications, specializing in geospatial imagery, mobile satellite communication, Ka-band gateways and other multi-band antennas.

Satellite Networking Development. Through our Comsat Labs division, we offer specialized design and technology services covering all aspects of satellite communication system architecture and technology, including the analysis, design, and specification of satellites and ground systems, ASIC and MMIC design and production, and WAN compression for enterprise networks.

Government Systems

Our government systems segment develops and produces network-centric Internet Protocol (IP)-based fixed and mobile secure government communications systems, products, services and solutions, which are designed to enable the collection and dissemination of secure real-time digital information between command centers, communications nodes and air defense systems. Customers of our government systems segment include the U.S. Department of Defense (DoD), armed forces, public safety first-responders and remote government employees.

We believe the following dynamics and trends will continue to offer growth opportunities for a majority of the markets that we address in our government systems segment over the next several years: (1) the U.S. military s increasing emphasis on network-centric highly mobile warfare over geographically dispersed areas, which requires the development and deployment of secure, IP-based communications networks, products and service offerings capable of supporting real-time dissemination of data using multiple transmission media, and (2) increased use of IP-based network-centric applications and other more bandwidth-intensive applications at all organizational levels, which is expected to drive continued growth in government demand for bandwidth and higher-speed broadband services and associated ground systems.

The primary products and services of our government systems segment include:

Government Mobile Broadband. Our government mobile broadband service and product offerings provide military and government users with two-way mobile broadband connectivity via satellite in key regions of the world to support high-speed, real-time broadband and multimedia communications enabling an office in the sky. Our government mobile broadband product offerings include mobile broadband modems, terminals, network access control systems and antenna systems using a range of satellite frequency bands capable of being installed and operated on a wide variety of fixed wing, rotary wing, manned and unmanned aircraft.

Government Satellite Communication Systems. Our government satellite communication systems offer an array of portable, mobile and fixed broadband modems, terminals, network access control systems and antenna systems using a range of satellite frequency bands for line-of-sight and beyond-line-of-sight Intelligence, Surveillance, and Reconnaissance (ISR) and Command and Control (C2) missions, satellite networking services, network management systems for Wi-Fi and other internet access networks and global mobile broadband capability with satellite technologies. Satellite-based systems are increasingly seen as the most reliable method of connecting rapidly moving armed forces who may out-run the range of terrestrial radio links. Our systems, products and service offerings are designed to support high-throughput broadband data links, to increase available bandwidth using existing satellite capacity, and to withstand certain catastrophic events. Our range of broadband modems, terminals and systems support high-speed broadband and multimedia transmissions over point-to-point, mesh and hub-and-spoke satellite networking systems, and include products designed for manpacks, aircraft, unmanned aerial vehicles (UAVs), seagoing vessels, ground mobile vehicles and fixed applications.

Information Assurance. Our information security and assurance products provide advanced, high-speed IP-based Type 1 and High Assurance Internet Protocol Encryption (HAIPE®)-compliant encryption solutions that enable military and government users to communicate information securely over networks, and that secure data stored on computers and storage devices. Our encryption products and modules use a programmable, high-assurance architecture that can be easily upgraded in the field or integrated into existing communication networks, and are available both on a stand-alone basis and as embedded modules within our tactical radio, information distribution and other satellite communication systems and products.

Tactical Data Links. We develop and produce advanced tactical radio and information distribution systems that enable real-time collection and dissemination of video and data using secure, jam-resistant transmission links from manned aircraft, ground mobile vehicles and other remote platforms to networked communication and command centers. Key products in this category include our Multifunctional Information Distribution System (MIDS) terminals for military fighter jets and their successor, MIDS Joint Tactical Radio System (MIDS-JTRS) terminals, disposable weapon data links and portable small tactical terminals.

Our Strengths

We believe the following strengths position our business to capitalize on the attractive growth opportunities presented in each of our business segments:

Leading Satellite and Wireless Technology Platform and Services. We believe our ability to design and deliver cost-effective satellite and wireless communications and networking solutions, covering both the provision of high-speed broadband services and the supply of advanced communications systems, ground network equipment and end-user terminals, enables us to provide our customers with a diverse portfolio of leading applications and service solutions. Our product and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that many of the market segments in which we compete have significant barriers to entry relating to the complexity of technology, the amount of required developmental funding, the willingness of the customer to support multiple suppliers and the importance of existing customer relationships. We believe our history of developing complex secure satellite and wireless networking and communications technologies demonstrates that we possess the expertise and credibility required to serve the evolving technology needs of our customers.

Innovation of Next-Generation Satellite Technology. Our first high-capacity Ka-band spot-beam satellite, ViaSat-1, was placed into service in January 2012. With the market demonstrating increasing demand for satellite broadband services, ViaSat-1 and our associated next-generation ground segment technology were designed to significantly expand the quality, capability and availability of high-speed broadband satellite services for consumers and enterprises. In February 2012, the Society of Satellite

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Professionals International bestowed an Industry Innovators Award on us in recognition of the development and launch of our ViaSat-1 satellite, and in 2013 ViaSat-1 earned a Guinness World Records® title as the highest-capacity communications satellite in the world. In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite, which we expect will significantly improve the speed and availability of broadband services over an expanded coverage area.

Blue-Chip Customer Base and Favorable Consumer Contract Terms. Our customers include the DoD, civil agencies, defense contractors, allied foreign governments, satellite network integrators, large communications service providers and enterprises requiring complex communications and networking solutions and services. We believe that the credit strength of our key customers, including the U.S. government and leading aerospace and defense prime contractors, as well as our favorable consumer broadband contract terms, help support more consistent financial performance.

Experienced Management Team. Our Chief Executive Officer, Mark Dankberg, and our Chief Technology Officers have been with the company since its inception in 1986. Mr. Dankberg is considered to be a leading expert in the field of wireless and satellite communications. In 2008, Mr. Dankberg received the prestigious AIAA Aerospace International Communication award, which recognized him for shepherding ViaSat into a leading satellite communications company through outstanding leadership and technical expertise. In 2015, Mr. Dankberg was inducted into the Society of Satellite Professionals Hall of Fame for his leadership and visionary role in satellite communications.

Innovative Product Development and Cost-Efficient Business Model. Maintaining technological competencies and innovative new product development has been one of our hallmarks and continues to be critical to our success. Our research and development efforts are supported by an employee base of over 1,800 engineers and a culture that deeply values innovation. We balance an emphasis on new product development with efficient management of our capital. For example, the majority of our research and development efforts with respect to the development of new products or applications are funded by customers. In addition, we drive capital efficiencies by outsourcing a significant portion of our manufacturing to subcontractors with whom we collaborate to ensure quality control and superior finished products.

Our Strategy

Our objective is to leverage our advanced technology and capabilities to: (1) develop high-speed, high-capacity satellite broadband technologies to grow the size of the consumer satellite broadband, commercial enterprise and networking markets, while also capturing a significant share of these growing markets, (2) maintain a leadership position, while reducing costs and increasing profitability, in our satellite and wireless communications markets, and (3) increase our role as the U.S. government increases its emphasis on IP-based, highly secure, highly mobile, network-centric warfare. The principal elements of our strategy include:

Address Increasingly Larger Markets. We have focused on addressing larger markets since our inception. As we have grown our revenues, we are able to target larger opportunities and markets more credibly and more successfully. We consider several factors in selecting new market opportunities, including whether: (1) there are meaningful entry barriers for new competitors (for example, specialized technologies or relationships), (2) the new market is the right size and consistent with our growth objectives, and (3) the customers in the market value our technology competence and focus, which makes us an attractive partner.

Evolve into Adjacent Technologies and Markets. We anticipate continued organic growth into adjacent technologies and markets. We seek to increase our share in the market segments we address by selling existing or customized versions of technologies we developed for one customer base to a different market for instance, to different segments of the government market or between government and commercial markets. In addition, we seek to expand the breadth of technologies and products we offer by selling new, but related, technologies and products to existing customers.

Focus on International Opportunities. International revenues represented approximately 17%, 23% and 25% of our total revenues in fiscal years 2015, 2014 and 2013, respectively. We believe our comprehensive offering of satellite communications products, systems and services will continue to be attractive to government and commercial customers internationally, and that international markets represent an attractive opportunity for our business. In addition, we expect that our domestic satellite broadband services business will provide a platform for the provision of network management and back-office services to international providers of satellite broadband services.

Pursue Growth Through Strategic Alliances and Relationships. We have regularly entered into teaming arrangements with other government contractors to more effectively capture complex government programs, and we expect to continue to actively seek strategic relationships and ventures with companies whose financial, marketing, operational or technological resources can accelerate the introduction of new technologies and the penetration of new markets. We have also engaged in strategic relationships with companies that have innovative technologies and products, highly skilled personnel, market presence, or customer relationships and distribution channels that complement our strategy. We may continue to evaluate acquisitions of, or investments in, complementary companies, businesses, products or technologies to supplement our internal growth.

Our Customers

Initially, we focused primarily on developing satellite communication systems and equipment for the U.S. government, and our U.S. government contracts remain a core part of our business. We then successfully diversified into other related markets for advanced satellite communication systems, ground networking equipment and products and secure networking systems, serving a range of government and commercial customers. Over the past ten years, we have significantly expanded this customer base both domestically and internationally. More recently, we have successfully diversified into related markets for broadband satellite services, successfully placing ViaSat-1, our first high-capacity Ka-band spot-beam satellite, into service in January 2012 and offering retail and wholesale satellite-based broadband to consumer, enterprise and mobile broadband customers primarily in the United States. In May 2013, we entered into a satellite construction contract for ViaSat-2, which is expected to expand the geographic markets we address.

The customers of our government systems and commercial networks segments include the DoD, U.S. National Security Agency, the U.S. Department of Homeland Security, allied foreign governments, select other U.S. federal, state and local government agencies, defense contractors, satellite network integrators, large communications service providers and enterprises requiring complex communications and networking solutions. We enter into government contracts either directly with U.S. or foreign governments, or indirectly through domestic or international prime contractors. For our commercial contracts, we also act as both a prime contractor and subcontractor for the sale of equipment and services. Customers of our satellite services segment include residential customers, small businesses and other enterprise customers of our broadband services, including commercial airlines.

Revenues from the U.S. government as an individual customer comprised approximately 23%, 21% and 24% of total revenues for fiscal years 2015, 2014 and 2013, respectively. None of our commercial customers comprised 10% or more of total revenues in fiscal years 2015, 2014 and 2013.

U.S. Government Contracts

Substantial portions of our revenues are generated from contracts and subcontracts with the DoD and other federal government agencies. Many of our contracts are subject to a competitive bid process and are awarded on the basis of technical merit, personnel qualifications, experience and price. We also receive some contract awards

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involving special technical capabilities on a negotiated, noncompetitive basis due to our unique technical capabilities in special areas. The Federal Acquisition Streamlining Act of 1994 has encouraged the use of commercial type pricing, such as firm fixed-price contracts, on dual use products. Our future revenues and income could be materially affected by changes in government procurement policies and related oversight, a reduction in expenditures for the products and services we provide, and other risks generally associated with federal government contracts.

We provide products under federal government contracts that usually require performance over a period of several months to multiple years. Long-term contracts may be conditioned upon continued availability of congressional appropriations. Variances between anticipated budget and congressional appropriations may result in a delay, reduction or termination of these contracts.

Our federal government contracts are performed under cost-reimbursement contracts, time-and-materials contracts and fixed-price contracts. Cost-reimbursement contracts provide for reimbursement of costs and payment of a fee. The fee may be either fixed by the contract or variable, based upon cost control, quality, delivery and the customer s subjective evaluation of the work. Under time-and-materials contracts, we receive a fixed amount by labor category for services performed and are reimbursed for the cost of materials purchased to perform the contract. Under a fixed-price contract, we agree to perform specific work for a fixed price and, accordingly, realize the benefit or detriment to the extent that the actual cost of performing the work differs from the contract price. In fiscal year 2015, approximately 13% of our total government revenues was generated from cost-reimbursement contracts with the federal government or our prime contractors, approximately 1% from time-and-materials contracts and approximately 86% from fixed-price contracts.

Our allowable federal government contract costs and fees are subject to audit and review by the Defense Contracting Management Agency (DCMA) and the Defense Contract Audit Agency (DCAA), as discussed below under Regulatory Environment Other Regulations.

Our federal government contracts may be terminated, in whole or in part, at the convenience of the U.S. government. If a termination for convenience occurs, the U.S. government generally is obligated to pay the cost incurred by us under the contract plus a pro rata fee based upon the work completed. Contracts with prime contractors may have negotiated termination schedules that apply. When we participate as a subcontractor, we are at risk if the prime contractor does not perform its contract. Similarly, when we act as a prime contractor employing subcontractors, we are at risk if a subcontractor does not perform its subcontract.

Some of our federal government contracts contain options that are exercisable at the discretion of the customer. An option may extend the period of performance for one or more years for additional consideration on terms and conditions similar to those contained in the original contract. An option may also increase the level of effort and assign new tasks to us. In our experience, options are exercised more often than not.

Our eligibility to perform under our federal government contracts requires us to maintain adequate security measures. We have implemented security procedures that we believe adequately satisfy the requirements of our federal government contracts.

Research and Development

The industries in which we compete are subject to rapid technological developments, evolving standards, changes in customer requirements and continuing developments in the communications and networking environment. Our continuing ability to adapt to these changes, and to develop new and enhanced products and services, is a significant factor in maintaining or improving our competitive position and our prospects for growth. Therefore, we continue to make significant investments in product development.

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We conduct the majority of our research and product development activities in-house and have a research and development and engineering staff, which includes over 1,800 engineers. Our product development activities focus on products that we consider viable revenue opportunities to support all of our business segments. A significant portion of our research and development efforts have generally been conducted in direct response to the specific requirements of a customer s order and, accordingly, these amounts are included in the cost of sales when incurred and the related funding is included in revenues at that time.

The portion of our contract revenues which includes research and development funded by government and commercial customers was approximately 23%, 31% and 26% during fiscal years 2015, 2014 and 2013, respectively, of our total revenues. In addition, we incurred $46.7 million, $60.7 million and $35.4 million during fiscal years 2015, 2014 and 2013, respectively, on independent research and development (IR&D) expenses, which comprises research and development not directly funded by a third party. Funded research and development contains a profit component and is therefore not directly comparable to IR&D. As a U.S. government contractor, we also are able to recover a portion of our IR&D expenses, consisting primarily of salaries and other personnel-related expenses, supplies and prototype materials related to research and development programs.

Intellectual Property

We seek to establish and maintain our proprietary rights in our technology and products through a combination of patents, copyrights, trademarks, trade secret laws and contractual rights. We also seek to maintain our trade secrets and confidential information through nondisclosure policies, the use of appropriate confidentiality agreements and other security measures. We have registered a number of patents and trademarks in the United States and in other countries and have a substantial number of patent filings pending determination. There can be no assurance, however, that these rights can be successfully enforced against competitive products in any particular jurisdiction. Although we believe the protection afforded by our patents, copyrights, trademarks, trade secrets and contracts has value, the rapidly changing technology in the networking, satellite and wireless communications industries and uncertainties in the legal process make our future success dependent primarily on the innovative skills, technological expertise and management abilities of our employees rather than on the protections afforded by patent, copyright, trademark and trade secret laws and contractual rights. Accordingly, while these legal protections are important, they must be supported by other factors such as the expanding knowledge, ability and experience of our personnel, and the continued development of new products and product enhancements.

Certain of our products include software or other intellectual property licensed from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of our products, we believe, based upon past experience and standard industry practice, that such licenses generally could be obtained on commercially reasonable terms. Nonetheless, there can be no assurance that the necessary licenses would be available on acceptable terms, if at all. Our inability to obtain these licenses or other rights or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could have a material adverse effect on our business, operating results and financial condition.

The industry in which we compete is characterized by rapidly changing technology, a large number of patents, and frequent claims and related litigation regarding patent and other intellectual property rights. We cannot assure you that our patents and other proprietary rights will not be challenged, invalidated or circumvented, that others will not assert intellectual property rights to technologies that are relevant to us, or that our rights will give us a competitive advantage. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as the laws of the United States.

Sales and Marketing

We have a sales presence in various domestic and foreign locations, and we sell our products and services both directly and indirectly through channel partners, as described below:

Satellite Services Sales Organization. Our satellite services sales organization includes over 1,000 retailers, including DirecTV, and wholesale distribution relationships with DISH Network and the National Rural Telecommunications Cooperative for our satellite-based broadband services, as well as our own retail distribution channel, which sells directly to residential customers. Our satellite services sales organization also includes direct sales and business development personnel who work with enterprises to identify business opportunities and develop solutions for customers needs.

Commercial Networks Sales Organization. Our commercial networks sales organization consists of sales managers and sales engineers, who act as the primary interface to establish account relationships and determine technical requirements for customer networks. In addition to our sales force, we maintain a highly trained service staff to provide technical product and service support to our customers. The sales cycle in the commercial network market is lengthy and it is not unusual for a sale to take up to 18 months from the initial contact through the execution of the agreement. The sales process often includes several network design iterations, network demonstrations and pilot networks consisting of a few sites.

Government Systems Sales Organization. Our government systems sales organization consists of both direct sales personnel who sell our standard products, and business development personnel who work with engineers, program managers, marketing managers and contract managers to identify business opportunities, develop customer relationships, develop solutions for customers needs, prepare proposals and negotiate contractual arrangements. The period of time from initial contact through the point of product sale and delivery can take over three years for more complex product developments. Products already in production can usually be delivered to a customer between 90 to 180 days from the point of product sale.

Strategic Partners. To augment our direct sales efforts, we seek to develop key strategic relationships to market and sell our products and services. We direct our sales and marketing efforts to our strategic partners, primarily through our senior management relationships. In some cases a strategic ally may be the prime contractor for a system or network installation and will subcontract a portion of the project to us. In other cases, the strategic ally may recommend us as the prime contractor for the design and integration of the network. We seek strategic relationships and partners based on many factors, including financial resources, technical capability, geographic location and market presence.

Our marketing team works closely with our sales, research and product development organizations and our customers to increase the awareness of the ViaSat brand through a mix of positive program performance and our customers recommendation as well as public relations, advertising, trade show participation and conference speaking engagements by providing communications that keep the market current on our products and features. Our marketing team also identifies and sizes new target markets for our products, creates awareness of our company and products, and generates contacts and leads within these targeted markets.

Competition

The markets in which we compete are characterized by rapid change, converging technologies and a migration to solutions that offer superior advantages. These market factors represent both an opportunity and a competitive threat to us. In our satellite services and commercial networks segments, we compete with ASC Signal, Astrium, AT&T, CenturyLink, Comtech, DISH Network, Earthlink, Frontier, General Dynamics, Gilat, Gogo, EchoStar (Hughes Network Systems), iDirect Technologies, Inmarsat, L-3 Communications, Newtec, Panasonic, Row 44, Space Systems/Loral (SS/L), Sprint, Thales, Verizon and Zodiac Data Systems, each of which offers a broad range of satellite or terrestrial communications products and services, and with other

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internet service providers in areas where such competing services are available. Within our government systems segment, we generally compete with manufacturers of defense electronics products, systems or subsystems, such as BAE Systems, General Dynamics, Harris, L-3 Communications, Rockwell Collins and similar companies. We may also occasionally compete directly with the largest defense prime contractors, including Boeing, Lockheed Martin, Northrop Grumman or Raytheon Systems. These companies, while competitors, can also be our customers or partners. Accordingly, maintaining an open and cooperative relationship is important.

The overall number of our competitors may increase, and the identity and composition of competitors may change. As we continue to expand our sales globally, we may see new competition in different geographic regions. Many of our competitors have significant competitive advantages, including strong customer relationships, more experience with regulatory compliance, greater financial and management resources and access to technologies not available to us. Many of our competitors are also substantially larger than we are and may have more extensive engineering, manufacturing and marketing capabilities than we do. As a result, these competitors may be able to adapt more quickly to changing technology or market conditions or may be able to devote greater resources to the development, promotion and sale of their products. In addition, our satellite services segment may face increasing competition as a result of industry consolidation and vertical integration, which may enable our competitors to provide competing services to broader customer segments or to offer bundled service offerings that we are not able to duplicate, or which may reduce demand for our wholesale broadband services. Further, some of our customers continuously evaluate whether to develop and manufacture their own products and could elect to compete with us at any time.

To compete with these providers, we emphasize:

- our proven designs and network integration services for complex, customized network needs;
- the increased bandwidth efficiency offered by our networks, products and services;
- the innovative and flexible features integrated into our products and services;
- our network management experience;
- the cost-effectiveness of our products and services;
- our end-to-end network implementation capabilities;
- the distinct advantages of satellite data networks;
- technical advantages and advanced features of our antenna systems as compared to our competitors offerings; and
- the overall cost of our antenna systems and satellite networks, which can include equipment, installation and bandwidth costs, as compared to products offered by terrestrial and other satellite service providers.

While we believe we compete successfully in each of these factors, we expect to face intense competition in each of our markets.

Manufacturing

Our manufacturing objective is to produce high-quality products that conform to specifications at the lowest possible manufacturing cost. To achieve this objective, we primarily utilize a range of contract manufacturers that are selected based on the production volumes and complexity of the product. By employing contract manufacturers, we are able to reduce the costs of products and support rapid fluctuations in delivery rates when needed. As part of our manufacturing process, we conduct extensive testing and quality control procedures for all products before they are delivered to customers.

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Contract manufacturers produce products for many different customers and are able to pass on the benefits of large-scale manufacturing to their customers. These manufacturers are able to produce high quality products at lower costs by: (1) exercising their high-volume purchasing power, (2) employing advanced and efficient production equipment and capital intensive systems whose costs are leveraged across their broad customer base, and (3) using a cost-effective skilled workforce. Our primary contract manufacturers include Benchmark, CyberTAN, Davida Technology Partners, EADS, Harris, IEC Electronics Corporation, Mack Technologies, Microelectronics Technology (MTI), Natel and Regal Technology Partners.

Our experienced management team facilitates an efficient contract manufacturing process through the development of strong relationships with a number of different domestic and off-shore contract manufacturers. By negotiating beneficial contract provisions and purchasing some of the equipment needed to manufacture our products, we retain the ability to move the production of our products from one contract manufacturing source to another if required. Our operations management has experience in the successful transition from in-house production to contract manufacturing. The degree to which we employ contract manufacturing depends on the maturity of the product and the forecasted production life cycle. We intend to limit our internal manufacturing capacity to new product development support and customized products that need to be manufactured in strict accordance with a customer s specifications and delivery schedule. Therefore, our internal manufacturing capability for standard products has been, and is expected to continue to be, very limited and we intend to continue to rely on contract manufacturers for large-scale manufacturing. We also rely on outside vendors to manufacture specific components and subassemblies used in the production of our products. Some components, subassemblies and services necessary for the manufacture of our products are obtained from a sole source supplier or a limited group of suppliers.

Regulatory Environment

We are required to comply with the laws and regulations of, and often obtain approvals from, national and local authorities in connection with the services that we provide. In particular, we provide a number of services that rely on the use of radio-frequency spectrum, and the provision of such services is highly regulated. National authorities generally require that the satellites they authorize be operated in a manner consistent with the regulations and procedures of the International Telecommunication Union (ITU), which require the coordination of the operation of satellite systems in certain circumstances, and more generally are intended to avoid the occurrence of harmful interference among different users of the radio spectrum.

We also produce a variety of communications systems and networking equipment, the design, manufacture, and marketing of which are subject to the laws and regulations of the jurisdictions in which we sell such equipment. We are subject to export control laws and regulations, and trade and economic sanctions laws and regulations, with respect to the export of such systems and equipment. As a government contractor, we are subject to U.S. procurement laws and regulations.

Radio-frequency and Communications Regulation

The commercial use of radio-frequency spectrum in the United States is subject to the jurisdiction of the Federal Communications Commission (FCC) under the Communications Act of 1934, as amended (Communications Act). The FCC is responsible for licensing the operation of satellite earth stations and spacecraft, and for regulating the technical and other aspects of the operation of these facilities.

Earth Stations. The Communications Act requires a license for the operation of transmitting satellite earth station facilities and certain receiving satellite earth station facilities in the United States. We currently hold licenses authorizing us to operate various earth stations within the United States, including but not limited to user terminals, gateway facilities and network hubs. These licenses typically are granted for 10 to 15 year terms, and renewed in the ordinary course. Material changes in these operations would require prior approval by the FCC. The operation of our earth stations is subject to various license conditions, as well as the technical and operational requirements of the FCC s rules and regulations.

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Space Stations. In the United States, the FCC authorizes the launch and operation of commercial spacecraft, and also authorizes non-U.S. licensed spacecraft to be used to serve the United States. The FCC has authorized the use of the ViaSat-1, WildBlue-1 and Anik F2 spacecraft to serve the United States. The use of these spacecraft in our business is subject to various conditions in the underlying authorizations, as well as the technical and operational requirements of the FCC s rules and regulations. For example, in granting such authorization with respect to ViaSat-1, the FCC imposed implementation milestones that we had to satisfy in order to maintain that authorization. We met all of these milestones well in advance of their respective deadlines, and the FCC has confirmed that the milestones have all been satisfied.

Universal Service. Certain of our services may constitute the provision of telecommunications to, from or within the United States, and may require us to contribute a percentage of our revenues from such services to universal service support mechanisms that subsidize the provision of services to low-income consumers, high-cost areas, schools, libraries and rural health care providers. This percentage is set each calendar quarter by the FCC, and currently is 17.4%. Current FCC rules permit us to pass this universal service contribution through to our customers. In November 2011, the FCC adopted an order establishing a new universal service funding mechanism to support the provision of voice and broadband services in certain high-cost areas of the United States, known as the Connect America Fund (CAF). Among other things, the new CAF mechanism grants incumbent wireline carriers rights of first refusal allowing them to secure the vast majority of available support, to the exclusion of competitive service providers. Although CAF program rules have not yet been finalized, particularly as they relate to non-incumbent providers, under current proposals satellite broadband providers would be eligible for much more limited funding, which may place us at a competitive disadvantage in the provision of broadband services in rural areas. The CAF mechanism has not yet been fully implemented, and the FCC continues to seek public comment with respect to certain details of implementation. As such, it is uncertain how and when the CAF will be implemented fully, and how such implementation could impact satellite broadband providers. If the CAF, as implemented, were to give incumbents a competitive advantage in providing broadband services in supported areas, this could have a material adverse effect on our business, financial condition and results of operations.

CALEA. We are obligated to comply with the requirements of the Communications Assistance for Law Enforcement Act (CALEA), which requires telecommunications providers and broadband internet access providers to ensure that law enforcement agencies are able to conduct lawfully-authorized surveillance of users of their services.

Net Neutrality. In February 2015, the FCC adopted new rules intended to preserve the openness of the internet, a concept generally referred to as net neutrality or open internet. The FCC previously had attempted to adopt rules of this type but they were vacated in large part by the U.S. Court of Appeals for the District of Columbia Circuit, which concluded that the FCC had failed to establish the legal authority for and otherwise justify its actions. In adopting its new rules (which are similar in many respects to its old rules, and also broader in some respects), the FCC relied on Title II of the Communications Act, which authorizes the FCC to regulate telecommunications common carriers. More specifically, the FCC reclassified mass-market retail broadband internet access service as a telecommunications service subject to common-carrier regulation under Title II, reversing longstanding precedent classifying broadband as a lightly regulated information service *not* subject to such regulation. The FCC then took the further step of forbearing from applying most Title II requirements to internet service providers (ISPs). As a result, ISPs that provide mass-market, retail service offerings are subject to specific net neutrality rules and general common-carrier obligations (*e.g.,* those requiring rates, terms, and conditions of service to be just and reasonable) but are not subject to many of the specific common-carrier requirements found in the Communications Act and the FCC s rules.

The FCC s new net neutrality rules, among other things, prohibit ISPs from: (i) blocking access to legal content, applications, services, or non-harmful devices (subject to an exception for reasonable network management); (ii) impairing or degrading lawful internet traffic on the basis of content, applications, services, or non-harmful devices (subject to the same exception); (iii) favoring some lawful internet traffic over other lawful traffic in exchange for consideration of any kind whatsoever; and (iv) unreasonably interfering with or unreasonably disadvantaging the ability of end users to access content or the ability of content providers to access end users (again subject to the exception for reasonable network management). ISPs also are obligated to make certain disclosures to consumers with respect to their network management policies. A number of parties already have sought judicial review and/or stay of the FCC s actions, including the leading trade associations for the cable, wireline, and wireless industries. It is unclear what impact the new net neutrality rules will have on ViaSat s business; because many of the rules are vague, much of the law in this area likely will develop in the future, on a case-by-case basis, in response to complaints filed at the FCC.

Foreign Licensing

The spacecraft we use in our business are subject to the regulatory authority of, and conditions imposed by, foreign governments, as well as contractual arrangements with third parties. Our ViaSat-1 satellite operates under authority granted to ManSat Limited by the governments of the Isle of Man and the United Kingdom (as well as authority from the FCC), and pursuant to contractual arrangements we have with ManSat Limited that extend past the expected useful life of ViaSat-1. We also use Ka-band capacity on the Anik F2 satellite to provide our broadband services under an agreement with Telesat Canada, and we may do so until the end of the useful life of that satellite. Telesat Canada operates that satellite under authority granted to it by the government of Canada. We also currently use the WildBlue-1 satellite, which we own, and which is co-located with Anik F2 under authority granted to Telesat Canada by the government of Canada, and pursuant to an agreement we have with Telesat Canada that expires upon the end of the useful life of Anik F2. Accordingly, we are reliant upon ManSat Limited and Telesat Canada to maintain their respective authorizations with foreign governmental authorities. The use of these spacecraft in our business is subject to various conditions in the underlying authorizations held by us, ManSat Limited and Telesat Canada, as well as the technical and operational requirements of the rules and regulations of those jurisdictions.

Equipment Design, Manufacture, and Marketing

We must comply with the applicable laws and regulations and, where required, obtain the approval of the regulatory authority of each country in which we design, manufacture, or market our communications systems and networking equipment. Applicable laws and regulatory requirements vary from country to country, and jurisdiction to jurisdiction. The increasing demand for wireless communications has exerted pressure on regulatory bodies worldwide to adopt new standards for these products, generally following extensive investigation and deliberation over competing technologies. The delays inherent in this government approval process have in the past caused and may in the future cause the cancellation, postponement or rescheduling of the installation of communication systems by our customers, which in turn may have a material adverse impact on the sale of our products to the customers.

Equipment Testing and Verification. In the United States, certain equipment that we manufacture must comply with applicable technical requirements intended to minimize radio interference to other communications services and ensure product safety. In the United States, the FCC is responsible for ensuring that communications devices comply with technical requirements for minimizing radio interference and human exposure to radio emissions. The FCC requires that equipment be tested either by the manufacturer or by a private testing organization to ensure compliance with the applicable technical requirements. For other classes of device, the FCC requires submission of an application, which must be approved by the FCC, or in some instances may be approved by a private testing organization.

Export Controls. Due to the nature and sophistication of our communications products, we must comply with applicable U.S. government and other agency regulations regarding the handling and export of certain of our products. This often requires extra or special handling of these products and could increase our costs. Failure to comply with these regulations could result in substantial harm to the company, including fines, penalties and the forfeiture of future rights to sell or export these products.

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Other Regulations

As a government contractor, we are routinely subject to audit and review by the DCMA, the DCAA and other U.S. government agencies of our performance on government contracts, indirect rates and pricing practices, accounting and management internal control business systems, and compliance with applicable contracting and procurement laws, regulations and standards. Both contractors and the U.S. government agencies conducting these audits and reviews have come under increased scrutiny. In particular, audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. Increases in congressional scrutiny and investigations into business practices and major programs supported by contractors may lead to increased legal costs and may harm our reputation and profitability if we are among the targeted companies. An adverse outcome to a review or audit or other failure to comply with applicable contracting and procurement laws, regulations and standards could result in material civil and criminal penalties and administrative sanctions being imposed on us, which may include termination of contracts, forfeiture of profits, triggering of price reduction clauses, suspension of payments, significant customer refunds, fines and suspension, or a prohibition on doing business with U.S. government agencies. In addition, if we fail to obtain an adequate determination of our various accounting and management internal control business systems from applicable U.S. government agencies or if allegations of impropriety are made against us, we could suffer serious harm to our business or our reputation, including our ability to bid on new contracts or receive contract renewals or our competitive position in the bidding process. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

We are also subject to a variety of U.S. and international regulations relating to the storage, discharge, handling, emission, generation, manufacture and disposal of toxic or other hazardous substances used to manufacture our products. The failure to comply with current or future regulations could result in the imposition of substantial fines on us, suspension of production, alteration of our manufacturing processes or cessation of operations. To date, these regulations have not had a material effect on our business, as we have neither incurred significant costs to maintain compliance nor to remedy past noncompliance, and we do not expect such regulations to have a material effect on our business in the current fiscal year.

Seasonality

In our satellite services segment, historically our subscriber activity has been influenced by seasonal effects related to traditional retail selling periods, with new sales activity generally anticipated to be higher in the second half of the calendar year. However, sales activity and churn can be strongly affected by other factors which may either offset or magnify any anticipated seasonal effects, including promotional and subscriber retention efforts, availability of capacity, changes in our resellers, distributors and wholesalers, changes in the competitive landscape, economic conditions, changes in credit check and subscriber approval processes and satellite beam congestion.

Our commercial networks segment is not generally affected by seasonal impacts. In our government systems segment, our results are impacted by various factors including the timing of contract awards and the timing and availability of U.S. Government funding, as well as the timing of product deliveries and customer acceptance.

Availability of Public Reports

Through a link on the Investor Relations section of our website at *www.viasat.com,* we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings are available free of charge. They are also available free of charge on the SEC s website at *www.sec.gov*. In addition, any materials filed with the SEC may be read and copied by the public at the SEC s

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Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The information on our website is not part of this report or any other report that we furnish to or file with the SEC.

Employees

As of April 3, 2015, we employed approximately 3,400 individuals worldwide. We consider the relationships with our employees to be positive. Competition for technical personnel in our industry is intense. We believe our future success depends in part on our continued ability to hire, assimilate and retain qualified personnel. To date, we believe we have been successful in recruiting qualified employees, but there is no assurance we will continue to be successful in the future.

Executive Officers

Set forth below is information concerning our executive officers and their ages as of April 3, 2015.

Name	Age	Position
Mark Dankberg	59	Chairman of the Board and Chief Executive Officer
Richard Baldridge	56	President and Chief Operating Officer
Bruce Dirks	55	Senior Vice President Treasury and Corporate Development
Shawn Duffy	45	Senior Vice President and Chief Financial Officer
Stephen Estes	60	Senior Vice President Enterprise Services
Kevin Harkenrider	59	Senior Vice President Broadband Services
Steven Hart	61	Executive Vice President Engineering and Chief Technical Officer
Keven Lippert	42	Executive Vice President General Counsel and Secretary
Mark Miller	55	Executive Vice President and Chief Technical Officer
Ken Peterman	58	Senior Vice President Government Systems
John Zlogar	59	Vice President Commercial Networks

Mark Dankberg is a founder of ViaSat and has served as Chairman of the Board and Chief Executive Officer of ViaSat since its inception in May 1986. Mr. Dankberg provides our Board with significant operational, business and technological expertise in the satellite and communications industry, and intimate knowledge of the issues facing our management. Mr. Dankberg also has significant expertise and perspective as a member of the boards of directors of companies in various industries, including communications. Mr. Dankberg serves as a director of TrellisWare Technologies, Inc. (TrellisWare), a majority-owned subsidiary of ViaSat that develops advanced signal processing technologies for communication applications, and serves on the board of Minnetronix, Inc., a privately-held medical device and design company. In addition, Mr. Dankberg was elected to the Rice University Board of Trustees in 2013, and was a member of the board of directors of REMEC, Inc. from 1999 to 2010. Prior to founding ViaSat, he was Assistant Vice President of M/A-COM Linkabit, a manufacturer of satellite telecommunications equipment, from 1979 to 1986, and Communications Engineer for Rockwell International Corporation from 1977 to 1979. Mr. Dankberg holds B.S.E.E. and M.E.E. degrees from Rice University.

Richard Baldridge joined ViaSat in April 1999 as Vice President and Chief Financial Officer. From September 2000 to August 2002, Mr. Baldridge served as Executive Vice President, Chief Operating Officer and Chief Financial Officer. He currently serves as President and Chief Operating Officer of ViaSat. In addition, Mr. Baldridge serves as a director of Ducommun Incorporated, a provider of engineering and manufacturing services to the aerospace and defense industries, and CommNexus San Diego, a non-profit technology industry association. Prior to joining ViaSat, Mr. Baldridge served as Vice President and General Manager of Raytheon Corporation s Training Systems Division from January 1998 to April 1999. From June 1994 to December 1997, Mr. Baldridge served as Chief Operating Officer, Chief Financial Officer and Vice President Finance and Administration for Hughes Information Systems and Hughes Training Inc., prior to their acquisition by Raytheon in 1997. Mr. Baldridge s other experience includes various senior financial and general management roles with General Dynamics Corporation. Mr. Baldridge holds a B.S.B.A. degree in Information Systems from New Mexico State University.

Bruce Dirks joined ViaSat in April 2013 as Vice President and Chief Financial Officer. He assumed his current position as Senior Vice President Treasury and Corporate Development in June 2014. Prior to joining ViaSat, Mr. Dirks served as a portfolio manager at Fidelity Management & Research Company from 2000 to April 2013, and was Vice President Investments at TRW Investment Management Company from 1993 to 2000. Mr. Dirks began his career at Raytheon Company as a financial analyst and also worked on the corporate finance team at General Dynamics Corporation. Mr. Dirks earned a B.A. degree in Economics from Amherst College and an M.B.A. degree from the University of Chicago.

Shawn Duffy joined ViaSat in 2005 as Corporate Controller. In 2009, she was appointed ViaSat s Vice President and Corporate Controller and in 2012 was appointed Vice President Corporate Controller and Chief Accounting Officer. From August 2012 until April 2013, Ms. Duffy also served as interim Chief Financial Officer. She assumed her current position as Senior Vice President and Chief Financial Officer in June 2014. Prior to joining ViaSat, Ms. Duffy was a Senior Manager at Ernst & Young, LLP, serving the technology and consumer product markets. Ms. Duffy is a certified public accountant in the State of California, and earned a B.S.B.A. degree in Accounting from San Diego State University.

Stephen Estes first became part of the ViaSat team with the acquisition of several commercial divisions of Scientific-Atlanta in April 2000. Mr. Estes served as Vice President and General Manager of the Antenna Systems group from 2000 to 2003. From 2003 to 2005, he served as a co-founder of an entrepreneurial startup. In September 2005, Mr. Estes rejoined ViaSat as Vice President Human Resources. During fiscal year 2012, Mr. Estes assumed the position of Vice President Government Systems and Human Resources, and in May 2013, was appointed Vice President Enterprise Services. He assumed his current position of Senior Vice President Enterprise Services in June 2014. Mr. Estes began his career as an electrical design engineer, moving into various management positions in engineering, program management, sales and marketing, and general management for companies that included Scientific-Atlanta, Loral (now part of L-3 Communications), and AEL Cross Systems (now part of BAE Systems). Mr. Estes holds a B.S. degree in Mathematics from Brescia University, an Electrical Engineering degree from Georgia Tech and an M.B.A. degree from Georgia State University focused on finance and marketing.

Kevin Harkenrider joined ViaSat in October 2006 as Director Operations, served as Vice President Operations from January 2007 until December 2009, served as Vice President of ViaSat and Chief Operating Officer of ViaSat Communications Inc. from December 2009 to April 2011, and Senior Vice President Infrastructure Operations from April 2011 to May 2012, when he assumed his current position as Senior Vice President Broadband Services. Prior to joining ViaSat, Mr. Harkenrider served as Account Executive at Computer Sciences Corporation from 2002 through October 2006. From 1992 to 2001, Mr. Harkenrider held several positions at BAE Systems, Mission Solutions (formerly GDE Systems, Marconi Integrated Systems and General Dynamics Corporation, Electronics Division), including Vice President and Program Director, Vice President Operations and Vice President Material. Prior to 1992, Mr. Harkenrider served in several director and program manager positions at General Dynamics Corporation. Mr. Harkenrider holds a B.S. degree in Civil Engineering from Union College and an M.B.A. degree from the University of Pittsburgh.

Steven Hart is a founder of ViaSat and served as Vice President and Chief Technical Officer from March 1993 to May 2013, when he was appointed Vice President Engineering and Chief Technical Officer. He assumed his current position as Executive Vice President Engineering and Chief Technical Officer in June 2014. From 1986 through 1993, Mr. Hart served as Engineering Manager. Prior to joining ViaSat, Mr. Hart was a Staff Engineer and Manager at M/A-COM Linkabit from 1982 to 1986. Mr. Hart holds a B.S. degree in

Mathematics from the University of Nevada, Las Vegas and a M.A. degree in Mathematics from the University of California, San Diego.

Keven Lippert joined ViaSat in May 2000 as Associate General Counsel and Assistant Secretary. In April 2007, he was appointed ViaSat s Vice President, General Counsel and Secretary and in 2012 was appointed Senior Vice President General Counsel and Secretary. He assumed his current position as Executive Vice President General Counsel and Secretary in June 2014. Prior to joining ViaSat, Mr. Lippert was a corporate associate at the law firm of Latham & Watkins LLP. Mr. Lippert holds a J.D. degree from the University of Michigan and a B.S. degree in Business Administration from the University of California, Berkeley.

Mark Miller is a founder of ViaSat and served as Vice President and Chief Technical Officer of ViaSat from March 1993 to June 2014, when he assumed his current position as Executive Vice President Chief Technical Officer. From 1986 through 1993, Mr. Miller served as Engineering Manager. Prior to joining ViaSat, Mr. Miller was a Staff Engineer at M/A-COM Linkabit from 1983 to 1986. Mr. Miller holds a B.S.E.E. degree from the University of California, San Diego and an M.S.E.E. degree from the University of California, Los Angeles.

Ken Peterman joined ViaSat in April 2013 as Vice President Government Systems. In June 2014, he was appointed Senior Vice President Government Systems. Mr. Peterman has over 30 years of experience in general management, systems engineering, strategic planning, portfolio management, and business leadership in the aerospace and defense industries. From July 2012 to April 2013, Mr. Peterman served as President and Chief Executive Officer of SpyGlass Group, a company he co-founded which provides executive strategic advisory services to the aerospace and defense industries. From 2011 to July 2012, Mr. Peterman served as President of Exelis Communications and Force Protection Systems, and from 2007 to 2011, he served as President of ITT Communications Systems, which are both developers and providers of command, control, communications, computers, intelligence, surveillance and reconnaissance products and systems. Previously, Mr. Peterman was Vice President and General Manager of Rockwell Collins Government System s Integrated C3 Systems and Rockwell Collins Displays and Awareness Systems. Mr. Peterman earned a B.S.E.E. degree from Tri-State University (now Trine).

John Zlogar joined ViaSat in April 2000 as part of ViaSat s acquisition of several commercial divisions of Scientific-Atlanta. From 2003 to 2011, he served as Vice President and General Manager of ViaSat s Antenna Systems group. Since August 2011, he has served as Vice President Commercial Networks. During his career, Mr. Zlogar has held various management positions in engineering, program management, business development, and general management. Mr. Zlogar holds a B.S.E.E. degree from Pennsylvania State University and an M.S.E.E. degree from Stanford University.

ITEM 1A. *RISK FACTORS*

You should consider each of the following factors as well as the other information in this Annual Report in evaluating our business and prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the following risks actually occur, our business and financial results could be harmed. In that case, the trading price of our common stock could decline. You should also refer to the other information set forth in this Annual Report, including our financial statements and the related notes.

Our Operating Results Are Difficult to Predict

Our operating results have varied significantly from quarter to quarter in the past and may continue to do so in the future. The factors that cause our quarter-to-quarter operating results to be unpredictable include:

- varying subscriber addition and churn rates for our consumer broadband business;
- the mix of wholesale and retail subscriber additions in our consumer broadband business;

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- the level of investments in the construction or acquisition of satellites, and the impact of any construction or launch delays, operational failures or other disruptions to our satellites;
- a complex and lengthy procurement process for most of our commercial networks and government systems customers and potential customers;
- changes in the levels of research and development spending, including the effects of associated tax credits;
- cost overruns on fixed-price development contracts;
- the difficulty in estimating costs over the life of a contract, which may require adjustment in future periods;
- the timing, quantity and mix of products and services sold;
- price discounts given to some customers;
- market acceptance and the timing of availability of our new products and services;
- the timing of customer payments for significant contracts;
- one-time charges to operating income arising from items such as acquisition expenses, impairment of assets and write-offs of assets related to customer non-payments or obsolescence;
- the failure to receive an expected order or a deferral of an order to a later period; and
- general economic and political conditions.

Any of the foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on our business, results of operations and financial condition that could adversely affect our stock price. In addition, it is likely that in one or more future quarters our results may fall below the expectations of analysts and investors, which would likely cause the trading price of our common stock to decrease.

Satellite Failures or Degradations in Satellite Performance Could Affect Our Business, Financial Condition and Results of Operations

We own two satellites: ViaSat-1 (our first high-capacity Ka-band spot-beam satellite, which was placed into service in January 2012) and WildBlue-1 (which was placed into service in March 2007). In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite. In addition, we have an exclusive prepaid lifetime capital lease of Ka-band capacity over the contiguous United States on Telesat Canada s Anik F2 satellite (which was placed into service in April 2005). We utilize capacity on our ViaSat-1 and WildBlue-1 satellites, on Telesat Canada s Anik F2 satellite and on SES WorldSkies AMC-15 satellite to support our broadband services in the United States. We also lease capacity on multiple satellites related to the provision of our international mobile broadband services to commercial and government customers. We may construct, acquire or use one or more additional satellites in the future.

Satellites utilize highly complex technology and operate in the harsh environment of space and, accordingly, are subject to significant operational risks while in orbit. These risks include malfunctions (commonly referred to as anomalies), interference from electrostatic storms, and collisions with meteoroids, decommissioned spacecraft or other space debris. Our satellites have experienced various anomalies in the past and we will likely experience anomalies in the future. Anomalies can occur as a result of various factors, such as:

- satellite manufacturer error, whether due to the use of new or largely unproven technology or due to a design, manufacturing or assembly defect that was not discovered before launch;
- problems with the power sub-system of the satellite;
- problems with the control sub-system of the satellite; and

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general failures resulting from operating satellites in the harsh space environment, such as premature component failure or wear. Any single anomaly or series of anomalies, or other operational failure or degradation, on any of the satellites we own and operate or use could have a material adverse effect on our operations and revenues and our relationships with current customers and distributors, as well as our ability to attract new customers for our satellite services. Anomalies may also reduce the expected useful life of a satellite, thereby creating additional expense due to the need to provide replacement or backup capacity and potentially reducing revenues if service is interrupted or degraded on the satellites we utilize. We may not be able to obtain backup capacity or a replacement satellite on reasonable economic terms, a reasonable schedule or at all. In addition, anomalies may also cause a reduction of the revenue generated by the applicable satellite or the recognition of an impairment loss, and in some circumstances could lead to claims from third parties for damages, for example, if a satellite experiencing an anomaly were to cause physical damage to another satellite, create interference to the transmissions on another satellite or cause another satellite operator to incur expenses to avoid such physical damage or interference. Finally, the occurrence of anomalies may adversely affect our ability to insure our satellites at commercially reasonable premiums or terms, if at all. While some anomalies are covered by insurance policies, others are not or may not be covered, or may be subject to large deductibles.

Although our satellites have redundant or backup systems and components that operate in the event of an anomaly, operational failure or degradation of primary critical components, these redundant or backup systems and components are subject to risk of failure similar to those experienced by the primary systems and components. The occurrence of a failure of any of these redundant or backup systems and components could materially impair the useful life, capacity, coverage or operational capabilities of the satellite.

Satellites Have a Finite Useful Life, and Their Actual Operational Life May Be Shorter than Their Design Life

Our ability to earn revenue from our satellite services depends on the continued operation of ViaSat-1, WildBlue-1, Anik F2 and any other satellite we may acquire or use in the future, such as ViaSat-2. Each satellite has a limited useful life, referred to as its design life. There can be no assurance as to the actual operational life of a satellite, which may be shorter than its design life. A number of factors affect the useful lives of the satellites, including, among other things, the quality of their design and construction, the durability of their component parts and back-up units, the ability to continue to maintain proper orbit and control over the satellite s functions, the efficiency of the launch vehicle used, consumption of remaining on-board fuel following orbit insertion, degradation and durability of solar panels, the actual space environment experienced compared to the assumed space environment for which the satellites were designed and tested, and the occurrence of any anomaly or series of anomalies or other in-orbit risks affecting the satellite. In addition, continued improvements in satellite technology may make obsolete ViaSat-1, ViaSat-2 or any other satellite we may own or acquire in the future prior to the end of its life.

Potential Satellite Losses May Not Be Fully Covered By Insurance, or at All

We currently hold in-orbit insurance for ViaSat-1, WildBlue-1 and Anik F2, and are in the process of placing launch insurance for ViaSat-2. We intend to seek launch and in-orbit insurance for any satellite we may construct or acquire in the future. However, we may not be able to obtain insurance, or renew existing insurance, for our satellites on reasonable economic terms or at all. If we are able to obtain or renew our insurance, it may contain customary exclusions, exclusions for past satellite anomalies and will not likely cover the full cost of constructing and launching or replacing the satellites, nor will it cover lost profits, business interruptions, fixed operating expenses or similar losses. A failure to obtain or renew our satellite insurance may also result in a default under our debt instruments. In addition, the occurrence of any anomalies on other satellites, including other Ka-band satellites, or any failures of a satellite using similar components or failures of a similar launch vehicle to any launch vehicle we intend to use for any future satellite (including ViaSat-2), may materially adversely affect our ability to insure the satellites at commercially reasonable premiums or terms, if at all.

Any insurance proceeds will not fully cover our losses in the event of a satellite failure or significant degradation. For example, the policies covering the insured satellites do not cover the full cost of constructing, launching and insuring new satellites, nor will they cover, and we do not have protection against, lost profits, business interruptions, fixed operating expenses, loss of business or similar losses. Our insurance contains customary exclusions, material change and other conditions that could limit recovery under those policies. Further, any insurance proceeds may not be received on a timely basis in order to launch a spare satellite or construct and launch a replacement satellite or take other remedial measures. In addition, the policies are subject to limitations involving uninsured losses, large satellite performance deductibles and policy limits.

New or Proposed Satellites Are Subject to Significant Risks Related to Construction and Launch that Could Limit Our Ability to Utilize these Satellites

In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite, which is currently under construction. We may construct and launch one or more additional satellites in the future. The design and construction of satellites require significant investments of capital and management time. Satellite construction and launch are also subject to significant risks, including construction delays, cost overruns, regulatory conditions or delays, unavailability of launch opportunities, launch failure, damage or destruction during launch and improper orbital placement. We have in the past experienced delays in satellite construction and launch which have adversely affected our operations. Future delays may have the same effect. A significant delay in the delivery of ViaSat-2 or any other future satellite may also adversely affect our business plan for the satellite. If satellite construction schedules are not met, a launch opportunity may not be available at the time the satellite is ready to be launched. The failure to implement our satellite deployment plan on schedule could have a material adverse effect on our business, financial condition and results of operations.

A Launch Failure or Other Satellite Damage or Destruction During Launch, or the Failure of a New Satellite to Achieve its Designated Orbital Location After Launch Could Result in a Total or Partial Satellite Loss

Satellites are subject to certain risks related to failed launches. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take up to 36 months or longer, and to obtain other launch opportunities. Such significant delays could have a material adverse effect on our business, financial condition and results of operations. The overall historical loss rate in the satellite industry for all launches of commercial satellites in fixed orbits in the last five years is estimated by some industry participants to be approximately 5% but could at any time be higher. Launch vehicles may also under-perform, in which case the satellite may still be able to be placed into service by using its onboard propulsion systems to reach the desired orbital location, but this would cause a reduction in its useful life.

Our Satellite Broadband Services Business Strategy May Not Succeed in the Long Term

A major element of our satellite broadband services business strategy is to utilize ViaSat-1, ViaSat-2 and any additional satellites we may construct or acquire in the future to continue to expand our provision of retail and wholesale satellite broadband services. We may be unsuccessful in implementing our business plan for our satellite broadband services business, or we may not be able to achieve the revenue that we expect from our satellite broadband services business. One of our principal competitors in satellite broadband launched a new satellite and initiated a service that competes with our Exede broadband services. Any failure to realize our anticipated benefits of ViaSat-2, to attract a sufficient number of distributors or customers for our Exede service, to grow our customer base for satellite broadband services as quickly as we anticipate, may have a material adverse effect on our business, financial condition or results of operations.

In connection with the launch of any new satellite and the commencement of the related service, we expect to incur additional operating costs that negatively impact our financial results. For example, we believe the upcoming launch and roll-out of the ViaSat-2 satellite and related ground infrastructure will impact our financial results in our satellite services segment in future periods, although we expect the relative impact to be less than we experienced in relation to the launch and roll-out of our ViaSat-1 satellite and related ground infrastructure. During the period from late fiscal year 2012 until early fiscal year 2015, we incurred higher operating costs in connection with the launch and roll-out of our ViaSat-1 satellite and related ground infrastructure and our Exede broadband services, as well as higher interest expense as we capitalized a lower amount of the interest expense on our outstanding debt. These higher operating costs included costs associated with depreciation, gateway connectivity, subscriber acquisition costs, logistics, customer care and various support systems. These additional operating costs attributable to our Exede service commencement negatively impacted income from operations during that period. As the total number of subscribers of our Exede broadband services increased, the resultant increase in service revenues in our satellite services segment improved income (loss) from operations for that segment, despite the additional litigation expense we incurred to successfully protect our proprietary technology. Nonetheless, there can be no assurance that the number of subscribers of our Exede broadband services and service revenues in our satellite services segment will continue to increase. We also expect to continue to invest in subscriber acquisition costs during fiscal year 2016 as we further expand our subscriber base as well as make additional investments for the construction of ViaSat-2. If our business strategy for our satellite services segment does not succeed, we may be unable to recover our significant investments in ViaSat-1 and ViaSat-2, which could have a material adverse impact on our business, financial condition or results of operations.

We May Be Unable to Obtain Or Maintain Required Authorizations or Contractual Arrangements

Governmental authorizations are required in connection with the products and services that we provide. In order to maintain these authorizations, compliance with specific conditions of those authorizations, certain laws and regulations, and the payment of annual regulatory fees may be required. Failure to comply with such requirements, or comply in a timely manner, could lead to the loss of such authorizations and could have a material adverse impact on our business, financial condition or results of operations. We currently hold authorizations to, among other things, operate various satellite earth stations (including but not limited to user terminals, gateway facilities, and network hubs) and operate satellite space stations and/or use those space stations to provide service to certain jurisdictions. While we anticipate that these authorizations will be renewed in the ordinary course to the extent that they otherwise would expire, or replaced by authorizations covering more advanced facilities, we can provide no assurance that this will be the case. The inability to timely obtain authorizations required to launch and operate ViaSat-2 or any future satellite that we construct or acquire could delay or preclude our provision of new products and services. Further, changes to the regulations under which we operate could adversely affect our ability to obtain or maintain authorizations. Either circumstance could have a material adverse impact on our business.

The spacecraft we use in our business are subject to the regulatory authority of, and conditions imposed by, foreign governments, as well as contractual arrangements with third parties. Our ViaSat-1 satellite operates in an orbital slot under authority granted to ManSat Limited by the governments of the Isle of Man and the United Kingdom (as well as authority from the FCC), and pursuant to contractual arrangements we have with ManSat Limited that extend past the expected useful life of ViaSat-1. We also use Ka-band capacity on the Anik F2 satellite to provide our broadband services under an agreement with Telesat Canada, and we may do so until the end of the useful life of that satellite. Telesat Canada operates that satellite under authority granted to it by the government of Canada. We also currently use the WildBlue-1 satellite, which we own, and which is co-located with Anik F2 under authority granted to Telesat Canada by the government of Canada, and pursuant to an agreement we have with Telesat Canada that expires upon the end of the useful life of Anik F2. Accordingly, we are reliant upon ManSat Limited and Telesat Canada to maintain their respective authorizations for these orbital slots with foreign governmental authorities. The use of these spacecraft in our business is subject to various conditions in the underlying authorizations held by us, ManSat Limited and Telesat Canada, as well as the technical and operational requirements of the rules and regulations of those jurisdictions. ViaSat-2 is expected to operate in an orbital slot under the authority of the United Kingdom. Any failure to meet these FCC or foreign government conditions, maintain our contractual arrangements or authorizations, or manage potential conflicts with the orbital slot rights afforded to third parties, could lead to us losing our rights to operate from these orbital locations or may otherwise require us to modify or limit our operations from these locations, which could materially adversely affect our ability to operate a satellite at full capacity or at all.

Our International Sales and Operations Are Subject to Applicable Laws Relating to Trade, Export Controls and Foreign Corrupt Practices, the Violation of Which Could Adversely Affect Our Operations

We must comply with all applicable export control laws and regulations of the United States and other countries. U.S. laws and regulations applicable to us include the Arms Export Control Act, the International Traffic in Arms Regulations (ITAR), the Export Administration Regulations (EAR) and the trade sanctions laws and regulations administered by the U.S. Department of the Treasury s Office of Foreign Assets Control (OFAC). The export of certain satellite hardware, services and technical data relating to satellites is regulated by the U.S. Department of State under ITAR. Other items are controlled for export by the U.S. Department of Commerce under the EAR. We cannot provide services to certain countries subject to U.S. trade sanctions unless we first obtain the necessary authorizations from OFAC. In addition, we are subject to the Foreign Corrupt Practices Act, which generally bars bribes or unreasonable gifts to foreign governments or officials. Violations of these laws or regulations could result in significant additional sanctions including fines, more onerous compliance requirements, more extensive debarments from export privileges or loss of authorizations needed to conduct aspects of our international business. A violation of ITAR or the other regulations enumerated above could materially adversely affect our business, financial condition and results of operations.

Changes in the Regulatory Environment Could Have a Material Adverse Impact on Our Competitive Position, Growth and Financial Performance

The provision of wireless and satellite communications and secure networking products and services is highly regulated. Our business is subject to the regulatory authority of the jurisdictions in which we operate, including the United States and other jurisdictions around the world. Those authorities regulate, among other things, the launch and operation of satellites, the use of radio spectrum, the licensing of earth stations and other radio transmitters, the provision of communications services, and the design, manufacture and marketing of communications systems and networking infrastructure. We cannot predict when or whether applicable laws or regulations may come into effect or change, or what the cost and time necessary to comply with such new or updated laws or regulations may be. Failure to comply with applicable laws or regulations could result in the imposition of financial penalties against us, the adverse modification or cancellation of required authorizations, or other material adverse actions.

Laws and regulations affecting the wireless and satellite communications and secure networking industries are subject to change in response to industry developments, new technology, and political considerations. Legislators and regulatory authorities in various countries are considering, and may in the future adopt, new laws, policies and regulations, as well as changes to existing regulations, regarding a variety of matters that could, directly or indirectly, affect our operations or the operations of our distribution partners, increase the cost of providing our products and services and make our products less competitive in our core markets. For example, in November 2011, the FCC adopted an order establishing a new universal service funding mechanism to support the provision of voice and broadband services in certain high-cost areas of the United States, known as the CAF. Among other things, the new CAF mechanism grants incumbent wireline carriers rights of first refusal allowing them to secure the vast majority of available support, to the exclusion of competitive service providers. Although CAF program rules have not yet been finalized, particularly as they relate to non-incumbent providers, under current proposals satellite broadband providers would be eligible for much more limited funding, which may place us at a competitive disadvantage in the provision of broadband services in rural areas. The CAF mechanism has not yet been fully implemented, and the FCC continues to seek public comment with respect to certain details of implementation. As such, it is uncertain how and when the CAF will be implemented fully, and how such implementation could impact satellite broadband providers. If the CAF, as implemented, were to give incumbents a competitive advantage in providing broadband services in supported areas, this could have a material adverse effect on our business, financial condition and results of operations.

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The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo and adjoining countries. To implement this legislation, in August 2012, the SEC adopted annual disclosure and reporting requirements for companies that use conflict minerals in their products. We performed due diligence efforts in fiscal year 2015 on our supply chain with respect to the sources of conflict minerals used in our products. We have incurred and will continue to incur costs associated with complying with these requirements, including costs incurred to conduct diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such activities. These requirements could also adversely affect the sourcing, supply and pricing of materials and components used in our products. Our supply chain is complex and we may be unable to verify the origins for all conflict minerals used in our products. We may face reputational harm if we determine that certain of our products contain minerals that are not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we implement. In addition, some of our customers may choose to disqualify us as a supplier if we are unable to verify that any conflict minerals used in our products are not sourced from the covered countries or from conflict free certified refiners and smelters.

Changes to laws and regulations could materially harm our business by (1) affecting our ability to obtain or retain required governmental authorizations, (2) restricting our ability to provide certain products or services, (3) restricting development efforts by us and our customers, (4) making our current products and services less attractive or obsolete, (5) increasing our operational costs, or (6) making it easier or less expensive for our competitors to compete with us. Changes in, or our failure to comply with, applicable laws and regulations could materially harm our business and impair the value of our common stock.

Our Reliance on U.S. Government Contracts Exposes Us to Significant Risks

Our government systems segment revenues were approximately 39%, 42% and 47% of our total revenues in fiscal years 2015, 2014 and 2013, respectively, and were derived primarily from U.S. government applications. Therefore, any significant disruption or deterioration of our relationship with the U.S. government would significantly reduce our revenue. U.S. government business exposes us to various risks, including:

- changes in governmental procurement legislation and regulations and other policies, which may reflect military and political developments;
- unexpected contract or project terminations or suspensions;
- unpredictable order placements, reductions or cancellations;
- reductions or delays in government funds available for our projects due to government policy changes, budget cuts or delays, changes in available funding, reductions in government defense expenditures and contract adjustments;
- the ability of competitors to protest contractual awards;
- penalties arising from post-award contract audits;
- the reduction in the value of our contracts as a result of the routine audit and investigation of our costs by U.S. government agencies;
- higher-than-expected final costs, particularly relating to software and hardware development, for work performed under contracts where we commit to specified deliveries for a fixed price;

limited profitability from cost-reimbursement contracts under which the amount of profit is limited to a specified amount;

unpredictable cash collections of unbilled receivables that may be subject to acceptance of contract deliverables by the customer and contract close-out procedures, including government approval of final indirect rates;

- competition with programs managed by other government contractors for limited resources and for uncertain levels of funding;

- significant changes in contract scheduling or program structure, which generally result in delays or reductions in deliveries; and

- intense competition for available U.S. government business necessitating increases in time and investment for design and development.

We must comply with and are affected by laws and regulations relating to the award, administration and performance of U.S. government contracts. Government contract laws and regulations affect how we do business with our customers and, in some instances, impose added costs on our business, including the establishment of compliance procedures. A violation of specific laws and regulations could result in the imposition of fines and penalties, the termination of our contracts or debarment from bidding on contracts.

Substantially all of our U.S. government backlog scheduled for delivery can be terminated at the convenience of the U.S. government because our contracts with the U.S. government typically provide that orders may be terminated with limited or no penalties. If we are unable to address any of the risks described above, or if we were to lose all or a substantial portion of our sales to the U.S. government, it could materially harm our business and impair the value of our common stock.

The funding of U.S. government programs is subject to congressional appropriations. Congress generally appropriates funds on a fiscal year basis even though a program may extend over several fiscal years. Consequently, programs are often only partially funded initially and additional funds are committed only as Congress makes further appropriations. In the event that appropriations for one of our programs become unavailable, or are reduced or delayed, our contract or subcontract under such program may be terminated or adjusted by the government, which could have a negative impact on our future sales and results of operations. Budget cuts to defense spending, such as those that took effect in March 2013 under the Budget Control Act of 2011, can exacerbate these problems. From time to time, when a formal appropriation bill has not been signed into law before the end of the U.S. government s fiscal year, Congress may pass a continuing resolution that authorizes agencies of the U.S. government to continue to operate, generally at the same funding levels from the prior year, but does not authorize new spending initiatives, during a certain period. During such period (or until the regular appropriation bills are passed), delays can occur in procurement of products and services due to lack of funding, and such delays can affect our results of operations during the period of delay.

Our Business Could Be Adversely Affected by a Negative Audit by the U.S. Government

As a government contractor, we are routinely subject to audit and review by the DCMA, the DCAA and other U.S. government agencies of our performance on government contracts, indirect rates and pricing practices, accounting and management internal control business systems, and compliance with applicable contracting and procurement laws, regulations and standards. Both contractors and the U.S. government agencies conducting these audits and reviews have come under increased scrutiny. In particular, audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. Increases in congressional scrutiny and investigations into business practices and major programs supported by contractors may lead to increased legal costs and may harm our reputation and profitability if we are among the targeted companies.

An adverse outcome to a review or audit or other failure to comply with applicable contracting and procurement laws, regulations and standards could result in material civil and criminal penalties and administrative sanctions being imposed on us, which may include termination of contracts, forfeiture of profits, triggering of price reduction clauses, suspension of payments, significant customer refunds, fines and suspension, or a prohibition on doing business with U.S. government agencies. In addition, if we fail to obtain an adequate determination of our various accounting and management internal control business systems from applicable

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U.S. government agencies or if allegations of impropriety are made against us, we could suffer serious harm to our business or our reputation, including our ability to bid on new contracts or receive contract renewals and our competitive position in the bidding process. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

Our incurred cost audits by the DCAA have not been concluded for fiscal year 2011 and subsequent fiscal years. Although we have recorded contract revenues subsequent to fiscal year 2010 based upon an estimate of costs that we believe will be approved upon final audit or review, we do not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed our estimates, our profitability would be adversely affected. For example, in the fourth quarter of fiscal year 2011, based on communications with the DCMA, changes in the regulatory environment for federal government contractors, the status of current government audits and other events, we recorded an additional $5.0 million in contract-related reserves for our estimate of potential refunds to customers for possible cost adjustments on several multi-year U.S. government cost reimbursable contracts. There can be no assurance that audits or reviews of our incurred costs and cost accounting systems for other fiscal years will not be subject to further audit, review or scrutiny by the DCAA or other government agencies.

Our Success Depends on the Investment in and Development of New Satellite and Wireless Communications and Secure Networking Products and Services and Our Ability to Gain Acceptance of these Products and Services

The wireless and satellite communications and secure networking markets are subject to rapid technological change, frequent new and enhanced product and service introductions, product obsolescence and changes in user requirements. Our ability to compete successfully in these markets depends on our success in applying our expertise and technology to existing and emerging satellite and wireless communications and secure networking markets, as well as our ability to successfully develop, introduce and sell new products and services on a timely and cost-effective basis that respond to ever-changing customer requirements, which depends on several factors, including:

- our ability to enhance our product and service offerings by increasing service quality and adding innovative features that differentiate our offerings from those of our competitors;
- successful integration of various elements of our complex technologies and system architectures;
- timely completion and introduction of new system and product designs;
- achievement of acceptable product and service costs;
- timely and efficient implementation of our manufacturing and assembly processes and cost reduction efforts;
- establishment of close working relationships with major customers for the design of their new communications and secure networking systems incorporating our products and services;
- development of competitive products, services and technologies by existing and new competitors;
- marketing and pricing strategies of our competitors with respect to competitive products and services; and
- market acceptance of our new products and services.

We cannot assure you that our new technology, product or service offerings will be successful or that any of the new technologies, products or services we offer will achieve sufficient market acceptance. We may experience difficulties that could delay or prevent us from successfully selecting, developing, manufacturing or marketing new technologies, products or services, and these efforts could divert our attention and resources from other projects. We cannot be sure that such efforts and expenditures will ultimately lead to the timely development of new offerings and technologies. Any delays could result in increased costs of development or divert resources from other projects. In addition, defects may be found in our products after we begin deliveries that could result in degradation of service quality, and the delay or loss of market acceptance. If we are unable to design, manufacture, integrate and market profitable new products and services for existing or emerging markets, it could materially harm our business, financial condition and results of operations, and impair the value of our common stock.

In addition, we believe that significant investments in next generation broadband satellites and associated infrastructure will be required for satellite-based technologies to compete more effectively with terrestrial-based technologies in the consumer and enterprise markets. We are constantly evaluating the opportunities and investments related to the development of these next generation broadband systems. The development of these capital-intensive next generation systems may require us to undertake debt financing and/or the issuance of additional equity, which could expose us to increased risks and impair the value of our common stock. In addition, if we are unable to effectively or profitably design, manufacture, integrate and market such next generation technologies, it could materially harm our business, financial condition and results of operations, and impair the value of our common stock.

Because Our Products Are Complex and Are Deployed in Complex Environments, Our Products May Have Defects that We Discover Only After Full Deployment, which Could Seriously Harm Our Business

We produce highly complex products that incorporate leading-edge technology, including both hardware and software. Software typically contains defects or programming flaws that can unexpectedly interfere with expected operations. In addition, our products are complex and are designed to be deployed across complex networks, which in some cases may include over a million users. Because of the nature of these products, there is no assurance that our pre-shipment testing programs will be adequate to detect all defects. As a result, our customers may discover errors or defects in our hardware or software, or our products may not operate as expected after they have been fully deployed. If we are unable to cure a product defect, we could experience damage to our reputation, reduced customer satisfaction, loss of existing customers and failure to attract new customers, failure to achieve market acceptance, cancellation of orders, loss of revenue, reduction in backlog and market share, increased service and warranty costs, diversion of development resources, legal actions by our customers, product returns or recalls, issuance of credit to customers and increased insurance costs. Further, due to the high volume nature of our consumer broadband business, defects of products in this business could significantly increase these risks. Defects, integration issues or other performance problems in our products could also result in financial or other damages to our customers. Our customers could seek damages for related losses from us, which could seriously harm our business, financial condition and results of operations. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly. The occurrence of any of these problems would seriously harm our business, financial condition and results of operations.

Our Reputation and Business Could Be Materially Harmed as a Result of Data Breaches, Data Theft, Unauthorized Access or Hacking

Our success depends, in part, on the secure and uninterrupted performance of our information technology systems. An increasing number of companies have disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on their computer networks. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If unauthorized parties gain access to our information technology systems, they may be able to misappropriate assets or sensitive information (such as personally identifiable information of our customers, business partners and employees), cause interruption in our operations, corruption of data or computers, or otherwise damage our reputation and business. In such circumstances, we could be held liable to our customers or other parties, or be subject to regulatory or other actions for breaching privacy rules. Any compromise of our security could result in a loss of confidence in our security measures, and subject us to litigation, civil or criminal penalties, and negative publicity that could adversely affect our financial condition and results of operations. Further, if we are unable to comply with the security standards established by banks and the payment card industry, we may be subject to fines, restrictions, and expulsion from card acceptance programs, which could adversely affect our operations.

A Significant Portion of Our Revenues Is Derived from a Few of Our Contracts

A small number of our contracts account for a significant percentage of our revenues. Our five largest contracts generated approximately 21%, 26% and 24% of our total revenues in fiscal years 2015, 2014 and 2013, respectively. Our largest revenue producing contracts are related to our government satellite communication systems and services and tactical data links products. The failure of these customers or any of our key distributors to place additional orders or to maintain their contracts with us for any reason, including any downturn in their business or financial condition or our inability to renew our contracts with these customers or obtain new contracts when they expire, could materially harm our business and impair the value of our common stock.

A number of our commercial customers have in the past, and may in the future, experience financial difficulties. Many of our commercial customers face risks that are similar to those we encounter, including risks associated with market growth, product defects, acceptance by the market of products and services, and the ability to obtain sufficient capital. Further, many of our customers and strategic partners that provide satellite-based services (including Xplornet and Eutelsat) could be materially affected by a satellite failure as well as by partial satellite failure, satellite performance degradation, satellite manufacturing errors and other failures resulting from operating satellites in the harsh environment of space. We cannot assure you that our customers will be successful in managing these risks. If our customers do not successfully manage these types of risks, it could impair our ability to generate revenues and collect amounts due from these customers and materially harm our business.

Our Development Contracts May Be Difficult for Us to Comply with and May Expose Us to Third-Party Claims for Damages

We are often party to government and commercial contracts involving the development of new products. We derived approximately 23%, 31% and 26% of our total revenues in fiscal years 2015, 2014 and 2013, respectively, from these development contracts. These contracts typically contain strict performance obligations and project milestones. We cannot assure you we will comply with these performance obligations or meet these project milestones in the future. If we are unable to comply with these performance obligations or meet these milestones, our customers may terminate these contracts and, under some circumstances, recover damages or other penalties from us. We are not currently, nor have we always been, in compliance with all outstanding performance obligations and project milestones in our contracts. We cannot assure you that the other parties to any such contract will not terminate the contract or seek damages from us. If other parties elect to terminate their contracts or seek damages from us, it could materially harm our business and impair the value of our common stock.

We May Experience Losses from Our Fixed-Price Contracts

Of our total government systems and commercial networks segments revenues, approximately 90%, 92% and 94% were derived from contracts with fixed prices in fiscal years 2015, 2014 and 2013, respectively. These contracts carry the risk of potential cost overruns because we assume all of the cost burden. We assume greater financial risk on fixed-price contracts than on other types of contracts because if we do not anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract, it may significantly reduce our net profit or cause a loss on the contract. In the past, we have experienced significant cost overruns and losses on fixed-price contracts. For example, in June 2010, we performed extensive integration

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testing of numerous system components that had been separately developed as part of a government satellite communication program. As a result of this testing and subsequent internal reviews and analyses, we determined that significant additional rework was required in order to complete the program requirements and specifications and to prepare for a scheduled customer test. This additional rework and engineering effort resulted in a substantial increase in estimated labor and material costs to complete the program. Accordingly, during the first quarter of fiscal year 2011, we recorded an additional forward loss of $8.5 million related to this estimate of program costs. Because many of these contracts involve new technologies and applications and can last for years, unforeseen events, such as technological difficulties, fluctuations in the price of raw materials, problems with our suppliers and cost overruns, can result in the contractual price becoming less favorable or even unprofitable to us over time. Furthermore, if we do not meet contract deadlines or specifications, we may need to renegotiate contracts on less favorable terms, be forced to pay penalties or liquidated damages or suffer major losses if the customer exercises its right to terminate. We believe a high percentage of our contracts in our government systems and commercial networks segments will be at fixed prices in the future. Although we attempt to accurately estimate costs for fixed-price contracts, we cannot assure you our estimates will be adequate or that substantial losses on fixed-price contracts will not occur in the future. If we are unable to address any of the risks described above, it could materially harm our business, financial condition and results of operations, and impair the value of our common stock.

Our Reliance on a Limited Number of Third Parties to Manufacture and Supply Our Products and the Components Contained therein Exposes Us to Various Risks

Our internal manufacturing capacity is limited and we do not intend to expand our capability in the foreseeable future. We rely on a limited number of contract manufacturers to produce our products and expect to rely increasingly on these manufacturers in the future. In addition, some components, subassemblies and services necessary for the manufacture of our products are obtained from a sole source supplier or a limited group of suppliers.

Our reliance on contract manufacturers and on sole source suppliers or a limited group of suppliers involves several risks. We may not be able to obtain an adequate supply of required components, and our control over the price, timely delivery, reliability and quality of finished products may be reduced. The process of manufacturing our products and some of our components and subassemblies is extremely complex. We have in the past experienced and may in the future experience delays in the delivery of and quality problems with products and components and subassemblies from vendors. Some of the suppliers we rely upon have relatively limited financial and other resources. Some of our vendors have manufacturing facilities in areas that may be prone to natural disasters and other natural occurrences that may affect their ability to perform and deliver under our contract. If we are not able to obtain timely deliveries of components and subassemblies of acceptable quality or if we are otherwise required to seek alternative sources of supply or to substitute alternative technology, or to manufacture our finished products or components and subassemblies internally, our ability to satisfactorily and timely complete our customer obligations could be negatively impacted which could result in reduced sales, termination of contracts and damage to our reputation and relationships with our customers. This failure could also result in a customer terminating our contract for default. A default termination could expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, a delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers needs and may have an adverse effect upon our profitability.

The Markets We Serve Are Highly Competitive and Our Competitors May Have Greater Resources than Us

The wireless and satellite communications and secure networking industries are highly competitive and competition is increasing. In addition, because the markets in which we operate are constantly evolving and characterized by rapid technological change, it is difficult for us to predict whether, when and by whom new competing technologies, products or services may be introduced into our markets. Currently, we face substantial

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competition in each of our business segments. In our satellite services and commercial networks segments, we compete with ASC Signal, Astrium, AT&T, CenturyLink, Comtech, DISH Network, Earthlink, Frontier, General Dynamics, Gilat, Gogo, EchoStar (Hughes Network Systems), iDirect Technologies, Inmarsat, L-3 Communications, Newtec, Panasonic, Row 44, SS/L, Sprint, Thales, Verizon and Zodiac Data Systems each of which offers a broad range of satellite or terrestrial communications products and services, and with other internet service providers in areas where such competing services are available. Within our government systems segment, we generally compete with manufacturers of defense electronics products, systems or subsystems, such as BAE Systems, General Dynamics, Harris, L-3 Communications, Rockwell Collins and similar companies. The overall number of our competitors may increase, and the identity and composition of competitors may change. As we continue to expand globally, we may see new competition in different geographic regions. Many of our competitors and potential competitors have significant competitive advantages, including strong customer relationships, more experience with regulatory compliance, greater financial and management resources and access to technologies not available to us. In addition, our satellite services segment faces increasing competition as a result of industry consolidation and vertical integration, which enables our competitors to provide competing services to broader customer segments or to offer bundled service offerings that we are not able to duplicate, or which may reduce demand for our wholesale broadband internet services. For example, certain of our competitors have developed or are developing products that compete directly with our ViaSat-1 based Exede broadband services. In addition, some of our customers continuously evaluate whether to develop and manufacture their own products and could elect to compete with us at any time. Our ability to compete may be adversely affected by limits on our capital resources and our ability to invest in maintaining and expanding our market share.

Our Level of Indebtedness May Adversely Affect Our Ability to Operate Our Business, Remain in Compliance with Debt Covenants, React to Changes in Our Business or the Industry in which We Operate, or Prevent Us from Making Payments on Our Indebtedness

We have a significant amount of indebtedness. As of April 3, 2015, our total outstanding indebtedness (excluding premium and discount) was $806.3 million, which included $575.0 million in principal amount of 6.875% Senior Notes due 2020 (2020 Notes), $210.0 million in principal amount of outstanding borrowings under our revolving credit facility (the Revolving Credit Facility), $20.5 million in principal amount of outstanding borrowings under our direct loan facility with the Export-Import Bank of the United States for ViaSat-2 (the Ex-Im Credit Facility and, together with the Revolving Credit Facility, the Credit Facilities), and $0.8 million of other obligations.

Our high level of indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our debt obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- impair our ability to obtain additional debt or equity financing in the future for working capital, capital expenditures, product development, satellite construction, acquisitions or general corporate or other purposes;
- require us to dedicate a material portion of our cash flows from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of our cash flows to fund working capital needs, capital expenditures, product development, satellite construction, acquisitions and other general corporate purposes;
- expose us to the risk of increased interest rates to the extent we make borrowings under our Revolving Credit Facility, which bear interest at a variable rate;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a disadvantage compared to our competitors that have less indebtedness; and

limit our ability to adjust to changing market conditions.

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Any of these risks could materially impact our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition and results of operations.

We May Incur Additional Indebtedness, which Could Further Increase the Risks Associated with Our Leverage

We may incur significant additional indebtedness in the future, which may include financing relating to future satellites, potential acquisitions, working capital, capital expenditures or general corporate purposes. As of April 3, 2015, we had undrawn availability of $249.6 million under our Revolving Credit Facility and an undrawn commitment for ViaSat-2 related costs and the completion exposure fee of $504.4 million under our Ex-Im Credit Facility. In addition, our Credit Facilities and the indenture governing the 2020 Notes permit us, subject to specified limitations, to incur additional indebtedness. In March 2013, we filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of debt securities, common stock, preferred stock, depositary shares, warrants and rights. The securities may be offered from time to time, separately or together, directly by us, by selling security holders, or through underwriters, dealers and agents at amounts, prices, interest rates and other terms to be determined at the time of the offering. If new indebtedness is added to our current level of indebtedness, the related risks that we now face could intensify.

We May Not Be Able to Generate Sufficient Cash to Service All of Our Indebtedness and Fund Our Working Capital and Capital Expenditures, and May Be Forced to Take Other Actions to Satisfy Our Obligations under Our Indebtedness, which May Not Be Successful

Our ability to make scheduled payments on or to refinance our indebtedness will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings, including borrowings under our Credit Facilities, will be available to us in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. Our Credit Facilities and the indenture governing the 2020 Notes restrict our ability to dispose of assets and use the proceeds from the disposition, and may also restrict our ability to raise debt or equity capital to repay or service our indebtedness. If we cannot make scheduled payments on our debt, we will be in default and, as a result, the lenders under our Credit Facilities and the holders of the 2020 Notes could declare all outstanding principal and interest to be due and payable, the lenders under our Credit Facilities could terminate their commitments to loan money and foreclose against the assets securing the borrowings under our Credit Facilities, and we could be forced into bankruptcy or liquidation, which could result in you losing your investment in our company.

We May Be Unable to Refinance Our Indebtedness

We may need to refinance all or a portion of our indebtedness before maturity, including the 2020 Notes and any indebtedness under our Credit Facilities. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

Covenants in Our Debt Agreements Restrict Our Business and Could Limit Our Ability to Implement Our Business Plan

The Credit Facilities and the indenture governing the 2020 Notes contain covenants that may restrict our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in opportunistic transactions, such as strategic acquisitions. In addition, if we fail to satisfy the covenants contained in our Credit Facilities, our ability to borrow under our Credit Facilities may be restricted. The Credit Facilities and the indenture governing the 2020 Notes include covenants restricting, among other things, our ability to do the following:

- incur, assume or guarantee additional indebtedness;
- issue redeemable stock and preferred stock;
- grant or incur liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- make loans and investments;
- pay dividends, make distributions, or redeem or repurchase capital stock;
- enter into transactions with affiliates;
- reduce our satellite insurance; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

In addition, our Credit Facilities require us to comply with certain financial covenants, including a maximum total leverage ratio and minimum interest coverage ratio. Our Revolving Credit Facility is secured by first-priority liens on substantially all of the assets of our company, including the stock of our significant subsidiaries, and the assets of the subsidiary guarantors under our Revolving Credit Facility. Our Ex-Im Credit Facility is guaranteed by ViaSat and is secured by first-priority liens on the ViaSat-2 satellite and related assets, as well as the stock of our foreign subsidiary that will own the ViaSat-2 satellite.

If we default under our Credit Facilities or the indenture governing the 2020 Notes because of a covenant breach or otherwise, all outstanding amounts thereunder could become immediately due and payable. In the past we have violated the covenants in our former revolving credit facilities and received waivers for these violations. We cannot assure you that we will be able to comply with our financial or other covenants under our Credit Facilities or the indenture governing the 2020 Notes or that any covenant violations will be waived in the future. Any violation that is not waived could result in an event of default, permitting our lenders to declare outstanding indebtedness and interest thereon due and payable, and permitting the lenders under our Credit Facilities to suspend commitments to make any advance or, with respect to the Revolving Credit Facility, require any outstanding letters of credit to be collateralized by an interest bearing cash account, any or all of which could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that we would have sufficient funds to repay all the outstanding amounts under our Credit Facilities or the indenture governing the 2020 Notes, and any acceleration of amounts due would have a material adverse effect on our liquidity and financial condition.

We Depend on a Limited Number of Key Employees Who Would Be Difficult to Replace

We depend on a limited number of key technical, marketing and management personnel to manage and operate our business. In particular, we believe our success depends to a significant degree on our ability to attract and retain highly skilled personnel, including our Chairman of the Board and Chief Executive Officer, Mark Dankberg, and those highly skilled design, process and test engineers involved in the manufacture of existing products and the development of new products and processes. The competition for these types of personnel is intense, and the loss of key employees could materially harm our business and impair the value of our common stock. To the extent that the demand for qualified personnel exceeds supply, we could experience higher labor, recruiting or training costs in order to attract and retain such employees, or could experience difficulties in performing under our contracts if our needs for such employees were unmet.

The Global Business Environment and Economic Conditions Could Negatively Affect Our Business, Results of Operations and Financial Condition

Our business and operating results are affected by the global business environment and economic conditions, including changes in interest rates, consumer credit conditions, consumer debt levels, consumer confidence, rates of inflation, unemployment rates, energy costs, geopolitical issues and other macro-economic factors. For example, high unemployment levels or energy costs may impact our consumer customer base in our satellite services segment by reducing consumers discretionary income and affecting their ability to subscribe for our broadband services. Our commercial networks segment similarly depends on the economic health and willingness of our customers and potential customers to make and adhere to capital and financial commitments to purchase our products and services. During periods of slowing global economic growth or recession, our customers or key suppliers may experience deterioration of their businesses, cash flow shortages, difficulty obtaining financing or insolvency. Existing or potential customers may reduce or postpone spending in response to tighter credit, negative financial news or declines in income or asset values, which could have a material negative effect on the demand for our products and services. Any of these factors could result in reduced demand for, and pricing pressure on, our products and services, which could lead to a reduction in our revenues and adversely affect our business, financial condition and results of operations.

In addition, U.S. credit and capital markets have experienced significant dislocations and liquidity disruptions from time to time. Uncertainty or volatility in credit or capital markets may negatively impact our ability to access additional debt or equity financing or to refinance existing indebtedness in the future on favorable terms or at all. Any of these risks could impair our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition and results of operations.

Because We Conduct Business Internationally, We Face Additional Risks Related to Global Political and Economic Conditions, Changes in Regulation and Currency Fluctuations

Approximately 17%, 23% and 25% of our total revenues in fiscal years 2015, 2014 and 2013, respectively, were derived from international sales. Many of our international sales may be denominated in foreign currencies. Because we do not currently engage in, nor do we anticipate engaging in, material foreign currency hedging transactions related to international sales, a decrease in the value of foreign currencies relative to the U.S. dollar could result in losses from transactions denominated in foreign currencies. This decrease in value could also make our products less price-competitive.

There are additional risks in conducting business internationally, including:

- unexpected changes in laws, policies and regulatory requirements, including but not limited to regulations related to import-export control;
- increased cost of localizing systems in foreign countries;
- increased sales and marketing and research and development expenses;
- availability of suitable export financing;
- timing and availability of export licenses;
- imposition of taxes, tariffs, embargoes and other trade barriers;
- political and economic instability or issues related to the political relationship between the United States and other countries;

fluctuations in currency exchange rates, foreign exchange controls and restrictions on cash repatriation;

compliance with a variety of international laws and U.S. laws affecting the activities of U.S. companies abroad;

challenges in staffing and managing foreign operations;

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- difficulties in managing distributors;
- requirements for additional liquidity to fund our international operations;
- ineffective legal protection of our intellectual property rights in certain countries;
- potentially adverse tax consequences;
- potential difficulty in making adequate payment arrangements; and
- potential difficulty in collecting accounts receivable.

In addition, some of our customer purchase agreements are governed by foreign laws, which may differ significantly from U.S. laws. We may be limited in our ability to enforce our rights under these agreements and to collect damages, if awarded. If we are unable to address any of the risks described above, it could materially harm our business and impair the value of our common stock.

Our Ability to Protect Our Proprietary Technology Is Limited

Our success depends significantly on our ability to protect our proprietary rights to the technologies we use in our products and services. We generally rely on a combination of patents, copyrights, trademarks and trade secret laws and contractual rights to protect our proprietary rights in our technology and products. We also enter into confidentiality agreements with our employees, consultants and corporate partners, and control access to and distribution of our proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. If we are unable to protect our proprietary rights adequately, our competitors could use the intellectual property we have developed to enhance their own products and services, which could materially harm our business and impair the value of our common stock. Monitoring and preventing unauthorized use of our technology is difficult. From time to time, we undertake actions to prevent unauthorized use of our technology, including sending cease and desist letters. In addition, we may be required to commence litigation to protect our intellectual property rights or to determine the validity and scope of the proprietary rights of others. For example, in February 2012 we successfully sued SS/L and its former parent company Loral Space & Communications, Inc. (Loral) for patent infringement and breach of contract relating to the manufacture of ViaSat-1. If we are unsuccessful in any such litigation in the future, our rights to enforce such intellectual property may be impaired or we could lose some or all of our rights to such intellectual property. We do not know whether the steps we have taken will prevent unauthorized use of our technology, including in foreign countries where the laws may not protect our proprietary rights as extensively as in the United States. If we are unable to protect our proprietary rights, we may find ourselves at a competitive disadvantage to others who need not incur the substantial expense, time and effort required to create the innovative products. Also, we have delivered certain technical data and information to the U.S. government under procurement contracts, and the U.S. government may have unlimited rights to use that technical data and information. There can be no assurance that the U.S. government will not authorize others to use that data and information to compete with us.

Our Involvement in Litigation Relating to Intellectual Property Claims May Have a Material Adverse Effect on Our Business

We may be party to intellectual property infringement, invalidity, right to use or ownership claims by third parties or claims for indemnification resulting from infringement claims. Regardless of the merit of these claims, intellectual property litigation can be time consuming and costly and may result in the diversion of the attention of technical and management personnel. An adverse result in any litigation could have a material adverse effect on our business, financial condition and results of operations. Asserted claims or initiated litigation can include claims against us or our manufacturers, suppliers or customers alleging infringement of their proprietary rights with respect to our existing or future products, or components of those products. If our products are found to infringe or violate the intellectual property rights of third parties, we may be forced to (1) seek licenses or royalty arrangements from such third parties, (2) stop selling, incorporating or using products that included the challenged intellectual property, or (3) incur substantial costs to redesign those products that use the technology. We cannot assure you that we would be able to obtain any such licenses or royalty arrangements on reasonable terms or at all or to develop redesigned products or, if these redesigned products were developed, they would perform as required or be accepted in the applicable markets.

We Rely on the Availability of Third-Party Licenses

Many of our products are designed to include software or other intellectual property licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various elements of the technology used to develop these products. We cannot assure you that our existing or future third-party licenses will be available to us on commercially reasonable terms, if at all. Our inability to maintain or obtain any third-party license required to sell or develop our products and product enhancements could require us to obtain substitute technology of lower quality or performance standards, or at greater cost.

Adverse Resolution of Litigation May Harm Our Operating Results or Financial Condition

We are a party to various lawsuits and claims in the normal course of our business. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavorable resolution of a particular lawsuit could have a material adverse effect on our business, financial condition and results of operations.

Any Failure to Successfully Integrate Strategic Acquisitions Could Adversely Affect Our Business

In order to position ourselves to take advantage of growth opportunities, we have made, and may continue to make, strategic acquisitions that involve significant risks and uncertainties. These risks and uncertainties include:

- the difficulty in integrating newly acquired businesses and operations in an efficient and effective manner;
- the challenges in achieving strategic objectives, cost savings and other benefits expected from acquisitions;
- the risk of diverting our resources and the attention of our senior management from the operations of our business;
- additional demands on management related to the increase in the size and scope of our company following an acquisition;
- the risk that our markets do not evolve as anticipated and the technologies acquired do not prove to be those needed to be successful in those markets;
- difficulties in combining corporate cultures;
- difficulties in the assimilation and retention of key employees;
- difficulties in maintaining relationships with present and potential customers, distributors and suppliers of the acquired business;
- costs and expenses associated with any undisclosed or potential liabilities of the acquired business;

delays, difficulties or unexpected costs in the integration, assimilation, implementation or modification of platforms, systems, functions, technologies and infrastructure to support the combined business, as well as maintaining uniform standards, controls (including internal accounting controls), procedures and policies;

the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses or the capital expenditures needed to develop such businesses;

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- the risks of entering markets in which we have less experience; and

- the risks of potential disputes concerning indemnities and other obligations that could result in substantial costs.

To complete future acquisitions we may issue equity securities, incur debt, assume contingent liabilities or have amortization expenses and write-downs of acquired assets, which could cause our earnings per share to decline. Mergers and acquisitions are inherently risky and subject to many factors outside of our control, and we cannot be certain that our previous or future acquisitions will be successful and will not materially adversely affect our business, operating results or financial condition. We do not know whether we will be able to successfully integrate the businesses, products, technologies or personnel that we might acquire in the future or that any strategic investments we make will meet our financial or other investment objectives. Any failure to do so could seriously harm our business, financial condition and results of operations.

Future Sales of Our Common Stock Could Lower Our Stock Price and Dilute Existing Stockholders

In March 2013, we filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of debt securities, common stock, preferred stock, depositary shares, warrants and rights. The securities may be offered from time to time, separately or together, directly by us, by selling security holders, or through underwriters, dealers or agents at amounts, prices, interest rates and other terms to be determined at the time of the offering.

We may also issue additional shares of common stock to finance future acquisitions through the use of equity. For example, during the third quarter of fiscal year 2010 we issued approximately 4.29 million shares of our common stock to former equity and debt holders of WildBlue Holding, Inc. (WildBlue) in connection with our acquisition of WildBlue. Additionally, a substantial number of shares of our common stock are available for future sale pursuant to stock options, warrants or issuance pursuant to our 1996 Equity Participation Plan of ViaSat, Inc. and the ViaSat, Inc. Employee Stock Purchase Plan. We cannot predict the size of future issuances of our common stock or the effect, if any, that future sales and issuances of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued upon the exercise of stock options and warrants or in connection with acquisition financing), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock. In addition, these sales may be dilutive to existing stockholders.

We Expect Our Stock Price to Be Volatile, and You May Lose All or Some of Your Investment

The market price of our common stock has been volatile in the past. For example, since April 2, 2012 the market price of our common stock has ranged from $33.09 to $74.78. Trading prices may continue to fluctuate in response to a number of events and factors, including the following:

- quarterly variations in operating results and announcements of innovations;

- announcements relating to the acquisition, construction and launch of satellites;

- new products, services and strategic developments by us or our competitors;

- developments in our relationships with our customers, distributors and suppliers;

- regulatory developments;

- changes in our revenues, expense levels or profitability;

changes in financial estimates and recommendations by securities analysts;

failure to meet the expectations of securities analysts;

changes in the satellite and wireless communications and secure networking industries; and

changes in the economy.

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Any of these events may cause the market price of our common stock to fall. In addition, the stock market in general and the market prices for technology companies in particular have experienced significant volatility that often has been unrelated to the operating performance of these companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our operating performance.

We May Not Be Able to Utilize All of Our Deferred Tax Assets

We currently believe that we are likely to have sufficient taxable income in the future to realize the benefit of all of our net deferred tax assets (consisting primarily of net operating loss and tax credit carryforwards, reserves and accruals that are not currently deductible for tax purposes). However, some or all of these deferred tax assets could expire unused if we are unable to generate sufficient taxable income in the future to take advantage of them or we enter into transactions that limit our right to use them. If it became more likely than not that deferred tax assets would expire unused, we would have to increase our valuation allowance against deferred tax assets to reflect this fact, which could materially increase our income tax expense, and therefore adversely affect our results of operations and tangible net worth in the period in which it is recorded.

Our Executive Officers and Directors Own a Large Percentage of Our Common Stock and Exert Significant Influence over Matters Requiring Stockholder Approval

As of May 8, 2015, our executive officers and directors and their affiliates beneficially owned an aggregate of approximately 10% of our common stock. Accordingly, these stockholders may be able to substantially influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. Circumstances may arise in which the interests of these stockholders could conflict with the interests of our other stockholders. These stockholders could delay or prevent a change in control of ViaSat even if such a transaction would be beneficial to our other stockholders.

Provisions in Our Certificate of Incorporation and Bylaws, under Delaware Law and in Our Credit Facilities May Discourage, Delay or Prevent a Change in Control or Prevent an Acquisition of Our Business at a Premium Price

Some of the provisions of our certificate of incorporation, our bylaws and Delaware law could discourage, delay or prevent an acquisition of our business, even if a change in control of ViaSat would be beneficial to the interests of our stockholders and was made at a premium price. These provisions:

- permit the board of directors to increase its own size and fill the resulting vacancies;
- provide for a board comprised of three classes of directors with each class serving a staggered three-year term;
- authorize the issuance of blank check preferred stock in one or more series; and
- prohibit stockholder action by written consent.

We are also subject to Section 203 of the Delaware General Corporation Law, which imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock. In addition, under the indenture governing the 2020 Notes, if certain change of control events occur, each holder of 2020 Notes may require us to repurchase all of such holder s 2020 Notes at a purchase price equal to 101% of the principal amount of such notes. Additionally, our Credit Facilities provide for an event of default upon the occurrence of certain specified change of control events.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

None.

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ITEM 2. ***PROPERTIES***

Our worldwide headquarters are located at our Carlsbad, California campus, consisting of approximately 629,000 square feet under various leases. In addition to our Carlsbad campus, we have facilities under various leases consisting of approximately: (1) 20,000 square feet in San Diego, California, (2) 125,000 square feet in Englewood, Colorado, (3) 192,000 square feet in Duluth, Georgia, (4) 69,000 square feet in Germantown, Maryland, (5) 58,000 square feet in Gilbert, Arizona, and (6) 34,000 square feet in Cleveland, Ohio. We also maintain offices or a sales presence in Arlington (Virginia), Boston (Massachusetts), Linthicum Heights and Aberdeen (Maryland), Tampa (Florida), Bryan and College Station (Texas), Southern Pines (North Carolina), Australia, China, Italy, Switzerland and the United Kingdom, and operate twenty-four gateway ground station locations to support our satellite broadband services business across the United States and Canada. Although we believe that our existing facilities are suitable and adequate for our present purposes, we anticipate operating additional regional sales offices in fiscal year 2016 and beyond. Each of our segments uses each of these facilities.

ITEM 3. ***LEGAL PROCEEDINGS***

From time to time, we are involved in a variety of claims, suits, investigations and proceedings arising in the ordinary course of business, including actions with respect to intellectual property claims, breach of contract claims, labor and employment claims, tax and other matters. Although claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our current pending matters will not have a material adverse effect on our business, financial condition, results of operations or liquidity. Regardless of the outcome, litigation can have an adverse impact on us because of defense costs, diversion of management resources and other factors. In addition, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially and adversely affect our business, financial condition, results of operations or liquidity in a particular period.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

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PART II

ITEM 5. ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

Price Range of Common Stock

Our common stock is traded on the Nasdaq Global Select Market under the symbol VSAT. The following table sets forth, for the periods indicated, the range of high and low sales prices of our common stock as reported by Nasdaq.

	High	Low
Fiscal 2014		
First Quarter	$ 73.43	$ 45.18
Second Quarter	73.35	62.05
Third Quarter	68.21	57.37
Fourth Quarter	74.78	55.49
Fiscal 2015		
First Quarter	$ 68.50	$ 53.03
Second Quarter	61.07	51.50
Third Quarter	68.84	52.26
Fourth Quarter	66.58	55.11

As of May 8, 2015, there were approximately 1,193 holders of record of our common stock. A substantially greater number of holders of ViaSat common stock are street name or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividend Policy

To date, we have neither declared nor paid any dividends on our common stock. We currently intend to retain all future earnings, if any, for use in the operation and development of our business and, therefore, do not expect to declare or pay any cash dividends on our common stock in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, general business condition and such other factors as the Board of Directors may deem relevant. In addition, as more fully described in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7, the existing terms of our Credit Facilities and the indenture governing our 2020 Notes restrict our ability to declare or pay dividends on our common stock.

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ITEM 6. ***SELECTED FINANCIAL DATA***

The following table provides our selected financial information for each of the fiscal years in the five-year period ended April 3, 2015. The data as of and for each of the fiscal years in the five-year period ended April 3, 2015 have been derived from our audited consolidated financial statements. You should consider the financial statement data provided below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes which are included elsewhere in this Annual Report.

	Fiscal Years Ended				
	April 3, 2015	**April 4, 2014**	**March 29, 2013**	**March 30, 2012**	**April 1, 2011**
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Product revenues	$ 728,074	$ 785,738	$ 664,417	$ 542,064	$ 523,938
Service revenues	654,461	565,724	455,273	321,563	278,268
Total revenues	1,382,535	1,351,462	1,119,690	863,627	802,206
Operating expenses:					
Cost of product revenues	519,483	571,855	484,973	402,794	389,945
Cost of service revenues	444,431	419,425	363,188	233,187	160,623
Selling, general and administrative	270,841	281,533	240,859	181,728	164,265
Independent research and development	46,670	60,736	35,448	24,992	28,711
Amortization of acquired intangible assets	17,966	14,614	15,584	18,732	19,409
Income (loss) from operations	83,144	3,299	(20,362)	2,194	39,253
Interest expense, net	(29,426)	(37,903)	(43,820)	(8,247)	(2,831)
Loss on extinguishment of debt			(26,501)		
Income (loss) before income taxes	53,718	(34,604)	(90,683)	(6,053)	36,422
Provision for (benefit from) income taxes	13,827	(25,947)	(50,054)	(13,651)	(2)
Net income (loss)	39,891	(8,657)	(40,629)	7,598	36,424
Less: Net (loss) income attributable to noncontrolling interest, net of tax	(472)	789	543	102	309
Net income (loss) attributable to ViaSat, Inc.	$ 40,363	$ (9,446)	$ (41,172)	$ 7,496	$ 36,115
Basic net income (loss) per share attributable to ViaSat, Inc. common stockholders	$ 0.86	$ (0.21)	$ (0.94)	$ 0.18	$ 0.88
Diluted net income (loss) per share attributable to ViaSat, Inc. common stockholders	$ 0.84	$ (0.21)	$ (0.94)	$ 0.17	$ 0.84
Shares used in computing basic net income (loss) per share	47,139	45,744	43,931	42,325	40,858
Shares used in computing diluted net income (loss) per share	48,285	45,744	43,931	44,226	43,059
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 52,263	$ 58,347	$ 105,738	$ 172,583	$ 40,490
Working capital	280,489	256,795	297,725	327,110	167,457
Total assets	2,158,378	1,960,115	1,794,072	1,727,153	1,405,748
Senior notes, net	582,657	583,861	584,993	547,791	272,296

Other long-term debt	223,736	105,900	1,456	774	61,946
Other liabilities	39,995	48,893	52,640	50,353	23,842
Total ViaSat, Inc. stockholders equity	1,038,582	941,012	903,001	887,975	840,125

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Our fiscal year 2013 information presented reflects the repurchase and redemption of our former 8.875% Senior Notes due 2016 (2016 Notes) and the associated $26.5 million loss on extinguishment of debt. Refer to Note 5 to the consolidated financial statements for discussion of the repurchase and redemption of all of the 2016 Notes and loss on extinguishment of debt. Our fiscal year 2015 reflects the amounts realized under our settlement agreement with SS/L and Loral (the Settlement Agreement) of $53.7 million, of which $33.0 million was recognized as product revenues, $18.7 million was recognized as a reduction to selling, general and administrative (SG&A) expenses in the Company s satellite services segment, and $2.0 million was recognized as interest income in the consolidated financial statements. Refer to Note 12 to the consolidated financial statements for discussion of the amounts realized under the Settlement Agreement.

ITEM 7. *MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Company Overview

We are an innovator in broadband technologies and services, including satellite and wireless networking applications and secure networking systems, products and services. We have leveraged our success developing complex satellite communication systems and equipment for the U.S. government and select commercial customers to develop next-generation satellite broadband technologies and services for both fixed and mobile users. Our product, systems and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that our portfolio of products and services, combined with our ability to effectively cross-deploy technologies between government and commercial segments and across different geographic markets, provides us with a strong foundation to sustain and enhance our leadership in advanced communications and networking technologies. ViaSat operates in three segments: satellite services, commercial networks and government systems.

Satellite Services

Our satellite services segment provides retail and wholesale satellite-based broadband services for our consumer, enterprise and mobile broadband customers primarily in the United States. Our Exede broadband services are designed to offer a high-quality broadband service choice to the millions of unserved and under-served consumers in the United States and to significantly expand the quality, capability and availability of high-speed broadband satellite services for U.S. consumers and enterprises. Our satellite services business also provides a platform for the provision of network management services to domestic and international satellite service providers. In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite.

The primary services offered by our satellite services segment are comprised of:

- Retail and wholesale broadband satellite services offered to consumers and businesses under the Exede and WildBlue brands, which provide two-way satellite-based broadband internet access and VoIP. As of April 3, 2015, we provided broadband satellite services to approximately 686,000 subscribers.

- Mobile broadband services, which provide global network management and high-speed internet connectivity services for customers using airborne, maritime and ground-mobile satellite systems.

- Enterprise broadband services, which include in-flight Wi-Fi (including our flagship Exede In The Air service), live on-line event streaming, oil and natural gas data gathering services and high definition satellite news gathering.

On September 5, 2014, we entered into the Settlement Agreement with SS/L and Loral, pursuant to which SS/L and Loral are required to pay us a total of $108.7 million, inclusive of interest, over a two and a half year period from the date of settlement. In exchange, we dismissed both lawsuits against SS/L and Loral. The parties

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further agreed not to sue each other with respect to the patents and intellectual property that were the subject of the lawsuits and, for a period of two years, not to sue each other or each other s customers for any intellectual property claims. We record payments under the Settlement Agreement as product revenues and as a reduction of SG&A expenses in our satellite services segment, and as interest income. For further information, see Note 12 to the consolidated financial statements.

Commercial Networks

Our commercial networks segment develops and produces a variety of advanced end-to-end satellite and other wireless communication systems and ground networking equipment and products that address five key market segments: consumer, enterprise, in-flight, maritime and ground mobile applications. These communication systems, networking equipment and products are generally developed through a combination of customer and discretionary internal research and development funding, and are either sold to our commercial networks customers or utilized to provide services through our satellite services segment.

Our satellite communication systems, ground networking equipment and products cater to a wide range of domestic and international commercial customers and include:

Fixed satellite networks, including next-generation satellite network infrastructure and ground terminals to access Ka-band broadband services on high-capacity satellites.

Mobile broadband satellite communication systems, designed for use in aircraft, high-speed trains and seagoing vessels.

Antenna systems for terrestrial and satellite applications, specializing in geospatial imagery, mobile satellite communication, Ka-band gateways and other multi-band antennas.

Satellite networking development programs, including specialized design and technology services covering all aspects of satellite communication system architecture and technology.

Government Systems

Our government systems segment develops and produces network-centric IP-based fixed and mobile secure government communications systems, products, services and solutions, which are designed to enable the collection and dissemination of secure real-time digital information between command centers, communications nodes and air defense systems. Customers of our government systems segment include the DoD, armed forces, public safety first-responders and remote government employees.

The primary products and services of our government systems segment include:

Government mobile broadband service and product offerings, which provide military and government users with two-way mobile broadband connectivity via satellite in key regions of the world.

Government satellite communication systems, which comprise an array of portable, mobile and fixed broadband modems, terminals, network access control systems and antenna systems using a range of satellite frequency bands for line-of-sight and beyond-line-of-sight ISR and C2 missions, satellite networking services, network management systems for Wi-Fi and other internet access networks and global mobile broadband capability, and include products designed for manpacks, aircraft, UAVs, seagoing vessels, ground mobile vehicles and fixed applications.

Information security and assurance products and secure networking solutions, which provide advanced, high-speed IP-based Type 1 and HAIPE-compliant encryption solutions that enable military and government users to communicate information securely over networks, and that secure data stored on computers and storage devices.

Tactical data links, including MIDS terminals for military fighter jets and their successor, MIDS-JTRS terminals, disposable weapon data links and portable small tactical terminals.

Sources of Revenues

Our satellite services segment revenues are primarily derived from our domestic satellite broadband services business and from our worldwide managed network services.

Our products in our commercial networks and government systems segments are provided primarily through three types of contracts: fixed-price, time-and-materials and cost-reimbursement contracts. Fixed-price contracts (which require us to provide products and services under a contract at a specified price) comprised approximately 90%, 92% and 94% of our total revenues for these segments for fiscal years 2015, 2014 and 2013, respectively. The remainder of our revenue in these segments for such periods was derived from cost-reimbursement contracts (under which we are reimbursed for all actual costs incurred in performing the contract to the extent such costs are within the contract ceiling and allowable under the terms of the contract, plus a fee or profit) and from time-and-materials contracts (which reimburse us for the number of labor hours expended at an established hourly rate negotiated in the contract, plus the cost of materials utilized in providing such products or services).

Our ability to grow and maintain our revenues in our commercial networks and government systems segments has to date depended on our ability to identify and target markets where the customer places a high priority on the technology solution, and our ability to obtain additional sizable contract awards. Due to the nature of this process, it is difficult to predict the probability and timing of obtaining awards in these markets.

Historically, a significant portion of our revenues has been derived from customer contracts that include the research and development of products. The research and development efforts are conducted in direct response to the customer s specific requirements and, accordingly, expenditures related to such efforts are included in cost of sales when incurred and the related funding (which includes a profit component) is included in revenues. Revenues for our funded research and development from our customer contracts were approximately 23%, 31% and 26% of our total revenues during fiscal years 2015, 2014 and 2013, respectively.

We also incur IR&D expenses, which are not directly funded by a third party. IR&D expenses consist primarily of salaries and other personnel-related expenses, supplies, prototype materials, testing and certification related to research and development projects. IR&D expenses were approximately 3%, 5% and 3% of total revenues in fiscal years 2015, 2014 and 2013, respectively. As a government contractor, we are able to recover a portion of our IR&D expenses pursuant to our government contracts.

Approximately 17%, 23% and 25% of our total revenues in fiscal years 2015, 2014 and 2013, respectively, were derived from international sales. Doing business internationally creates additional risks related to global political and economic conditions and other factors identified under the heading Risk Factors in Item 1A and elsewhere in this report.

Critical Accounting Policies and Estimates

Management s Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We consider the policies discussed below to be critical to an understanding of our financial statements because their application places the most significant demands on management s judgment, with financial reporting results relying on estimation about the effect of matters that are inherently uncertain. We describe the specific risks for these critical accounting policies in the following paragraphs. For all of these policies, we caution that future events rarely develop exactly as forecast, and even the best estimates routinely require adjustment.

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Revenue recognition

A substantial portion of our revenues is derived from long-term contracts requiring development and delivery of complex equipment built to customer specifications. Sales related to these contracts are accounted for under the authoritative guidance for the percentage-of-completion method of accounting (Accounting Standards Codification (ASC) 605-35). Sales and earnings under these contracts are recorded either based on the ratio of actual costs incurred to date to total estimated costs expected to be incurred related to the contract, or as products are shipped under the units-of-delivery method.

The percentage-of-completion method of accounting requires management to estimate the profit margin for each individual contract and to apply that profit margin on a uniform basis as sales are recorded under the contract. The estimation of profit margins requires management to make projections of the total sales to be generated and the total costs that will be incurred under a contract. These projections require management to make numerous assumptions and estimates relating to items such as the complexity of design and related development costs, performance of subcontractors, availability and cost of materials, labor productivity and cost, overhead and capital costs, and manufacturing efficiency. These contracts often include purchase options for additional quantities and customer change orders for additional or revised product functionality. Purchase options and change orders are accounted for either as an integral part of the original contract or separately depending upon the nature and value of the item. For contract claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Anticipated losses on contracts are recognized in full in the period in which losses become probable and estimable. During fiscal years 2015, 2014 and 2013, we recorded losses of approximately $0.6 million, $3.3 million and $3.1 million, respectively, related to loss contracts.

Assuming the initial estimates of sales and costs under a contract are accurate, the percentage-of-completion method results in the profit margin being recorded evenly as revenue is recognized under the contract. Changes in these underlying estimates due to revisions in sales and future cost estimates or the exercise of contract options may result in profit margins being recognized unevenly over a contract as such changes are accounted for on a cumulative basis in the period estimates are revised. We believe we have established appropriate systems and processes to enable us to reasonably estimate future costs on our programs through regular evaluations of contract costs, scheduling and technical matters by business unit personnel and management. Historically, in the aggregate, we have not experienced significant deviations in actual costs from estimated program costs, and when deviations that result in significant adjustments arise, we disclose the related impact in Management s Discussion and Analysis of Financial Condition and Results of Operations. However, these estimates require significant management judgment and a significant change in future cost estimates on one or more programs could have a material effect on our results of operations. A one percent variance in our future cost estimates on open fixed-price contracts as of April 3, 2015 would change our income before income taxes by approximately $0.5 million.

We also derive a substantial portion of our revenues from contracts and purchase orders where revenue is recorded on delivery of products or performance of services in accordance with the authoritative guidance for revenue recognition (ASC 605). Under this standard, we recognize revenue when an arrangement exists, prices are determinable, collectability is reasonably assured and the goods or services have been delivered.

We also enter into certain leasing arrangements with customers and evaluate the contracts in accordance with the authoritative guidance for leases (ASC 840). Our accounting for equipment leases involves specific determinations under the authoritative guidance for leases, which often involve complex provisions and significant judgments. In accordance with the authoritative guidance for leases, we classify the transactions as sales type or operating leases based on: (1) review for transfers of ownership of the equipment to the lessee by the end of the lease term, (2) review of the lease terms to determine if it contains an option to purchase the leased equipment for a price which is sufficiently lower than the expected fair value of the equipment at the date of the option, (3) review of the lease term to determine if it is equal to or greater than 75% of the economic life of the equipment, and (4) review of the present value of the minimum lease payments to determine if they are equal to or greater than 90% of the fair market value of the equipment at the inception of the lease. Additionally, we consider the cancelability of the contract and any related uncertainty of collections or risk in recoverability of the lease investment at lease inception. Revenue from sales type leases is recognized at the inception of the lease or when the equipment has been delivered and installed at the customer site, if installation is required. Revenues from equipment rentals under operating leases are recognized as earned over the lease term, which is generally on a straight-line basis.

In accordance with the authoritative guidance for revenue recognition for multiple element arrangements, the Accounting Standards Update (ASU) 2009-13 (ASU 2009-13), Revenue Recognition (ASC 605) Multiple-Deliverable Revenue Arrangements, which updates ASC 605-25, Revenue Recognition-Multiple element arrangements, of the Financial Accounting Standards Board (FASB) codification, for substantially all of the arrangements with multiple deliverables, we allocate revenue to each element based on a selling price hierarchy at the arrangement inception. The selling price for each element is based upon the following selling price hierarchy: vendor specific objective evidence (VSOE) if available, third party evidence (TPE) if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE are available (a description as to how we determine VSOE, TPE and ESP is provided below). If a tangible hardware systems product includes software, we determine whether the tangible hardware systems product and the software work together to deliver the product s essential functionality and, if so, the entire product is treated as a nonsoftware deliverable. The total arrangement consideration is allocated to each separate unit of accounting for each of the nonsoftware deliverables using the relative selling prices of each unit based on the aforementioned selling price hierarchy. Revenue for each separate unit of accounting is recognized when the applicable revenue recognition criteria for each element have been met.

To determine the selling price in multiple-element arrangements, we establish VSOE of the selling price using the price charged for a deliverable when sold separately. We also consider specific renewal rates offered to customers for software license updates, product support and hardware systems support, and other services. For nonsoftware multiple-element arrangements, TPE is established by evaluating similar and/or interchangeable competitor products or services in standalone arrangements with similarly situated customers and/or agreements. If we are unable to determine the selling price because VSOE or TPE doesn t exist, we determine ESP for the purposes of allocating the arrangement by reviewing historical transactions, including transactions whereby the deliverable was sold on a standalone basis and considering several other external and internal factors including, but not limited to, pricing practices including discounting, margin objectives, competition, the geographies in which we offer our products and services, the type of customer (i.e. distributor, value added reseller, government agency or direct end user, among others), volume commitments and the stage of the product lifecycle. The determination of ESP considers our pricing model and go-to-market strategy. As our or our competitors pricing and go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes to our determination of VSOE, TPE and ESP. As a result, our future revenue recognition for multiple-element arrangements could differ materially from those in the current period.

Collections in excess of revenues and deferred revenues represent cash collected from customers in advance of revenue recognition and are recorded in accrued liabilities for obligations within the next twelve months. Amounts for obligations extending beyond the twelve months are recorded within other liabilities in the consolidated financial statements.

Warranty reserves

We provide limited warranties on our products for periods of up to five years. We record a liability for our warranty obligations when we ship the products or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within twelve months are classified as accrued liabilities and amounts expected to be incurred beyond twelve months are classified as other liabilities in the consolidated financial statements. For mature products, we estimate the warranty costs based on historical experience with the particular product. For newer products that do not have a history of warranty costs, we base our estimates on our experience with the technology involved and the types of failures that may occur. It is possible that our underlying assumptions will not reflect the actual experience, and in that case, we will make future adjustments to the recorded warranty obligation.

Property, equipment and satellites

Satellites and other property and equipment are recorded at cost or in the case of certain satellites and other property acquired, the fair value at the date of acquisition, net of accumulated depreciation. Capitalized satellite costs consist primarily of the costs of satellite construction and launch, including launch insurance and insurance during the period of in-orbit testing, the net present value of performance incentives expected to be payable to the satellite manufacturers (dependent on the continued satisfactory performance of the satellites), costs directly associated with the monitoring and support of satellite construction, and interest costs incurred during the period of satellite construction. We also construct gateway facilities, network operations systems and other assets to support our satellites, and those construction costs, including interest, are capitalized as incurred. At the time satellites are placed in service, we estimate the useful life of our satellites for depreciation purposes based upon an analysis of each satellite s performance against the original manufacturer s orbital design life, estimated fuel levels and related consumption rates, as well as historical satellite operating trends.

We own two satellites: ViaSat-1 (our first high-capacity Ka-band spot-beam satellite, which was placed into service in January 2012) and WildBlue-1 (which was placed into service in March 2007). In May 2013, we entered into a satellite construction contract for ViaSat-2, our second high-capacity Ka-band satellite. In addition, we have an exclusive prepaid lifetime capital lease of Ka-band capacity over the contiguous United States on Telesat Canada s Anik F2 satellite (which was placed into service in April 2005) and own related gateway and networking equipment on all of our satellites. Property and equipment also includes the CPE units leased to subscribers under a retail leasing program as part of our satellite services segment.

Impairment of long-lived and other long-term assets (property, equipment and satellites, and other assets, including goodwill)

In accordance with the authoritative guidance for impairment or disposal of long-lived assets (ASC 360), we assess potential impairments to our long-lived assets, including property, equipment and satellites and other assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. We periodically review the remaining estimated useful life of the satellite to determine if revisions to the estimated life are necessary. We recognize an impairment loss when the undiscounted cash flows expected to be generated by an asset (or group of assets) are less than the asset s carrying value. Any required impairment loss would be measured as the amount by which the asset s carrying value exceeds its fair value, and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. No material impairments were recorded by us for fiscal years 2015, 2014 and 2013.

We account for our goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and the provisions of ASU 2011-08, Testing Goodwill for Impairment, which simplifies how we test goodwill for impairment. Current authoritative guidance allows us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If, after completing the qualitative assessment, we determine that it is more likely than not that the estimated fair value is greater than the carrying value, we conclude that no impairment exists. If it is more likely than not that the carrying value of the reporting unit exceeds its estimated fair value, we compare the fair value of the reporting unit to its carrying value. If the estimated fair value of the reporting unit is less than the carrying value, a second step is performed in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value, resulting in goodwill impairment. We test goodwill for impairment during the fourth quarter every fiscal year and when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist.

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The qualitative analysis includes assessing the impact of changes in certain factors including: (1) changes in forecasted operating results and comparing actual results to projections, (2) changes in the industry or our competitive environment since the acquisition date, (3) changes in the overall economy, our market share and market interest rates since the acquisition date, (4) trends in the stock price and related market capitalization and enterprise values, (5) trends in peer companies total enterprise value metrics, and (6) additional factors such as management turnover, changes in regulation and changes in litigation matters.

Based on our qualitative assessment performed during the fourth quarter of fiscal year 2015, we concluded that it was more likely than not that the estimated fair value of our reporting units exceeded their carrying value as of April 3, 2015 and, therefore, determined it was not necessary to perform the two-step goodwill impairment test.

Income taxes and valuation allowance on deferred tax assets

Management evaluates the realizability of our deferred tax assets and assesses the need for a valuation allowance on a quarterly basis to determine if the weight of available evidence suggests that an additional valuation allowance is needed. In accordance with the authoritative guidance for income taxes (ASC 740), net deferred tax assets are reduced by a valuation allowance if, based on all the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the event that our estimate of taxable income is less than that required to utilize the full amount of any deferred tax asset, a valuation allowance is established which would cause a decrease to income in the period such determination is made. Our valuation allowance against deferred tax assets increased from $12.8 million at April 4, 2014 to $15.6 million at April 3, 2015. The valuation allowance primarily relates to state net operating loss carryforwards and research and development credit carryforwards available to reduce state income taxes.

Our analysis of the need for a valuation allowance on deferred tax assets considered the losses incurred during the fiscal years ended April 4, 2014 and March 29, 2013 and the income generated during the fiscal year ended April 3, 2015. In fiscal year 2013 we recorded a significant loss, a substantial portion of which resulted from an extinguishment of debt charge that was recorded upon the refinancing of our former 2016 Notes with the proceeds from the issuance of additional 2020 Notes in October 2012, which provides a benefit to net income due to the lower interest rate of the 2020 Notes. The loss from fiscal year 2014 was less significant and a substantial portion of that loss related to legal expense focused on protecting and extending our technology advantages in litigation against SS/L and Loral, which was resolved in our favor during the second quarter of fiscal year 2015 (see Note 12 to the consolidated financial statements). In addition to these events, our evaluation considered other factors, including our contractual backlog, our history of positive earnings, current earnings trends assuming our satellite subscriber base continues to grow, taxable income adjusted for certain items, and forecasted income by jurisdiction. We also considered the lengthy period over which these net deferred tax assets can be realized, and our history of not having federal tax loss carryforwards expire unused. Based on our analysis of the need for a valuation allowance on deferred tax assets, we increased the valuation allowance by $2.7 million during fiscal year 2015 which related primarily to state net operating loss carryforwards and research and development credit carryforwards available to reduce state income taxes.

Accruals for uncertain tax positions are provided for in accordance with the authoritative guidance for accounting for uncertainty in income taxes (ASC 740). Under the authoritative guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The authoritative guidance addresses the derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures.

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We are subject to income taxes in the United States and numerous foreign jurisdictions. In the ordinary course of business there are calculations and transactions where the ultimate tax determination is uncertain. In addition, changes in tax laws and regulations as well as adverse judicial rulings could adversely affect the income tax provision. We believe we have adequately provided for income tax issues not yet resolved with federal, state and foreign tax authorities. However, if these provided amounts prove to be more than what is necessary, the reversal of the reserves would result in tax benefits being recognized in the period in which we determine that provision for the liabilities is no longer necessary. If an ultimate tax assessment exceeds our estimate of tax liabilities, an additional charge to expense would result.

Results of Operations

The following table presents, as a percentage of total revenues, income statement data for the periods indicated.

Fiscal Years Ended	April 3, 2015	April 4, 2014	March 29, 2013
Revenues:	100.0%	100.0%	100.0%
Product revenues	52.7	58.1	59.3
Service revenues	47.3	41.9	40.7
Operating expenses:			
Cost of product revenues	37.6	42.3	43.3
Cost of service revenues	32.1	31.0	32.4
Selling, general and administrative	19.6	20.8	21.5
Independent research and development	3.4	4.6	3.2
Amortization of acquired intangible assets	1.3	1.1	1.4
Income (loss) from operations	6.0	0.2	(1.8)
Interest expense, net	(2.1)	(2.8)	(3.9)
Loss on extinguishment of debt			(2.4)
Income (loss) before income taxes	3.9	(2.6)	(8.1)
Provision for (benefit from) income taxes	1.0	(2.0)	(4.5)
Net income (loss)	2.9	(0.6)	(3.6)
Net income (loss) attributable to ViaSat, Inc.	2.9	(0.7)	(3.7)

Fiscal Year 2015 Compared to Fiscal Year 2014

Revenues

	Fiscal Years Ended		Dollar	Percentage
(In millions, except percentages)	April 3, 2015	April 4, 2014	Increase (Decrease)	Increase (Decrease)
Product revenues	$ 728.1	$ 785.7	$ (57.7)	(7.3)%
Service revenues	654.5	565.7	88.7	15.7%
Total revenues	$ 1,382.5	$ 1,351.5	$ 31.1	2.3%

Our total revenues grew by $31.1 million as a result of an $88.7 million increase in service revenues, offset by a $57.7 million decrease in product revenues. The service revenue increase was comprised primarily of $75.6 million in our satellite services segment and $14.0 million in our government systems segment. The product revenue decrease was driven by a decrease of $47.5 million in our commercial networks segment and $43.7 million in our government systems segment, offset by an increase of $33.5 million in our satellite services segment (related to the Settlement Agreement).

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Cost of revenues

(In millions, except percentages)	Fiscal Years Ended April 3, 2015	Fiscal Years Ended April 4, 2014	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Cost of product revenues	$ 519.5	$ 571.9	$ (52.4)	(9.2)%
Cost of service revenues	444.4	419.4	25.0	6.0%
Total cost of revenues	$ 963.9	$ 991.3	$ (27.4)	(2.8)%

Cost of revenues decreased by $27.4 million due to a $52.4 million cost of product revenues decrease, offset by a $25.0 million cost of service revenues increase. The cost of product revenues decrease was primarily due to decreased revenues, causing a $66.0 million decrease in cost of product revenues on a constant margin basis, prior to the effects of product revenues related to the implied license under the Settlement Agreement. This cost of product revenues decrease mainly related to our government satellite communications systems (driven by command and control situational awareness) in our government systems segment and fixed satellite networks (driven by consumer broadband products) in our commercial networks segment. The $66.0 million decrease in cost of product revenues on a constant margin basis was offset by lower margins from our commercial networks segment from fixed satellite networks (driven by consumer broadband products), mobile broadband satellite communication systems products and antenna systems products. The cost of service revenues increase was primarily due to increased service revenues, generating a $65.8 million increase in cost of service revenues on a constant margin basis. This increase mainly related to our Exede broadband services in our satellite services segment. However, as our Exede subscribers have continued to grow and related revenues scale, we have also experienced improved margins from our broadband services in our satellite services segment, which partially offset the cost of service growth. Additionally, the cost of service growth was partially offset by improved margins in our government systems segment related to our government satellite communication systems services (mainly due to global mobile broadband services) and the addition of our network management services for Wi-Fi and other internet access networks (relating to our newly acquired subsidiary, NetNearU).

Selling, general and administrative expenses

(In millions, except percentages)	Fiscal Years Ended April 3, 2015	Fiscal Years Ended April 4, 2014	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, general and administrative	$ 270.8	$ 281.5	$ (10.7)	(3.8)%

The $10.7 million decrease in selling, general and administrative (SG&A) expenses was primarily attributable to the recognition of $18.7 million of payments made under the Settlement Agreement as a reduction to SG&A expenses and a decrease in legal expense as a result of the settlement of the litigation with SS/L and its former parent company Loral during the second quarter of fiscal year 2015. The decrease in SG&A expenses was partially offset by an increase in new business proposal costs of $9.1 million (mainly due to our government systems segment) and an increase in other support costs (spread across our government systems and commercial networks segments). SG&A expenses consisted primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, facilities, finance, contract administration and general management.

Independent research and development

(In millions, except percentages)	Fiscal Years Ended April 3, 2015	Fiscal Years Ended April 4, 2014	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent research and development	$ 46.7	$ 60.7	$ (14.1)	(23.2)%

The $14.1 million decrease in IR&D expenses reflected decreased IR&D efforts in our government systems segment of $7.8 million (primarily due to a decrease in advancement of integrated government satellite communications platforms and development of next-generation dual band mobility solutions, offset by an increase in tactical data link development projects and information assurance projects) and a decrease in our commercial networks segment of $5.4 million (primarily due to a decrease in next-generation consumer broadband, offset by an increase in mobile broadband satellite communication systems).

Amortization of acquired intangible assets

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives ranging from two to ten years. The increase in amortization of acquired intangible assets of $3.4 million in fiscal year 2015 compared to last fiscal year was primarily the result of our acquisition of NetNearU in June 2014. Expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization (In thousands)
Expected for fiscal year 2016	$ 15,135
Expected for fiscal year 2017	7,821
Expected for fiscal year 2018	6,487
Expected for fiscal year 2019	3,974
Expected for fiscal year 2020	2,942
Thereafter	5,981
	$ 42,340

Interest income

The $2.0 million increase in interest income in fiscal year 2015 compared to fiscal year 2014 was primarily due to the recognition of $2.0 million of payments made under the Settlement Agreement as interest income.

Interest expense

The decrease in interest expense year-over-year of $6.5 million was primarily due to an increase of $8.1 million in the amount of interest capitalized. This decrease was partially offset by increased interest expense on outstanding borrowings under our Revolving Credit Facility during fiscal year 2015 due primarily to higher outstanding balances compared to the prior year period. Capitalized interest expense during the fiscal years ended 2015 and 2014 related to the construction of ViaSat-2 and other assets.

Provision for (benefit from) income taxes

The effective income tax expense in fiscal year 2015 reflected the tax expense from the income before income taxes and the benefit from federal and state research tax credits. Fiscal year 2015 includes twelve months of federal research tax credit including three months from fiscal year 2014 and nine months from fiscal year 2015 as a result of the Tax Increase Prevention Act of 2014 enacted on December 19, 2014 which extended the research and development credit retroactively from January 1, 2014 to December 31, 2014. Fiscal year 2015 also included an expense related to the increase in valuation allowance related primarily to state net operating loss carryforwards and research and development credit carryforwards available to reduce state income taxes. The effective income tax benefit in fiscal year 2014 reflected the tax benefit from the loss before income taxes and the benefit from federal and state research tax credits. Due to the December 31, 2013 expiration of the federal research tax credit, fiscal year 2014 only included nine months of the federal research tax credit. Fiscal year 2014 also included a benefit related to the valuation allowance release related primarily to state net operating loss carryforwards as a result of the combination of the merger of ViaSat Communications, Inc. into ViaSat and changes in the apportioned state tax rates.

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Segment Results for Fiscal Year 2015 Compared to Fiscal Year 2014

Satellite services segment

Revenues

(In millions, except percentages)	Fiscal Years Ended April 3, 2015	Fiscal Years Ended April 4, 2014	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 33.6	$	$ 33.5	100.0%
Segment service revenues	466.3	390.7	75.6	19.4%
Total revenues	$ 499.9	$ 390.7	$ 109.2	27.9%

Our satellite services segment revenues grew by $109.2 million as a result of a $75.6 million increase in service revenues and a $33.5 million increase in product revenues. The increase in service revenues related primarily to retail and wholesale broadband services, and was primarily driven by an increase in the number of Exede broadband subscribers, as well as related higher average revenue per subscriber. Total broadband subscribers grew 7% from approximately 641,000 at April 4, 2014 to approximately 686,000 at April 3, 2015. The service revenue increase also reflected the expansion of our in-flight Wi-Fi service with over 330 aircraft in service as of the end of fiscal year 2015. The increase in product revenues was primarily due to the recognition of $33.0 million of payments under the Settlement Agreement as product revenue in our satellite services segment.

Segment operating profit (loss)

(In millions, except percentages)	Fiscal Years Ended April 3, 2015	Fiscal Years Ended April 4, 2014	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit (loss)	$ 62.4	$ (46.0)	$ 108.4	235.6%
Percentage of segment revenues	12.5%	(11.8)%		

The change from an operating loss to an operating profit for our satellite services segment was primarily due to higher earnings contributions of $77.7 million. Continued growth in the size of our Exede broadband services subscriber base resulted in increased service revenues and improved margins. In addition, our satellite services segment operating profit included $51.8 million from the Settlement Agreement, which resulted in increased product revenues and a decrease in SG&A expenses. Legal expense decreased as a result of the settlement of the litigation with SS/L and its former parent company Loral during the second quarter of fiscal year 2015. Additionally, selling costs decreased due to decreased sales and marketing support costs, reflecting a more established consumer broadband subscriber base. These decreases in SG&A expenses were partially offset by an increase in other support costs.

Commercial networks segment

Revenues

(In millions, except percentages)	Fiscal Years Ended April 3, 2015	Fiscal Years Ended April 4, 2014	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 331.1	$ 378.6	$ (47.5)	(12.6)%
Segment service revenues	16.1	16.9	(0.9)	(5.1)%
Total revenues	$ 347.1	$ 395.5	$ (48.4)	(12.2)%

Our commercial networks segment revenues decreased by $48.4 million, primarily due to the $47.5 million decrease in product revenues. Of this product revenue decrease, $68.7 million related to fixed satellite networks (driven primarily by our large scale Australian Ka-band infrastructure project as it moves closer to completion as

well as consumer broadband products due to reduced revenues from terminal sales, partially offset by our next-generation Ka-band system contract in Canada). Our satellite networking development programs revenues also decreased $6.4 million. These decreases were partially offset by a $26.1 million increase in product revenues for our antenna systems products.

Segment operating loss

(In millions, except percentages)	Fiscal Years Ended April 3, 2015	Fiscal Years Ended April 4, 2014	Dollar (Increase) Decrease	Percentage (Increase) Decrease
Segment operating loss	$ (33.6)	$ (12.1)	$ (21.5)	(177.0)%
Percentage of segment revenues	(9.7)%	(3.1)%		

The $21.5 million increase in operating loss for our commercial networks segment was primarily due to lower earnings contributions of $24.1 million from lower revenues due to fixed satellite networks (driven primarily by consumer broadband products), as well as lower margins resulting from a shift in revenue mix due to lower terminal sales in our fixed satellite networks (driven primarily by consumer broadband products). We also experienced lower margins in our mobile broadband satellite communication systems products and antenna systems and services. The increase in our segment operating loss also reflected higher support, new business proposal and selling costs of $2.9 million, offset by lower IR&D costs of $5.4 million.

Government systems segment

Revenues

(In millions, except percentages)	Fiscal Years Ended April 3, 2015	Fiscal Years Ended April 4, 2014	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 363.4	$ 407.1	$ (43.7)	(10.7)%
Segment service revenues	172.1	158.1	14.0	8.8%
Total revenues	$ 535.5	$ 565.2	$ (29.7)	(5.3)%

Our government systems segment revenues decreased by $29.7 million, due to a decrease of $43.7 million in product revenues, partially offset by a $14.0 million increase in service revenues. The decrease in product revenues was primarily due to revenue decreases of $83.7 million in government satellite communication systems (mainly attributable to command and control situational awareness) and a $5.7 million decrease in tactical satcom radio products (relating to our majority-owned subsidiary TrellisWare Technologies, Inc.). This decrease was partially offset by a $29.6 million increase in tactical data link products and $15.1 million increase in information assurance products. The increase in service revenues was primarily due to revenue increases of $23.2 million related to NetNearU, our newly acquired subsidiary, partially offset by a $4.7 million decrease related to government satellite communication systems services (mainly attributable to command and control situational awareness and global mobile broadband, offset by broadband networking services revenues for military customers), by a $2.9 million decrease in information assurance services and by a $1.3 million decrease in tactical data link services.

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended April 3, 2015	Fiscal Years Ended April 4, 2014	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$ 72.3	$ 76.0	$ (3.7)	(4.9)%
Percentage of segment revenues	13.5%	13.5%		

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The $3.7 million decrease in our government systems segment operating profit reflected higher new business proposal, support and selling costs of $16.3 million, offset by lower IR&D costs of $7.8 million and $4.8 million of higher earnings contributions (mainly from improved margins in global mobile broadband and the addition of our network management services for Wi-Fi and other internet access networks (relating to our newly acquired subsidiary NetNearU)).

Fiscal Year 2014 Compared to Fiscal Year 2013

Revenues

(In millions, except percentages)	Fiscal Years Ended April 4, 2014	Fiscal Years Ended March 29, 2013	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Product revenues	$ 785.7	$ 664.4	$ 121.3	18.3%
Service revenues	565.7	455.3	110.5	24.3%
Total revenues	$ 1,351.5	$ 1,119.7	$ 231.8	20.7%

Our total revenues grew by $231.8 million as a result of a $121.3 million increase in product revenues and a $110.5 million increase in service revenues. The product revenue increase was comprised primarily of $83.1 million in our commercial networks segment and $42.9 million in our government systems segment. The service revenue increase was comprised primarily of $118.4 million in our satellite services segment, offset by a decrease of $5.4 million in our government systems segment.

Cost of revenues

(In millions, except percentages)	Fiscal Years Ended April 4, 2014	Fiscal Years Ended March 29, 2013	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Cost of product revenues	$ 571.9	$ 485.0	$ 86.9	17.9%
Cost of service revenues	419.4	363.2	56.2	15.5%
Total cost of revenues	$ 991.3	$ 848.2	$ 143.1	16.9%

Cost of revenues grew by $143.1 million due to a $86.9 million cost of product revenues increase and a $56.2 million cost of service revenues increase. The cost of product revenues increase was primarily due to increased revenues, causing an $88.6 million increase in cost of product revenues on a constant margin basis. This increase mainly related to growth in fixed satellite networks (driven by consumer broadband products), mobile broadband satellite communication systems, antenna systems products and satellite payload technology development programs in our commercial networks segment, but product sales also grew in our government systems segment from information assurance products, tactical data link products, and tactical satcom radio products (relating to our majority-owned subsidiary TrellisWare). The cost of service revenues increase was primarily due to increased service revenues, generating an $88.1 million increase in cost of service revenues on a constant margin basis. This increase mainly related to our Exede broadband services in our satellite services segment. Additionally, as our Exede subscribers have continued to grow and related revenues scale, we have also experienced improved margins from our broadband services in our satellite services segment.

Selling, general and administrative expenses

(In millions, except percentages)	Fiscal Years Ended April 4, 2014	Fiscal Years Ended March 29, 2013	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, general and administrative	$ 281.5	$ 240.9	$ 40.7	16.9%

The $40.7 million increase in SG&A expenses was primarily attributable to higher support costs of $33.7 million, higher selling costs of $4.4 million, and higher new business proposal costs of $2.6 million. Of the higher support costs, $23.1 million related to our satellite services segment (due to legal expense, approximately

$18.4 million, focused on protecting and extending our technology advantages), $8.4 million to our commercial networks segment, and $2.2 million related to our government systems segment. SG&A expenses consisted primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, facilities, finance, contract administration and general management.

Independent research and development

(In millions, except percentages)	Fiscal Years Ended April 4, 2014	Fiscal Years Ended March 29, 2013	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent research and development	$ 60.7	$ 35.4	$ 25.3	71.3%

The $25.3 million increase in IR&D expenses reflected increased IR&D efforts in our commercial networks segment of $17.7 million (primarily due to next-generation consumer broadband and next-generation satellite communication systems) and in our government systems segment of $7.8 million (primarily due to development of next-generation dual-band mobility solutions and tactical satcom radio products).

Amortization of acquired intangible assets

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives ranging from three to ten years. The decrease in amortization of acquired intangible assets of $1.0 million in fiscal year 2014 compared to last fiscal year was a result of acquired trade name intangibles in our satellite services segment becoming fully amortized over the preceding twelve months. Expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization (In thousands)
Expected for fiscal year 2015	$ 14,668
Expected for fiscal year 2016	11,024
Expected for fiscal year 2017	4,669
Expected for fiscal year 2018	3,616
Expected for fiscal year 2019	1,142
Thereafter	278
	$ 35,397

Interest income

The slight decrease in interest income in fiscal year 2014 compared to fiscal year 2013 was primarily due to lower average invested cash balances during fiscal year 2014.

Interest expense

The decrease in interest expense year-over-year of $6.1 million was primarily due to the refinancing, in October 2012, of our former $275.0 million in aggregate principal amount of 2016 Notes with the proceeds from the issuance of an additional $300.0 million in aggregate principal amount of 2020 Notes, which bear interest at a lower rate, coupled with an increase of $5.0 million in the amount of interest capitalized. Capitalized interest expense during fiscal year 2014 related to the commencement of construction of ViaSat-2 and other assets. This decrease was partially offset by interest expense on outstanding borrowings under the Credit Facility during fiscal year 2014. No borrowings were made under the Credit Facility during fiscal year 2013.

Benefit from income taxes

The effective income tax benefit in fiscal year 2014 reflected the tax benefit from the loss before income taxes and the benefit from federal and state research tax credits. Due to the December 31, 2013 expiration of the

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federal research tax credit, fiscal year 2014 only included nine months of the federal research tax credit. Fiscal year 2014 also included a benefit related to the valuation allowance release related primarily to state net operating loss carryforwards as a result of the combination of the merger of ViaSat Communications, Inc. into ViaSat and changes in the apportioned state tax rates. The effective income tax benefit in fiscal year 2013 reflected the tax benefit from the loss before income taxes and the benefit from federal and state research tax credits. Fiscal year 2013 included fifteen months of federal research tax credit as a result of the January 2013 reinstatement of the credit retroactively from January 1, 2012.

Segment Results for Fiscal Year 2014 Compared to Fiscal Year 2013

Satellite services segment

Revenues

(In millions, except percentages)	Fiscal Years Ended April 4, 2014	Fiscal Years Ended March 29, 2013	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$	$ 4.7	$ (4.7)	(99.1)%
Segment service revenues	390.7	272.3	118.4	43.5%
Total revenues	$ 390.7	$ 277.0	$ 113.7	41.1%

Our satellite services segment revenues grew by $113.7 million, primarily due to the increase in service revenues related to retail and wholesale broadband services. The revenue increase relating to our Exede and WildBlue broadband services was driven by a 25% increase in the number of subscribers, which grew from approximately 512,000 at March 29, 2013 to approximately 641,000 at April 4, 2014, as well as a change in the mix of retail and wholesale subscribers and related higher average revenue per subscriber.

Segment operating loss

(In millions, except percentages)	Fiscal Years Ended April 4, 2014	Fiscal Years Ended March 29, 2013	Dollar (Increase) Decrease	Percentage (Increase) Decrease
Segment operating loss	$ (46.0)	$ (79.2)	$ 33.2	41.9%
Percentage of segment revenues	(11.8)%	(28.6)%		

The $33.2 million reduction in operating loss for our satellite services segment was primarily due to $59.1 million in higher earnings contributions as our Exede broadband services subscriber base continued to grow, which resulted in increased revenues and improved margins, partially offset by $26.2 million in higher support and selling costs. These higher support and selling costs were mainly attributable to legal expense, approximately $18.4 million, focused on protecting and extending our technology advantages, as well as increased sales and marketing support costs as we continued to expand our consumer broadband subscriber base.

Commercial networks segment

Revenues

(In millions, except percentages)	Fiscal Years Ended April 4, 2014	Fiscal Years Ended March 29, 2013	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 378.6	$ 295.5	$ 83.1	28.1%
Segment service revenues	16.9	19.5	(2.5)	(13.0)%
Total revenues	$ 395.5	$ 314.9	$ 80.6	25.6%

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Our commercial networks segment revenues increased by $80.6 million, primarily due to the $83.1 million increase in product revenues. Of this product revenue increase, $55.6 million related to fixed satellite networks (driven by consumer broadband products), $18.8 million to mobile broadband satellite communication systems, $8.6 million to antenna systems products, and $6.7 million to satellite payload technology development programs. These increases were partially offset by a decrease in revenues for our satellite networking development programs of $7.6 million.

Segment operating loss

	Fiscal Years Ended		Dollar	Percentage
(In millions, except percentages)	**April 4, 2014**	**March 29, 2013**	**(Increase) Decrease**	**(Increase) Decrease**
Segment operating loss	$ (12.1)	$ (11.1)	$ (1.1)	(9.5)%
Percentage of segment revenues	(3.1)%	(3.5)%		

The $1.1 million increase in operating loss for our commercial networks segment was primarily due to higher IR&D costs of $17.7 million and higher support and new business proposal costs of $7.3 million, partially offset by $23.9 million in higher earnings contributions from increased revenues in our consumer broadband products, mobile broadband satellite communication systems, and antenna systems products.

Government systems segment

Revenues

	Fiscal Years Ended		Dollar	Percentage
(In millions, except percentages)	**April 4, 2014**	**March 29, 2013**	**Increase (Decrease)**	**Increase (Decrease)**
Segment product revenues	$ 407.1	$ 364.2	$ 42.9	11.8%
Segment service revenues	158.1	163.5	(5.4)	(3.3)%
Total revenues	$ 565.2	$ 527.8	$ 37.5	7.1%

Our government systems segment revenues grew by $37.5 million, due to an increase of $42.9 million in product revenues, partially offset by a $5.4 million decrease in service revenues. The increase in product revenues was primarily due to revenue increases of $24.9 million in information assurance products, $8.2 million in tactical data link products, $7.5 million in tactical satcom radio products, and $2.3 million in government satellite communication systems (mainly attributable to command and control situational awareness).

Segment operating profit

	Fiscal Years Ended		Dollar	Percentage
(In millions, except percentages)	**April 4, 2014**	**March 29, 2013**	**Increase (Decrease)**	**Increase (Decrease)**
Segment operating profit	$ 76.0	$ 85.5	$ (9.4)	(11.0)%
Percentage of segment revenues	13.5%	16.2%		

The $9.4 million decrease in our government systems segment operating profit reflected higher IR&D costs of $7.8 million and higher selling, support and new business proposal costs of $7.2 million, offset by $5.6 million of higher earnings contributions (mainly from revenue growth in information assurance products and tactical data link products and services).

Backlog

As reflected in the table below, our overall firm backlog increased during fiscal year 2015. The increase in firm backlog was due to increases in both our government systems and satellite services segments. Our overall funded backlog decreased during fiscal year 2015. The decrease in funded backlog was due to a decrease in our commercial networks segment.

	As of April 3, 2015	As of April 4, 2014
	(In millions)	
Firm backlog		
Satellite Services segment	$ 216.2	$ 160.2
Commercial Networks segment	317.3	457.4
Government Systems segment	382.1	281.9
Total	$ 915.6	$ 899.5
Funded backlog		
Satellite Services segment	$ 216.2	$ 160.2
Commercial Networks segment	317.3	457.4
Government Systems segment	307.9	235.0
Total	$ 841.4	$ 852.6

The firm backlog does not include contract options. Of the $915.6 million in firm backlog, approximately $512.0 million is expected to be delivered in fiscal year 2016, and the balance is expected to be delivered in fiscal year 2017 and thereafter. We include in our backlog only those orders for which we have accepted purchase orders.

Our total new awards were approximately $1,413.4 million, $1,425.9 million and $1,373.4 million for fiscal years 2015, 2014 and 2013, respectively.

Backlog is not necessarily indicative of future sales. A majority of our contracts can be terminated at the convenience of the customer. Orders are often made substantially in advance of delivery, and our contracts typically provide that orders may be terminated with limited or no penalties. In addition, purchase orders may present product specifications that would require us to complete additional product development. A failure to develop products meeting such specifications could lead to a termination of the related contract.

Firm backlog amounts are comprised of funded and unfunded components. Funded backlog represents the sum of contract amounts for which funds have been specifically obligated by customers to contracts. Unfunded backlog represents future amounts that customers may obligate over the specified contract performance periods. Our customers allocate funds for expenditures on long-term contracts on a periodic basis. Our ability to realize revenues from contracts in backlog is dependent upon adequate funding for such contracts. Although we do not control the funding of our contracts, our experience indicates that actual contract fundings have ultimately been approximately equal to the aggregate amounts of the contracts.

Liquidity and Capital Resources

Overview

We have financed our operations to date primarily with cash flows from operations, bank line of credit financing, debt financing, export credit agency financing and equity financing. At April 3, 2015, we had $52.3 million in cash and cash equivalents, $280.5 million in working capital, $210.0 million in outstanding borrowings under our Revolving Credit Facility and $20.5 million in outstanding borrowings under our Ex-Im

Credit Facility. At April 4, 2014, we had $58.3 million in cash and cash equivalents, $256.8 million in working capital and $105.0 million in outstanding borrowings under our Revolving Credit Facility. We invest our cash in excess of current operating requirements in short-term, interest-bearing, investment-grade securities.

Our future capital requirements will depend upon many factors, including the timing and amount of cash required for our ViaSat-2 satellite project and any future broadband satellite projects we may engage in, expansion of our research and development and marketing efforts, and the nature and timing of orders. Additionally, we will continue to evaluate possible acquisitions of, or investments in complementary businesses, products and technologies which may require the use of cash or additional financing.

The general cash needs of our satellite services, commercial networks and government systems segments can vary significantly. The cash needs of our satellite services segment tend to be driven by the timing of capital expenditure payments (e.g., payments under satellite construction and launch contracts) and of network expansion activities, as well as the quality of customer, type of contract and payment terms. In our commercial networks segment, cash needs tend to be driven primarily by the type and mix of contracts in backlog, the nature and quality of customers, the level of investments in IR&D activities and the payment terms of customers (including whether advance payments are made or customer financing is required). In our government systems segment, the primary factors determining cash needs tend to be the type and mix of contracts in backlog (e.g., product or service, development or production) and timing of payments (including restrictions on the timing of cash payments under U.S. government procurement regulations). Other factors affecting the cash needs of our commercial networks and government systems segments include contract duration and program performance. For example, if a program is performing well and meeting its contractual requirements, then its cash flow requirements are usually lower.

To further enhance our liquidity position or to finance the construction and launch of any future satellites, acquisitions or other business investment initiatives, we may obtain additional financing, which could consist of debt, convertible debt or equity financing from public and/or private credit and capital markets. In March 2013, we filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of debt securities, common stock, preferred stock, depositary shares, warrants and rights. The securities may be offered from time to time, separately or together, directly by us, by selling security holders, or through underwriters, dealers or agents at amounts, prices, interest rates and other terms to be determined at the time of the offering. We believe that our current cash balances and net cash expected to be provided by operating activities along with availability under our Credit Facilities will be sufficient to meet our anticipated operating requirements for at least the next twelve months.

Cash flows

Cash provided by operating activities for fiscal year 2015 was $349.5 million compared to cash provided by operating activities of $205.1 million for fiscal year 2014. This $144.4 million increase was primarily driven by our operating results (net income adjusted for depreciation, amortization and other non-cash charges) which generated $127.1 million of higher cash inflows, coupled with a $17.3 million year-over-year decrease in cash used to fund net operating assets needs. The decrease in cash used to fund net operating assets during fiscal year 2015 when compared to fiscal year 2014 was partially due to lower combined billed and unbilled accounts receivable, net, attributable to the timing of contractual milestones for our larger development programs in our commercial networks segment, as well as a decrease in cash used for inventory in our commercial networks segment.

Cash used in investing activities for fiscal year 2015 was $476.6 million compared to cash used in investing activities in fiscal year 2014 of $354.5 million. The increase in cash used in investing activities reflected an increase of $84.7 million in cash used for the construction of our ViaSat-2 satellite and an increase of $55.0 million in cash used for acquisitions, offset by a $26.4 million decrease in capital expenditures for new CPE units and other general purpose equipment.

Cash provided by financing activities for fiscal year 2015 was $121.5 million compared to cash provided by financing activities of $101.8 million for fiscal year 2014. This $19.6 million increase in cash provided by financing activities was primarily related to the $13.9 million of proceeds, net of discount, from borrowings under our Ex-Im Credit Facility. Both periods included $105.0 million in net proceeds from borrowings under our Revolving Credit Facility. Cash provided by financing activities for both periods included cash received from stock option exercises and employee stock purchase plan purchases, offset by cash used for the repurchase of common stock related to net share settlement of certain employee tax liabilities in connection with the vesting of restricted stock unit awards, and payment of debt issuance costs.

Comparing fiscal year 2014 cash flow to fiscal year 2013, the $113.3 million increase in cash provided by operating activities was primarily driven by our operating results (net loss adjusted for depreciation, amortization and other non-cash charges) which generated $106.8 million of higher cash inflows, coupled with a $13.6 million year-over-year decrease in cash used to fund net operating assets needs. Cash provided by operating activities for fiscal year 2013 included a $7.1 million net cash inflow related to our refinancing of the 2016 Notes. The increase in cash used in investing activities reflected $119.2 million in cash used during fiscal year 2014 for the construction of our ViaSat-2 satellite, as well as a $23.7 million increase in capital expenditures year-over-year for other general purpose equipment. The $58.9 million increase in cash provided by financing activities was primarily related to the $105.0 million in net proceeds from borrowings under our Revolving Credit Facility, offset by debt issuance costs of $2.5 million during fiscal year 2014, compared to no borrowings in the prior year period. Cash provided by financing activities for fiscal year 2013 reflected the issuance of $300.0 million in aggregate principal amount of additional 2020 Notes, offset by the repurchase and redemption of all of our $275.0 million in aggregate principal amount of 2016 Notes and debt issuance costs of $8.1 million.

Satellite service-related activities

In May 2013, we entered into an agreement to purchase ViaSat-2, our second high-capacity Ka-band satellite, from The Boeing Company (Boeing) at a price of approximately $358.0 million, plus an additional amount for launch support services to be performed by Boeing. The projected total cost of the ViaSat-2 project, including the satellite, launch, insurance and related gateway infrastructure, through satellite launch is estimated to be between $600.0 million to $650.0 million, and will depend on the timing of the gateway infrastructure roll-out. Our total required cash funding may be reduced through various third party agreements, including potential joint service offerings and other strategic partnering arrangements. We believe we have adequate sources of funding for the project, which include our cash on hand, available borrowing capacity under our Ex-Im Credit Facility and the cash we expect to generate from operations over the next few years. We believe the upcoming launch and roll-out of the ViaSat-2 satellite and related ground infrastructure will impact our financial results in our satellite services segment in future periods, although we expect the relative impact to be less than we experienced in relation to the launch and roll-out of our ViaSat-1 satellite and related ground infrastructure.

During the period from late fiscal year 2012 until early fiscal year 2015, we incurred higher operating costs in connection with the launch and roll-out of our ViaSat-1 satellite and related ground infrastructure and our Exede broadband services, as well as higher interest expense as we capitalized a lower amount of the interest expense on our outstanding debt in fiscal year 2014 as we were in the early stages of construction of ViaSat-2, our second high-capacity Ka-band satellite. These higher operating costs included costs associated with depreciation, gateway connectivity, subscriber acquisition costs, logistics, customer care and various support systems. These additional operating costs attributed to our Exede service commencement negatively impacted income from operations during that period. As the total number of subscribers of our Exede broadband services increased, the resultant increase in service revenues in our satellite services segment improved income (loss) from operations for our satellite services segment, despite the additional litigation expense we incurred to successfully protect our proprietary technology, which was resolved in our favor during the second quarter of fiscal year 2015. At the end of fiscal year 2015, we had approximately 686,000 subscribers, however there can be no assurance that the number of subscribers of our Exede broadband services and service revenues in our satellite services segment will increase in any future period.

Revolving Credit Facility

As of April 3, 2015, the Revolving Credit Facility provided a $500.0 million revolving line of credit (including up to $150.0 million of letters of credit) with a maturity date of November 26, 2018. Borrowings under the Revolving Credit Facility bear interest, at our option, at either (1) the highest of the Federal Funds rate plus 0.50%, the Eurodollar rate plus 1.00%, or the administrative agent s prime rate as announced from time to time, or (2) the Eurodollar rate, plus, in the case of each of (1) and (2), an applicable margin that is based on our total leverage ratio. At April 3, 2015, the weighted average effective interest rate on our outstanding borrowings under the Revolving Credit Facility was 2.18%. The Revolving Credit Facility is required to be guaranteed by certain significant domestic subsidiaries of ViaSat (as defined in the Revolving Credit Facility) and secured by substantially all of our assets. As of April 3, 2015, none of our subsidiaries guaranteed the Revolving Credit Facility.

The Revolving Credit Facility contains financial covenants regarding a maximum total leverage ratio and a minimum interest coverage ratio. In addition, the Revolving Credit Facility contains covenants that restrict, among other things, our ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments.

At April 3, 2015, we had $210.0 million in principal amount of outstanding borrowings under the Revolving Credit Facility and $40.4 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of April 3, 2015 of $249.6 million.

Ex-Im Credit Facility

On March 12, 2015, a foreign subsidiary of ViaSat entered into the Ex-Im Credit Facility with the Export-Import Bank of the United States. As of April 3, 2015, the Ex-Im Credit Facility provided a $524.9 million senior secured direct loan facility, $467.0 million of which can be used to finance up to 85% of the costs of construction, launch and insurance of the ViaSat-2 satellite and related goods and services (including costs incurred on or after September 18, 2012), with the remainder used to finance the total exposure fees incurred under the Ex-Im Credit Facility of up to $57.9 million (depending on the total amount of financing borrowed under the Ex-Im Credit Facility). Borrowings under the Ex-Im Credit Facility bear interest at a fixed rate of 2.38% and are required to be repaid in 17 approximately equal semi-annual installments, commencing approximately six months after the in-orbit acceptance date of the ViaSat-2 satellite (or, if earlier, on October 15, 2017), with a maturity date of October 15, 2025. Exposure fees of $6.0 million were incurred in connection with our initial borrowing under the Ex-Im Credit Facility, with the remaining exposure fees payable by the in-orbit acceptance date for ViaSat-2. Exposure fees under the Ex-Im Credit Facility are amortized using the effective interest rate method. The effective interest rate on our outstanding borrowings under the Ex-Im Credit Facility, which takes into account estimated timing and amount of borrowings, exposure fees, debt issuance costs and other fees, was approximately 4.43% as of April 3, 2015. The Ex-Im Credit Facility is guaranteed by ViaSat and is secured by first-priority liens on the ViaSat-2 satellite and related assets as well as a pledge of the capital stock of the borrower under the facility.

The Ex-Im Credit Facility contains financial covenants regarding ViaSat s maximum total leverage ratio and minimum interest coverage ratio. In addition, the Ex-Im Credit Facility contains covenants that restrict, among other things, our ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments.

At April 3, 2015, we had $20.5 million in principal amount of outstanding borrowings under the Ex-Im Credit Facility, leaving $452.5 million available to finance ViaSat-2 related costs as incurred. Borrowings under the Ex-Im Credit Facility were issued with a discount of $7.3 million (comprising the initial $6.0 million exposure fee and other customary fees). The borrowings under the Ex-Im Credit Facility are recorded as long-term debt, net of discount, in our consolidated financial statements. The discount and deferred financing cost associated with the issuance of the borrowings under the Ex-Im Credit Facility are amortized to interest expense on an effective interest rate basis over the term of the borrowings under the Ex-Im Credit Facility.

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Senior Notes

Senior Notes due 2020

In February 2012, we issued $275.0 million in principal amount of 2020 Notes in a private placement to institutional buyers, which were exchanged in August 2012 for substantially identical 2020 Notes that had been registered with the SEC. These initial 2020 Notes were issued at face value and are recorded as long-term debt in our consolidated financial statements. On October 12, 2012, we issued an additional $300.0 million in principal amount of 2020 Notes in a private placement to institutional buyers at an issue price of 103.50% of the principal amount, which were exchanged in January 2013 for substantially identical 2020 Notes that had been registered with the SEC. The 2020 Notes are all treated as a single class. The 2020 Notes bear interest at the rate of 6.875% per year, payable semi-annually in cash in arrears, which interest payments commenced in June 2012. Debt issuance costs associated with the issuance of the 2020 Notes are amortized to interest expense on a straight-line basis over the term of the 2020 Notes, the results of which are not materially different from the effective interest rate basis. The $10.5 million premium we received in connection with the issuance of the additional 2020 Notes is recorded as long-term debt in our consolidated financial statements and is being amortized as a reduction to interest expense on an effective interest rate basis over the term of those 2020 Notes.

The 2020 Notes are required to be guaranteed on an unsecured senior basis by each of our existing and future subsidiaries that guarantees the Revolving Credit Facility. During the second quarter of fiscal year 2014, the last remaining subsidiary guarantor, ViaSat Communications, Inc., was merged into ViaSat. Accordingly, as of April 3, 2015, none of our subsidiaries guaranteed the 2020 Notes. The 2020 Notes are our general senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated debt. The 2020 Notes are effectively junior in right of payment to our existing and future secured debt, including under the Credit Facilities (to the extent of the value of the assets securing such debt), are structurally subordinated to all existing and future liabilities (including trade payables) of our subsidiaries that do not guarantee the 2020 Notes, and are senior in right of payment to all of our existing and future subordinated indebtedness.

The indenture governing the 2020 Notes limits, among other things, our and our restricted subsidiaries ability to: incur, assume or guarantee additional debt; issue redeemable stock and preferred stock; pay dividends, make distributions or redeem or repurchase capital stock; prepay, redeem or repurchase subordinated debt; make loans and investments; grant or incur liens; restrict dividends, loans or asset transfers from restricted subsidiaries; sell or otherwise dispose of assets; enter into transactions with affiliates; reduce our satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

Prior to June 15, 2015, we may redeem up to 35% of the 2020 Notes at a redemption price of 106.875% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. We may also redeem the 2020 Notes prior to June 15, 2016, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and any accrued and unpaid interest, if any, thereon to the redemption date. The applicable premium is calculated as the greater of: (i) 1.0% of the principal amount of such 2020 Notes and (ii) the excess, if any, of (a) the present value at such date of redemption of (1) the redemption price of such 2020 Notes on June 15, 2016 plus (2) all required interest payments due on such 2020 Notes through June 15, 2016 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the treasury rate (as defined under the indenture) plus 50 basis points, over (b) the then-outstanding principal amount of such 2020 Notes. The 2020 Notes may be redeemed, in whole or in part, at any time during the twelve months beginning on June 15, 2016 at a redemption price of 103.438%, during the twelve months beginning on June 15, 2017 at a redemption price of 101.719%, and at any time on or after June 15, 2018 at a redemption price of 100%, in each case plus accrued and unpaid interest, if any, thereon to the redemption date.

In the event a change of control occurs (as defined in the indenture), each holder will have the right to require us to repurchase all or any part of such holder s 2020 Notes at a purchase price in cash equal to 101% of

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the aggregate principal amount of the 2020 Notes repurchased plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Discharge of Indenture and Loss on Extinguishment of Debt

In connection with our issuance of the additional $300.0 million of 2020 Notes issued in October 2012, we repurchased and redeemed all of our $275.0 million in aggregate principal amount of 2016 Notes then outstanding through a cash tender offer and redemption, and the indenture governing the 2016 Notes was satisfied and discharged in accordance with its terms. As a result of the repurchase and redemption of the 2016 Notes, we recognized a $26.5 million loss on extinguishment of debt during fiscal year 2013, which was comprised of $19.8 million in cash payments (including tender offer consideration, consent payments, redemption premium and related professional fees), and $6.7 million in non-cash charges (including unamortized discount and unamortized debt issuance costs).

Contractual Obligations

The following table sets forth a summary of our obligations at April 3, 2015:

		For the Fiscal Years Ending			
(In thousands, including interest where applicable)	**Total**	**2016**	**2017-2018**	**2019-2020**	**Thereafter**
Operating leases and satellite capacity agreements	$ 258,818	$ 75,980	$ 69,617	$ 53,503	$ 59,718
2020 Notes	792,422	39,531	79,063	79,063	594,765
Revolving Credit Facility(1)	226,951	4,616	9,283	213,052	
Ex-Im Credit Facility(2)	23,682	280	2,180	5,649	15,573
Satellite performance incentives	34,044	2,001	4,424	5,047	22,572
Purchase commitments including satellite-related agreements	530,526	301,291	182,322	19,232	27,681
Other	900	300	600		
Total	$ 1,867,343	$ 423,999	$ 347,489	$ 375,546	$ 720,309

(1) To the extent that the interest rate is variable and ultimate amounts borrowed under the Revolving Credit Facility may fluctuate, amounts reflected represent estimated interest payments on our current outstanding balances based on the weighted average effective interest rate at April 3, 2015 until the maturity date in November 2018.

(2) To the extent that the ultimate amounts borrowed under the Ex-Im Credit Facility may fluctuate, amounts reflected represent estimated interest and principal payments on our current outstanding balance until the maturity date in October 2025. The amounts listed in the table above exclude the completion exposure fee that will be payable under the Ex-Im Credit Agreement by the in-orbit acceptance date for ViaSat-2, the amount of which will be based on the total amount of financing borrowed under the Ex-Im Credit Facility; see Liquidity and Capital Resources Ex-Im Credit Facility.

We purchase components from a variety of suppliers and use several subcontractors and contract manufacturers to provide design and manufacturing services for our products. During the normal course of business, we enter into agreements with subcontractors, contract manufacturers and suppliers that either allow them to procure inventory based upon criteria defined by us or that establish the parameters defining our requirements. We have also entered into agreements with suppliers for the construction of our ViaSat-2 satellite, and operations of our satellites. In certain instances, these agreements allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to firm orders being placed. Consequently, only a portion of our reported purchase commitments arising from these agreements are firm, non-cancelable and unconditional commitments. See Liquidity and Capital Resources Satellite service-related activities.

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Our consolidated balance sheets included $40.0 million and $48.9 million of other liabilities as of April 3, 2015 and April 4, 2014, respectively, which primarily consisted of the long-term portion of our satellite performance incentives obligation, our long-term warranty obligations, the long-term portion of deferred rent, long-term portion of deferred revenue and long-term deferred income taxes. With the exception of the long-term portion of our satellite performance incentives obligation, these remaining liabilities have been excluded from the above table as the timing and/or the amount of any cash payment is uncertain. See Note 8 to our consolidated financial statements for additional information regarding our income taxes and related tax positions and Note 13 to our consolidated financial statements for a discussion of our product warranties.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at April 3, 2015 as defined in Regulation S-K Item 303(a)(4) other than as discussed under Contractual Obligations above or disclosed in the notes to our consolidated financial statements included in this report.

Recent Authoritative Guidance

For information regarding recently adopted and issued accounting pronouncements, see Note 1 to the consolidated financial statements.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Interest Rate Risk

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, short-term and long-term obligations, including the Credit Facilities and the 2020 Notes, and foreign currency forward contracts. We consider investments in highly liquid instruments purchased with a remaining maturity of three months or less at the date of purchase to be cash equivalents. As of April 3, 2015, we had $210.0 million in principal amount of outstanding borrowings under our Revolving Credit Facility, $20.5 million in principal amount of outstanding borrowings under our Ex-Im Credit Facility, and $575.0 million in aggregate principal amount outstanding of the 2020 Notes, and we held no short-term investments. Our 2020 Notes and borrowings under our Ex-Im Credit Facility bear interest at a fixed rate and therefore our exposure to market risk for changes in interest rates relates primarily to borrowings under our Revolving Credit Facility, cash equivalents, short-term investments and short-term obligations.

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. To minimize this risk, we maintain a significant portion of our cash balance in money market funds. In general, money market funds are not subject to interest rate risk because the interest paid on such funds fluctuates with the prevailing interest rate. Our cash and cash equivalents earn interest at variable rates. Our interest income has been and may continue to be negatively impacted by low market interest rates. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. If the underlying weighted average interest rate on our cash and cash equivalents, assuming balances remain constant over a year, changed by 50 basis points, interest income would have increased or decreased by approximately $0.1 million and $0.1 million for the fiscal years ended April 3, 2015 and April 4, 2014, respectively. Because our investment policy restricts us to invest in conservative, interest-bearing investments and because our business strategy does not rely on generating material returns from our investment portfolio, we do not expect our market risk exposure on our investment portfolio to be material.

As of April 3, 2015, we had $210.0 million in principal amount of outstanding borrowings under our Revolving Credit Facility. Our primary interest rate under the Revolving Credit Facility is the Eurodollar rate plus an applicable margin that is based on our total leverage ratio. At April 3, 2015, the weighted average effective interest rate on our outstanding borrowings under the Revolving Credit Facility was 2.18%. Assuming the outstanding balance remained constant over a year, a 50 basis point increase in the interest rate would increase interest incurred, prior to effects of capitalized interest, by approximately $1.1 million over a twelve-month period.

Foreign Exchange Risk

We generally conduct our business in U.S. dollars. However, as our international business is conducted in a variety of foreign currencies, we are exposed to fluctuations in foreign currency exchange rates. Our objective in managing our exposure to foreign currency risk is to reduce earnings and cash flow volatility associated with foreign exchange rate fluctuations. Accordingly, from time to time, we may enter into foreign currency forward contracts to mitigate risks associated with foreign currency denominated assets, liabilities, commitments and anticipated foreign currency transactions. As of April 3, 2015, there were no foreign currency forward contracts outstanding.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

Our consolidated financial statements at April 3, 2015 and April 4, 2014 and for each of the three fiscal years in the period ended April 3, 2015, and the Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, are included in this report on pages F-1 through F-42.

Summarized Quarterly Data (Unaudited)

The following financial information reflects all normal recurring adjustments which are, in the opinion of management, necessary for the fair statement of the results for the interim periods. Summarized quarterly data for fiscal years 2015 and 2014 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		(In thousands, except per share data)		
2015				
Total revenues	$ 319,471	$ 358,758	$ 339,553	$ 364,753
(Loss) income from operations	(1,169)	46,456	18,178	19,679
Net (loss) income	(6,321)	23,992	14,784	7,436
Net (loss) income attributable to ViaSat, Inc.	(5,944)	23,947	14,811	7,549
Basic net (loss) income per share	(0.13)	0.51	0.31	0.16
Diluted net (loss) income per share	(0.13)	0.50	0.31	0.16
2014				
Total revenues	$ 321,102	$ 353,881	$ 332,555	$ 343,924
Income (loss) from operations	3,424	(510)	1,524	(1,139)
Net (loss) income	(1,487)	2,281	(5,960)	(3,491)
Net (loss) income attributable to ViaSat, Inc.	(1,834)	1,897	(5,993)	(3,516)
Basic net (loss) income per share	(0.04)	0.04	(0.13)	(0.08)
Diluted net (loss) income per share	(0.04)	0.04	(0.13)	(0.08)

Summarized quarterly data reflects product revenue recognized with respect to amounts realized under the Settlement Agreement for the second quarter of fiscal year 2015 of $21.0 million, and approximately $6.0 million for each of the third and fourth quarter of fiscal year 2015. Summarized quarterly data reflects a reduction to SG&A expenses with respect to amounts realized under the Settlement Agreement for the second quarter of fiscal year 2015 of $18.7 million. Refer to Note 12 to the consolidated financial statements for discussion of the Settlement Agreement.

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Basic and diluted net income (loss) per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted net income (loss) per share.

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

None.

ITEM 9A. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance of achieving the objective that information in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified and pursuant to the requirements of the SEC s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of April 3, 2015, the end of the period covered by this report. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of April 3, 2015.

Management s Report on Internal Control Over Financial Reporting

The company s management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of the company s management, including our Chief Executive Officer and Chief Financial Officer, the company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria established in the framework in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the company s management concluded that its internal control over financial reporting was effective as of April 3, 2015.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The company s independent registered public accounting firm has audited the effectiveness of the company s internal control over financial reporting as of April 3, 2015, as stated in their report which appears on page F-1.

Changes in Internal Control Over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes. During the quarter ended April 3, 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. ***OTHER INFORMATION***

None.

PART III

ITEM 10. ***DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

The information required by this item is included in our definitive Proxy Statement to be filed with the SEC in connection with our 2015 Annual Meeting of Stockholders (the Proxy Statement) under the headings Corporate Governance Principles and Board Matters, Election of Directors and Ownership of Securities, and is incorporated herein by reference.

The information required by this item relating to our executive officers is included under the caption Executive Officers in Part I of this Form 10-K and is incorporated herein by reference into this section.

We have adopted a code of ethics applicable to all of our employees (including our principal executive officer, principal financial officer, principal accounting officer and controller). The code of ethics is designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The full text of our code of ethics is published on our website at *www.viasat.com*. We intend to disclose future amendments to certain provisions of our code of ethics, or waivers of such provisions granted to executive officers and directors, on our website within four business days following the date of such amendment or waiver.

ITEM 11. ***EXECUTIVE COMPENSATION***

The information required by this item is included in the Proxy Statement under the heading Executive Compensation and is incorporated herein by reference.

ITEM 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***

The information required by this item is included in the Proxy Statement under the headings Ownership of Securities and Executive Compensation Equity Compensation Plan Information, and is incorporated herein by reference.

ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

The information required by this item is included in the Proxy Statement under the headings Corporate Governance Principles and Board Matters and Certain Relationships and Related Transactions, and is incorporated herein by reference.

ITEM 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES***

The information required by this item is included in the Proxy Statement under the heading Ratification of Appointment of Independent Registered Public Accounting Firm and is incorporated herein by reference.

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PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

Financial Statements

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Exhibits

The Exhibit Index on page 70 is incorporated herein by reference as the list of exhibits required as part of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIASAT, INC.

By: /s/ MARK DANKBERG
Chairman and Chief Executive Officer

Date: May 22, 2015

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Mark Dankberg and Shawn Duffy, jointly and severally, his attorneys-in-fact, each with the full power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MARK DANKBERG	Chairman of the Board and	May 22, 2015
Mark Dankberg	Chief Executive Officer	
	(Principal Executive Officer)	
/s/ SHAWN DUFFY	Senior Vice President and	May 22, 2015
Shawn Duffy	Chief Financial Officer	
	(Principal Financial and Accounting Officer)	
/s/ FRANK J. BIONDI, JR.	Director	May 22, 2015
Frank J. Biondi, Jr.		
/s/ ROBERT BOWMAN	Director	May 22, 2015
Robert Bowman		
/s/ ROBERT JOHNSON	Director	May 22, 2015
Robert Johnson		
/s/ ALLEN LAY	Director	May 22, 2015
Allen Lay		
/s/ JEFFREY NASH	Director	May 22, 2015

Jeffrey Nash		
/s/ JOHN STENBIT	Director	May 22, 2015
John Stenbit		
/s/ HARVEY WHITE	Director	May 22, 2015
Harvey White		

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed or Furnished Herewith
3.1	Second Amended and Restated Certificate of Incorporation of ViaSat, Inc.	10-Q	000-21767	3.1	11/14/2000	
3.2	Second Amended and Restated Bylaws of ViaSat, Inc.	8-K	000-21767	3.1	12/04/2012	
4.1	Form of Common Stock Certificate	S-1/A	333-13183	4.1	11/05/1996	
4.2	Indenture dated as of February 27, 2012 by and among ViaSat, Inc., Wilmington Trust, National Association, as trustee, and the guarantors party thereto	8-K	000-21767	4.1	02/27/2012	
4.3	Form of 6.875% Senior Note due 2020 of ViaSat, Inc. (attached as Exhibit A to the Indenture filed as Exhibit 4.2 hereto)	8-K	000-21767	4.1	02/27/2012	
10.1	Form of Indemnification Agreement between ViaSat, Inc. and each of its directors and officers	8-K	000-21767	99.1	03/07/2008	
10.2*	ViaSat, Inc. Employee Stock Purchase Plan (as Amended and Restated Effective September 18, 2013)	8-K	000-21767	10.1	09/19/2013	
10.3*	1996 Equity Participation Plan of ViaSat, Inc. (As Amended and Restated Effective September 20, 2012)	8-K	000-21767	10.1	09/20/2012	
10.4*	Form of Stock Option Agreement for the 1996 Equity Participation Plan of ViaSat, Inc.					X
10.5*	Form of Restricted Stock Unit Award Agreement for the 1996 Equity Participation Plan of ViaSat, Inc. Global					X
10.6*	Form of Restricted Stock Unit Award Agreement for the 1996 Equity Participation Plan of ViaSat, Inc. Independent Director					X
10.7*	Form of Restricted Stock Unit Award Agreement for the 1996 Equity Participation Plan of ViaSat, Inc. Executive					X
10.8*	Form of Change in Control Severance Agreement between ViaSat, Inc. and each of its executive officers	8-K	000-21767	10.1	08/04/2010	
10.9	Credit Agreement dated as of November 26, 2013, by and among ViaSat, Inc., Union Bank, N.A. (as agent) and the other lenders party thereto	8-K	000-21767	10.1	11/26/2013	
10.9.1	First Amendment to Credit Agreement and other Loan Documents dated as of March 12, 2015, by and among ViaSat, Inc., Union Bank, N.A. (as agent) and the other lenders party thereto	8-K	000-21767	10.2	03/13/2015	

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed or Furnished Herewith
10.10	Credit Agreement dated as of March 12, 2015, by and among ViaSat Technologies Limited, ViaSat, Inc., JPMorgan Chase Bank, National Association (as Ex-Im facility agent) and the Export-Import Bank of the United States	8-K	000-21767	10.1	03/13/2015	
10.11	Award/Contract dated March 10, 2010 between ViaSat, Inc. and Space and Naval Warfare Systems	10-K/A	000-21767	10.19	08/03/2010	
21.1	Subsidiaries					X
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm					X
24.1	Power of Attorney (see signature page)					X
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer					X
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer					X
32.1	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase					X

* Indicates management contract, compensatory plan or arrangement.
Portions of this exhibit (indicated by asterisks) have been omitted and separately filed with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of ViaSat, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(1) present fairly, in all material respects, the financial position of ViaSat, Inc. and its subsidiaries at April 3, 2015 and April 4, 2014, and the results of their operations and their cash flows for each of the three years in the period ended April 3, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 3, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Diego, California

May 22, 2015

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VIASAT, INC.

CONSOLIDATED BALANCE SHEETS

	As of April 3, 2015	As of April 4, 2014
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 52,263	$ 58,347
Accounts receivable, net	266,339	271,891
Inventories	128,367	119,601
Deferred income taxes	57,075	37,712
Prepaid expenses and other current assets	44,702	44,070
Total current assets	548,746	531,621
Satellites, net	762,221	630,836
Property and equipment, net	418,022	421,666
Other acquired intangible assets, net	42,340	35,397
Goodwill	117,241	83,627
Other assets	269,808	256,968
Total assets	$ 2,158,378	$ 1,960,115
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 76,931	$ 98,852
Accrued liabilities	191,326	175,974
Total current liabilities	268,257	274,826
Senior notes, net	582,657	583,861
Other long-term debt	223,736	105,900
Other liabilities	39,995	48,893
Total liabilities	1,114,645	1,013,480
Commitments and contingencies (Notes 11 and 12)		
Equity:		
ViaSat, Inc. stockholders equity		
Series A, convertible preferred stock, $.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding at April 3, 2015 and April 4, 2014, respectively		
Common stock, $.0001 par value, 100,000,000 shares authorized; 47,697,413 and 46,229,259 shares outstanding at April 3, 2015 and April 4, 2014, respectively	5	5
Paid-in capital	786,467	776,452
Retained earnings	251,963	211,600
Common stock held in treasury, at cost, no shares and 1,190,572 shares at April 3, 2015 and April 4, 2014, respectively		(49,358)
Accumulated other comprehensive income	147	2,313
Total ViaSat, Inc. stockholders equity	1,038,582	941,012
Noncontrolling interest in subsidiary	5,151	5,623

Total equity	1,043,733	946,635
Total liabilities and equity	$ 2,158,378	$ 1,960,115

See accompanying notes to the consolidated financial statements.

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VIASAT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Fiscal Years Ended		
	April 3, 2015	April 4, 2014	March 29, 2013
	(In thousands, except per share data)		
Revenues:			
Product revenues	$ 728,074	$ 785,738	$ 664,417
Service revenues	654,461	565,724	455,273
Total revenues	1,382,535	1,351,462	1,119,690
Operating expenses:			
Cost of product revenues	519,483	571,855	484,973
Cost of service revenues	444,431	419,425	363,188
Selling, general and administrative	270,841	281,533	240,859
Independent research and development	46,670	60,736	35,448
Amortization of acquired intangible assets	17,966	14,614	15,584
Income (loss) from operations	83,144	3,299	(20,362)
Other income (expense):			
Interest income	2,022	35	173
Interest expense	(31,448)	(37,938)	(43,993)
Loss on extinguishment of debt			(26,501)
Income (loss) before income taxes	53,718	(34,604)	(90,683)
Provision for (benefit from) income taxes	13,827	(25,947)	(50,054)
Net income (loss)	39,891	(8,657)	(40,629)
Less: Net (loss) income attributable to the noncontrolling interest, net of tax	(472)	789	543
Net income (loss) attributable to ViaSat, Inc.	$ 40,363	$ (9,446)	$ (41,172)
Net income (loss) per share attributable to ViaSat, Inc. common stockholders:			
Basic net income (loss) per share attributable to ViaSat, Inc. common stockholders	$ 0.86	$ (0.21)	$ (0.94)
Diluted net income (loss) per share attributable to ViaSat, Inc. common stockholders	$ 0.84	$ (0.21)	$ (0.94)
Shares used in computing basic net income (loss) per share	47,139	45,744	43,931
Shares used in computing diluted net income (loss) per share	48,285	45,744	43,931
Comprehensive income (loss):			
Net income (loss)	$ 39,891	$ (8,657)	$ (40,629)
Other comprehensive (loss) income, net of tax:			
Unrealized (loss) gain on hedging, net of tax	(25)	219	76
Foreign currency translation adjustments, net of tax	(2,141)	1,488	(909)
Other comprehensive (loss) income, net of tax	(2,166)	1,707	(833)
Comprehensive income (loss)	37,725	(6,950)	(41,462)
Less: comprehensive (loss) income attributable to the noncontrolling interest, net of tax	(472)	789	543
Comprehensive income (loss) attributable to ViaSat, Inc.	$ 38,197	$ (7,739)	$ (42,005)

See accompanying notes to the consolidated financial statements.

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VIASAT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	April 3, 2015	Fiscal Years Ended April 4, 2014 (In thousands)	March 29, 2013
Cash flows from operating activities:			
Net income (loss)	$ 39,891	$ (8,657)	$ (40,629)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	179,542	159,089	134,133
Amortization of intangible assets	41,891	25,975	23,038
Deferred income taxes	12,420	(27,182)	(50,728)
Stock-based compensation expense	39,353	33,639	27,035
Loss on disposition of fixed assets	31,997	33,752	12,109
Non-cash loss on extinguishment of debt			6,726
Repayment of discount on the 2016 Notes			(3,418)
Receipt of premium on the Additional 2020 Notes			10,500
Other non-cash	4,778	6,153	4,301
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	3,745	(9,219)	(57,124)
Inventories	(1,217)	(11,422)	21,233
Other assets	(16,328)	(6,561)	(15,471)
Accounts payable	862	(7,404)	4,564
Accrued liabilities	20,017	17,730	9,406
Other liabilities	(7,435)	(753)	6,123
Net cash provided by operating activities	349,516	205,140	91,798
Cash flows from investing activities:			
Purchase of property, equipment and satellites	(366,492)	(307,625)	(176,295)
Cash paid for patents, licenses and other assets	(52,686)	(44,461)	(25,270)
Payments related to acquisition of businesses, net of cash acquired	(57,376)	(2,400)	
Net cash used in investing activities	(476,554)	(354,486)	(201,565)
Cash flows from financing activities:			
Proceeds from revolving credit facility borrowings	350,000	295,000	
Payments of revolving credit facility borrowings	(245,000)	(190,000)	
Proceeds from Ex-Im credit facility borrowings, net of discount	13,914		
Proceeds from issuance of 2020 Notes			300,000
Repayment of 2016 Notes			(271,582)
Payment of debt issuance costs	(2,757)	(2,512)	(8,059)
Proceeds from issuance of common stock under equity plans	23,202	18,617	31,001
Payments related to tax withholdings on restricted stock unit releases	(14,788)	(15,588)	(8,412)
Other	(3,107)	(3,690)	
Net cash provided by financing activities	121,464	101,827	42,948
Effect of exchange rate changes on cash	(510)	128	(26)
Net decrease in cash and cash equivalents	(6,084)	(47,391)	(66,845)
Cash and cash equivalents at beginning of fiscal year	58,347	105,738	172,583
Cash and cash equivalents at end of fiscal year	$ 52,263	$ 58,347	$ 105,738
Supplemental information:			
Cash paid for interest (net of amounts capitalized)	$ 29,645	$ 34,446	$ 32,004
Cash paid (received) for income taxes, net	$ 494	$ 1,185	$ 931

Non-cash investing and financing activities:			
Issuance of stock in satisfaction of certain accrued employee compensation liabilities	$ 10,194	$ 8,018	$ 7,060
Capital expenditures not paid for	$ 6,584	$ 30,237	$ 747

See accompanying notes to the consolidated financial statements.

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VIASAT, INC.

CONSOLIDATED STATEMENTS OF EQUITY

	ViaSat, Inc. Stockholders								
	Common Stock				Common Stock Held in Treasury		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiary	Total
	Number of Shares Issued	Amount	Paid-in Capital	Retained Earnings	Number of Shares	Amount			
	(In thousands, except share data)								
Balance at March 30, 2012	43,776,202	$ 4	$ 649,672	$ 262,218	(727,674)	$ (25,358)	$ 1,439	$ 4,218	$ 892,193
Exercise of stock options	1,178,573		25,915						25,915
Issuance of stock under Employee Stock Purchase Plan	157,636		5,086						5,086
Stock-based compensation			27,382						27,382
Shares issued in settlement of certain accrued employee compensation liabilities	197,149		7,060						7,060
RSU awards vesting	612,233								
Purchase of treasury shares pursuant to vesting of certain RSU agreements					(219,933)	(8,412)			(8,412)
Other noncontrolling interest activity								73	73
Net (loss) income				(41,172)				543	(40,629)
Other comprehensive loss, net of tax							(833)		(833)
Balance at March 29, 2013	45,921,793	$ 4	$ 715,115	$ 221,046	(947,607)	$ (33,770)	$ 606	$ 4,834	$ 907,835
Exercise of stock options	592,971	1	12,910						12,911
Issuance of stock under Employee Stock Purchase Plan	137,921		5,706						5,706
Stock-based compensation			34,703						34,703
Shares issued in settlement of certain accrued employee compensation liabilities	113,126		8,018						8,018
RSU awards vesting	654,020								
Purchase of treasury shares pursuant to vesting of certain RSU agreements					(242,965)	(15,588)			(15,588)
Net (loss) income				(9,446)				789	(8,657)
Other comprehensive income, net of tax							1,707		1,707
Balance at April 4, 2014	47,419,831	$ 5	$ 776,452	$ 211,600	(1,190,572)	$ (49,358)	$ 2,313	$ 5,623	$ 946,635
Exercise of stock options	724,800		15,732						15,732
Issuance of stock under Employee Stock Purchase Plan	152,268		7,470						7,470
Stock-based compensation			40,765						40,765
Shares issued in settlement of certain accrued employee compensation liabilities	180,526		10,194						10,194
Retirement of common stock held in treasury	(1,190,572)		(49,358)		1,190,572	49,358			
RSU awards vesting, net of shares withheld for taxes which have been retired	410,560		(14,788)						(14,788)
Net income (loss)				40,363				(472)	39,891
Other comprehensive loss, net of tax							(2,166)		(2,166)

Balance at April 3, 2015	47,697,413	$	5	$ 786,467	$ 251,963	$	$	147	$	5,151	$ 1,043,733

See accompanying notes to the consolidated financial statements.

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VIASAT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 The Company and a Summary of Its Significant Accounting Policies

The Company

ViaSat, Inc. (also referred to hereafter as the Company or ViaSat) is an innovator in broadband technologies and services, including satellite and wireless networking applications and secure networking systems, products and services.

Principles of consolidation

The Company s consolidated financial statements include the assets, liabilities and results of operations of ViaSat, its wholly owned subsidiaries and TrellisWare Technologies, Inc. (TrellisWare), a majority-owned subsidiary. All significant intercompany amounts have been eliminated.

For fiscal year 2015 and prior periods, the Company s fiscal year ended on the Friday closest to March 31, resulting in a 52 or 53 week year approximately every four to five years as a result of the shift in fiscal calendar. For example, references to fiscal year 2015 refer to the fiscal year ended April 3, 2015 and the Company s quarters for fiscal year 2015 ended on July 4, 2014, October 3, 2014, January 2, 2015 and April 3, 2015. Fiscal year 2014 was a 53 week year, compared with a 52 week year in fiscal years 2015 and 2013. The Company does not believe that the extra week resulted in any material impact on its financial results. On May 4, 2015, the Company s Board of Directors approved a change in the Company s fiscal year from a 52 or 53 week fiscal year ending on the Friday closest to March 31 to a fiscal year ending on March 31 of each year, effective with the fiscal year commencing April 4, 2015. Beginning April 4, 2015, the Company s fiscal quarters will end on June 30, September 30, December 31, and March 31 of each year.

Certain prior period amounts have been reclassified to conform to the current period presentation.

During the first quarter of fiscal year 2015, the Company completed the acquisition of NetNearU Corp. (NetNearU), a privately held Delaware corporation (see Note 9). During the first quarter of fiscal year 2014, the Company completed the acquisition of LonoCloud, Inc. (LonoCloud), an early-stage privately held company. The LonoCloud purchase price of approximately $2.4 million was primarily allocated to acquired technology intangible assets. These acquisitions were accounted for as purchases and, accordingly, the consolidated financial statements include the operating results of NetNearU and LonoCloud from the dates of acquisition.

Management estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best available information and actual results could differ from those estimates. Significant estimates made by management include revenue recognition, stock-based compensation, self-insurance reserves, allowance for doubtful accounts, warranty accruals, valuation of goodwill and other intangible assets, patents, orbital slots and other licenses, software development, property, equipment and satellites, long-lived assets, derivatives, contingencies and income taxes including the valuation allowance on deferred tax assets.

Cash equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less at the date of purchase.

VIASAT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounts receivable, unbilled accounts receivable and allowance for doubtful accounts

The Company records receivables at net realizable value including an allowance for estimated uncollectible accounts. The allowance for doubtful accounts is based on the Company s assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of accounts receivable balances and current economic conditions that may affect a customer s ability to pay. Amounts determined to be uncollectible are charged or written off against the reserve. Historically, the Company s allowance for doubtful accounts has been minimal primarily because a significant portion of its sales has been to the U.S. government or with respect to its satellite services commercial business, the Company bills and collects in advance.

Unbilled accounts receivables consist of costs and fees earned and billable on contract completion or other specified events. Unbilled accounts receivables are generally expected to be billed and collected within one year.

Concentration of risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and accounts receivable which are generally not collateralized. The Company limits its exposure to credit loss by placing its cash equivalents with high credit quality financial institutions and investing in high quality short-term debt instruments. The Company establishes customer credit policies related to its accounts receivable based on historical collection experiences within the various markets in which the Company operates, historical past due amounts and any specific information that the Company becomes aware of such as bankruptcy or liquidity issues of customers.

Revenues from the U.S. government as an individual customer comprised approximately 22.8%, 21.2% and 24.1% of total revenues for fiscal years 2015, 2014 and 2013, respectively. Billed accounts receivable to the U.S. government as of April 3, 2015 and April 4, 2014 were approximately 30.6% and 22.3%, respectively, of total billed receivables. In addition, none of the Company s commercial customers comprised 10.0% or more of total revenues for fiscal years 2015, 2014 and 2013. The Company s five largest contracts generated approximately 21.1%, 26.4% and 24.0% of the Company s total revenues for the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013, respectively.

The Company relies on a limited number of contract manufacturers to produce its products.

Inventory

Inventory is valued at the lower of cost or market, cost being determined by the weighted average cost method.

Property, equipment and satellites

Satellites and other property and equipment are recorded at cost or, in the case of certain satellites and other property acquired, the fair value at the date of acquisition, net of accumulated depreciation. Capitalized satellite costs consist primarily of the costs of satellite construction and launch, including launch insurance and insurance during the period of in-orbit testing, the net present value of performance incentives expected to be payable to satellite manufacturers (dependent on the continued satisfactory performance of the satellites), costs directly associated with the monitoring and support of satellite construction, and interest costs incurred during the period of satellite construction. The Company also constructs gateway facilities, network operations systems and other assets to support its satellites, and those construction costs, including interest, are capitalized as incurred. At the time satellites are placed in service, the Company estimates the useful life of its satellites for depreciation

VIASAT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

purposes based upon an analysis of each satellite s performance against the original manufacturer s orbital design life, estimated fuel levels and related consumption rates, as well as historical satellite operating trends. The Company computes depreciation using the straight-line method over the estimated useful lives of the assets ranging from two to twenty-four years. Leasehold improvements are capitalized and amortized using the straight-line method over the shorter of the lease term or the life of the improvement. Costs incurred for additions to property, equipment and satellites, together with major renewals and betterments, are capitalized and depreciated over the remaining life of the underlying asset. Costs incurred for maintenance, repairs and minor renewals and betterments are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized in operations, which for the periods presented, primarily related to losses incurred for unreturned customer premise equipment (CPE).

Interest expense is capitalized on the carrying value of assets under construction, in accordance with the authoritative guidance for the capitalization of interest (Accounting Standards Codification (ASC) 835-20). With respect to assets under construction, including the ViaSat-2 satellite which commenced construction during the first quarter of fiscal year 2014, the Company capitalized $16.2 million, $8.1 million, and $3.1 million of interest expense during the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013, respectively.

The Company owns two satellites: ViaSat-1 (its first high-capacity Ka-band spot-beam satellite, which was placed into service in January 2012) and WildBlue-1 (which was placed into service in March 2007). During the first quarter of fiscal year 2014, the Company entered into a satellite construction contract for ViaSat-2, its second high-capacity Ka-band satellite. In addition, the Company has an exclusive prepaid lifetime capital lease of Ka-band capacity over the contiguous United States on Telesat Canada s Anik F2 satellite (which was placed into service in April 2005) and owns related gateway and networking equipment for all of its satellites. The Company periodically reviews the remaining estimated useful life of its satellites to determine if revisions to estimated lives are necessary. The Company procures indoor and outdoor CPE units leased to subscribers under a retail leasing program as part of the Company s satellite services segment, which are reflected in investing activities and property and equipment in the accompanying consolidated financial statements. The Company depreciates the satellites, gateway and networking equipment, CPE units and related installation costs over their estimated useful lives. The total cost and accumulated depreciation of CPE units included in property and equipment, net, as of April 3, 2015 were $250.3 million and $107.8 million, respectively. The total cost and accumulated depreciation of CPE units included in property and equipment, net, as of April 4, 2014 were $221.0 million and $79.8 million, respectively.

Occasionally, the Company may enter into capital lease arrangements for various machinery, equipment, computer-related equipment, software, furniture or fixtures. The Company records amortization of assets leased under capital lease arrangements within depreciation expense.

Goodwill and intangible assets

The authoritative guidance for business combinations (ASC 805) requires that all business combinations be accounted for using the purchase method. The authoritative guidance for business combinations also specifies criteria for recognizing and reporting intangible assets apart from goodwill; however, acquired workforce must be recognized and reported in goodwill. The authoritative guidance for goodwill and other intangible assets (ASC 350) requires that intangible assets with an indefinite life should not be amortized until their life is determined to be finite. All other intangible assets must be amortized over their useful life. The authoritative guidance for goodwill and other intangible assets prohibits the amortization of goodwill and indefinite-lived intangible assets, but instead requires these assets to be tested for impairment at least annually and more frequently upon the occurrence of specified events. In addition, all goodwill must be assigned to reporting units for purposes of impairment testing.

VIASAT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Patents, orbital slots and other licenses

The Company capitalizes the costs of obtaining or acquiring patents, orbital slots and other licenses. Amortization of intangible assets that have finite lives is provided for by the straight-line method over the shorter of the legal or estimated economic life. Total capitalized costs of $3.2 million related to patents were included in other assets as of April 3, 2015 and April 4, 2014. The Company had capitalized costs of $15.1 million and $13.5 million related to acquiring and obtaining orbital slots and other licenses included in other assets as of April 3, 2015 and April 4, 2014, respectively. Accumulated amortization related to these assets was $1.4 million and $1.0 million as of April 3, 2015 and April 4, 2014, respectively. Amortization expense related to these assets was an insignificant amount for the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013. If a patent, orbital slot or orbital license is rejected, abandoned or otherwise invalidated, the unamortized cost is expensed in that period. During fiscal years 2015, 2014 and 2013, the Company did not write off any significant costs due to abandonment or impairment.

Debt issuance costs

Debt issuance costs are amortized and recognized as interest expense using the effective interest rate method, or, when the results are not materially different, on a straight-line basis over the expected term of the related debt. During fiscal years 2015, 2014 and 2013, the Company capitalized approximately $3.5 million, $2.5 million and $8.1 million, respectively, of debt issuance costs. Unamortized debt issuance costs related to extinguished debt are expensed at the time the debt is extinguished and recorded in loss on extinguishment of debt in the consolidated statements of operations and comprehensive income (loss). Other unamortized debt issuance costs are recorded in prepaid expenses and other current assets and in other long-term assets in the consolidated balance sheets, depending on the amounts expected to be amortized to interest expense within the next twelve months.

Software development

Costs of developing software for sale are charged to research and development expense when incurred, until technological feasibility has been established. Software development costs incurred from the time technological feasibility is reached until the product is available for general release to customers are capitalized and reported at the lower of unamortized cost or net realizable value. Once the product is available for general release, the software development costs are amortized based on the ratio of current to future revenue for each product with an annual minimum equal to straight-line amortization over the remaining estimated economic life of the product, generally within five years. Capitalized costs, net, of $119.9 million and $91.0 million related to software developed for resale were included in other assets as of April 3, 2015 and April 4, 2014, respectively. The Company capitalized $52.4 million and $41.5 million of costs related to software developed for resale for fiscal years ended April 3, 2015 and April 4, 2014, respectively. Amortization expense for software development costs was $23.5 million, $11.1 million and $7.2 million during fiscal years 2015, 2014 and 2013, respectively.

Impairment of long-lived and other long-term assets (property, equipment, and satellites, and other assets, including goodwill)

In accordance with the authoritative guidance for impairment or disposal of long-lived assets (ASC 360), the Company assesses potential impairments to long-lived assets, including property, equipment and satellites, and other assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) are less than its carrying value. Any required impairment loss would be measured as the amount by which the asset s carrying value exceeds its fair value, and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. No material impairments were recorded by the Company for fiscal years 2015, 2014 and 2013.

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VIASAT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company accounts for its goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and Accounting Standards Update (ASU) 2011-08 (ASU 2011-08), Intangibles Goodwill and Other (ASC 350): Testing Goodwill for Impairment, which simplifies how the Company tests goodwill for impairment. Current authoritative guidance allows the Company to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If, after completing the qualitative assessment, the Company determines that it is more likely than not that the estimated fair value is greater than the carrying value, the Company concludes that no impairment exists. If it is more likely than not that the carrying value of the reporting unit exceeds its estimated fair value, the Company compares the fair value of the reporting unit to its carrying value. If the estimated fair value of the reporting unit is less than the carrying value, a second step is performed in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value, resulting in goodwill impairment. The Company tests goodwill for impairment during the fourth quarter every fiscal year and when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist.

The qualitative analysis includes assessing the impact of changes in certain factors including (1) changes in forecasted operating results and comparing actual results to projections, (2) changes in the industry or its competitive environment since the acquisition date, (3) changes in the overall economy, its market share and market interest rates since the acquisition date, (4) trends in the stock price and related market capitalization and enterprise values, (5) trends in peer companies total enterprise value metrics, and (6) additional factors such as management turnover, changes in regulation and changes in litigation matters.

Based on the Company s qualitative assessment performed during the fourth quarter of fiscal year 2015, the Company concluded that it was more likely than not that the estimated fair value of the Company s reporting units exceeded their carrying value as of April 3, 2015, and therefore, determined it was not necessary to perform the two-step goodwill impairment test. No impairments were recorded by the Company related to goodwill and other intangible assets for fiscal years 2015, 2014 and 2013.

Warranty reserves

The Company provides limited warranties on its products for periods of up to five years. The Company records a liability for its warranty obligations when products are shipped or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within twelve months are classified as accrued liabilities and amounts expected to be incurred beyond twelve months are classified as other liabilities in the consolidated financial statements. For mature products, the warranty cost estimates are based on historical experience with the particular product. For newer products that do not have a history of warranty costs, the Company bases its estimates on its experience with the technology involved and the types of failures that may occur. It is possible that the Company s underlying assumptions will not reflect the actual experience and in that case, future adjustments will be made to the recorded warranty obligation (see Note 13).

Fair value of financial instruments

The carrying amounts of the Company s financial instruments, including cash equivalents, receivables, accounts payable and accrued liabilities, approximate their fair values due to their short-term maturities. The estimated fair value of the Company s long-term borrowings and other long-term interest bearing liabilities is determined by using available market information for those securities or similar financial instruments (see Note 3).

VIASAT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Self-insurance liabilities

The Company has self-insurance plans to retain a portion of the exposure for losses related to employee medical benefits and workers compensation. The self-insurance plans include policies which provide for both specific and aggregate stop-loss limits. The Company utilizes internal actuarial methods, as well as other historical information for the purpose of estimating ultimate costs for a particular plan year. Based on these actuarial methods, along with currently available information and insurance industry statistics, the Company has recorded self-insurance liability for its plans of $3.9 million and $3.5 million as of April 3, 2015 and April 4, 2014, respectively. The Company s estimate, which is subject to inherent variability, is based on average claims experience in the Company s industry and its own experience in terms of frequency and severity of claims, including asserted and unasserted claims incurred but not reported, with no explicit provision for adverse fluctuation from year to year. This variability may lead to ultimate payments being either greater or less than the amounts presented above. Self-insurance liabilities have been classified as a current liability in accrued liabilities in accordance with the estimated timing of the projected payments.

Indemnification provisions

In the ordinary course of business, the Company includes indemnification provisions in certain of its contracts, generally relating to parties with which the Company has commercial relations. Pursuant to these agreements, the Company will indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, including but not limited to losses relating to third-party intellectual property claims. To date, there have not been any material costs incurred in connection with such indemnification clauses. The Company s insurance policies do not necessarily cover the cost of defending indemnification claims or providing indemnification, so if a claim was filed against the Company by any party that the Company has agreed to indemnify, the Company could incur substantial legal costs and damages. A claim would be accrued when a loss is considered probable and the amount can be reasonably estimated. At April 3, 2015 and April 4, 2014, no such amounts were accrued related to the aforementioned provisions.

Noncontrolling interest

A noncontrolling interest represents the equity interest in a subsidiary that is not attributable, either directly or indirectly, to the Company and is reported as equity of the Company, separately from the Company s controlling interest. Revenues, expenses, gains, losses, net income (loss) and other comprehensive income (loss) are reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to both the controlling and noncontrolling interest.

Common stock held in treasury

During fiscal years 2015, 2014 and 2013, the Company issued 647,006, 654,020 and 612,233 shares of common stock, respectively, based on the vesting terms of certain restricted stock unit agreements. In order for employees to satisfy minimum statutory employee tax withholding requirements related to the issuance of common stock underlying these restricted stock unit agreements, the Company repurchased 236,446, 242,965 and 219,933 shares of common stock with a total value of $14.8 million, $15.6 million and $8.4 million during fiscal years 2015, 2014 and 2013, respectively.

During fiscal year 2015, the Company retired 1,427,018 shares of treasury stock with a total value of $64.1 million. These shares remain as authorized stock; however they are now considered to be unissued. This treasury stock retirement resulted in a decrease in common stock held in treasury and in paid-in capital of $64.1 million in the Company s consolidated balance sheet. The retirement of treasury stock had no impact on the Company s total consolidated stockholders equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of April 3, 2015 and April 4, 2014, the Company had no shares and 1,190,572 shares of common stock held in treasury, respectively. During the third quarter of fiscal year 2015, the Board of Directors of the Company approved the retirement of all shares of treasury stock and, with respect to the future issuance of shares of common stock upon vesting of restricted stock units, approved the immediate retirement of shares withheld for employee withholding taxes. Although shares withheld for employee withholding taxes are not issued, they are treated as common stock repurchases for accounting purposes, as they reduce the number of shares that otherwise would have been issued upon vesting of the restricted stock units.

Derivatives

The Company enters into foreign currency forward and option contracts from time to time to hedge certain forecasted foreign currency transactions. Gains and losses arising from foreign currency forward and option contracts not designated as hedging instruments are recorded in other income (expense) as gains (losses) on derivative instruments. Gains and losses arising from the effective portion of foreign currency forward and option contracts which are designated as cash-flow hedging instruments are recorded in accumulated other comprehensive income (loss) as unrealized gains (losses) on derivative instruments until the underlying transaction affects the Company s earnings, at which time they are then recorded in the same income statement line as the underlying transaction.

During fiscal years 2015, 2014 and 2013, the Company settled certain foreign exchange contracts and in connection therewith for each year recognized an insignificant loss or gain recorded in cost of revenues based on the nature of the underlying transactions. The Company had no foreign currency forward contracts outstanding as of April 3, 2015. The fair value of the Company s foreign currency forward contracts was an other current asset of less than $0.1 million at April 4, 2014. The notional value of foreign currency forward contracts outstanding as of April 4, 2014 was $3.3 million.

There were no gains or losses from ineffectiveness of these derivative instruments recorded for fiscal years 2015, 2014 and 2013.

Foreign currency

In general, the functional currency of a foreign operation is deemed to be the local country s currency. Consequently, assets and liabilities of operations outside the United States are generally translated into U.S. dollars, and the effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income (loss) within ViaSat, Inc. stockholders equity.

Revenue recognition

A substantial portion of the Company s revenues is derived from long-term contracts requiring development and delivery of complex equipment built to customer specifications. Sales related to long-term contracts are accounted for under the authoritative guidance for the percentage-of-completion method of accounting (ASC 605-35). Sales and earnings under these contracts are recorded either based on the ratio of actual costs incurred to date to total estimated costs expected to be incurred related to the contract, or as products are shipped under the units-of-delivery method. Anticipated losses on contracts are recognized in full in the period in which losses become probable and estimable. Changes in estimates of profit or loss on contracts are included in earnings on a cumulative basis in the period the estimate is changed. During fiscal years 2015, 2014 and 2013, the Company recorded losses of approximately $0.6 million, $3.3 million and $3.1 million, respectively, related to loss contracts.

VIASAT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company also derives a substantial portion of its revenues from contracts and purchase orders where revenue is recorded on delivery of products or performance of services in accordance with the authoritative guidance for revenue recognition (ASC 605). Under this standard, the Company recognizes revenue when an arrangement exists, prices are determinable, collectability is reasonably assured and the goods or services have been delivered.

The Company also enters into certain leasing arrangements with customers and evaluates the contracts in accordance with the authoritative guidance for leases (ASC 840). The Company s accounting for equipment leases involves specific determinations under the authoritative guidance for leases, which often involve complex provisions and significant judgments. In accordance with the authoritative guidance for leases, the Company classifies the transactions as sales type or operating leases based on: (1) review for transfers of ownership of the equipment to the lessee by the end of the lease term, (2) review of the lease terms to determine if it contains an option to purchase the leased equipment for a price which is sufficiently lower than the expected fair value of the equipment at the date of the option, (3) review of the lease term to determine if it is equal to or greater than 75% of the economic life of the equipment, and (4) review of the present value of the minimum lease payments to determine if they are equal to or greater than 90% of the fair market value of the equipment at the inception of the lease. Additionally, the Company considers the cancelability of the contract and any related uncertainty of collections or risk in recoverability of the lease investment at lease inception. Revenue from sales type leases is recognized at the inception of the lease or when the equipment has been delivered and installed at the customer site, if installation is required. Revenues from equipment rentals under operating leases are recognized as earned over the lease term, which is generally on a straight-line basis.

In accordance with the authoritative guidance for revenue recognition for multiple element arrangements, ASU 2009-13, Revenue Recognition (ASC 605) Multiple-Deliverable Revenue Arrangements, which updates ASC 605-25, Revenue Recognition-Multiple element arrangements, of the Financial Accounting Standards Board (FASB) codification, for substantially all of the arrangements with multiple deliverables, the Company allocates revenue to each element based on a selling price hierarchy at the arrangement inception. The selling price for each element is based upon the following selling price hierarchy: vendor specific objective evidence (VSOE) if available, third party evidence (TPE) if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE are available (a description as to how the Company determines VSOE, TPE and ESP is provided below). If a tangible hardware systems product includes software, the Company determines whether the tangible hardware systems product and the software work together to deliver the product s essential functionality and, if so, the entire product is treated as a nonsoftware deliverable. The total arrangement consideration is allocated to each separate unit of accounting for each of the nonsoftware deliverables using the relative selling prices of each unit based on the aforementioned selling price hierarchy. Revenue for each separate unit of accounting is recognized when the applicable revenue recognition criteria for each element have been met.

To determine the selling price in multiple-element arrangements, the Company establishes VSOE of the selling price using the price charged for a deliverable when sold separately. The Company also considers specific renewal rates offered to customers for software license updates, product support and hardware systems support, and other services. For nonsoftware multiple-element arrangements, TPE is established by evaluating similar and/or interchangeable competitor products or services in standalone arrangements with similarly situated customers and/or agreements. If the Company is unable to determine the selling price because VSOE or TPE doesn t exist, the Company determines ESP for the purposes of allocating the arrangement by reviewing historical transactions, including transactions whereby the deliverable was sold on a standalone basis and considers several other external and internal factors including, but not limited to, pricing practices including discounting, margin objectives, competition, the geographies in which the Company offers its products and services, the type of customer (i.e., distributor, value added reseller, government agency or direct end user, among others), volume commitments and the stage of the product lifecycle. The determination of ESP considers

VIASAT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the Company s pricing model and go-to-market strategy. As the Company, or its competitors , pricing and go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes to its determination of VSOE, TPE and ESP. As a result, the Company s future revenue recognition for multiple-element arrangements could differ materially from those in the current period.

In accordance with the authoritative guidance for shipping and handling fees and costs (ASC 605-45), the Company records shipping and handling costs billed to customers as a component of revenues, and shipping and handling costs incurred by the Company for inbound and outbound freight as a component of cost of revenues.

Collections in excess of revenues and deferred revenues represent cash collected from customers in advance of revenue recognition and are recorded in accrued liabilities for obligations within the next twelve months. Amounts for obligations extending beyond twelve months are recorded within other liabilities in the consolidated financial statements.

Contract costs on U.S. government contracts are subject to audit and review by the Defense Contracting Management Agency (DCMA), the Defense Contract Audit Agency (DCAA), and other U.S. government agencies, as well as negotiations with U.S. government representatives. The Company s incurred cost audits by the DCAA have not been concluded for fiscal year 2011 and subsequent fiscal years. During the second quarter of fiscal year 2015, the DCAA completed its incurred cost audit for fiscal year 2004 and approved the Company s incurred cost claims for fiscal years 2005 through 2010 without further audit. Although the Company has recorded contract revenues subsequent to fiscal year 2010 based upon an estimate of costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company s estimates, its profitability would be adversely affected. As of April 3, 2015 and April 4, 2014, the Company had $4.3 million and $6.7 million, respectively, in contract-related reserves for its estimate of potential refunds to customers for potential cost adjustments on several multi-year U.S. government cost reimbursable contracts (see Note 12). The year-over-year decrease in contract-related reserves reflected the conclusion of the DCAA s incurred cost audit for fiscal year 2004 and the DCAA s approval of the Company s incurred cost claims for fiscal years 2005 through 2010.

Advertising costs

In accordance with the authoritative guidance for advertising costs (ASC 720-35), advertising costs are expensed as incurred and included in selling, general and administrative (SG&A) expenses. Advertising expenses for fiscal years 2015, 2014 and 2013 were $17.0 million, $18.9 million and $21.8 million, respectively.

Commissions

The Company compensates third parties based on specific commission programs directly related to certain product and service sales, and these commissions costs are expensed as incurred.

Stock-based compensation

In accordance with the authoritative guidance for share-based payments (ASC 718), the Company measures stock-based compensation cost at the grant date, based on the estimated fair value of the award, and recognizes expense on a straight-line basis over the employee s requisite service period. Stock-based compensation expense is recognized in the consolidated statements of operations and comprehensive income (loss) for fiscal years 2015, 2014 and 2013 only for those awards ultimately expected to vest, with forfeitures estimated at the date of grant. The authoritative guidance for share-based payments requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

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Independent research and development

Independent research and development (IR&D), which is not directly funded by a third party, is expensed as incurred. IR&D expenses consist primarily of salaries and other personnel-related expenses, supplies, prototype materials and other expenses related to research and development programs.

Rent expense, deferred rent obligations and deferred lease incentives

The Company leases all of its facilities under operating leases. Some of these lease agreements contain tenant improvement allowances funded by landlord incentives, rent holidays and rent escalation clauses. The authoritative guidance for leases (ASC 840) requires rent expense to be recognized on a straight-line basis over the lease term. The difference between the rent due under the stated periods of the lease compared to that of the straight-line basis is recorded as deferred rent within other long-term liabilities in the consolidated balance sheet.

For purposes of recognizing landlord incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date that it obtains the legal right to use and control the leased space to begin recording rent expense, which is generally when the Company enters the space and begins to make improvements in preparation of occupying new space. For tenant improvement allowances funded by landlord incentives and rent holidays, the Company records a deferred lease incentive liability in accrued and other long-term liabilities on the consolidated balance sheets and amortizes the deferred liability as a reduction to rent expense on the consolidated statements of operations and comprehensive income (loss) over the term of the lease.

Certain lease agreements contain rent escalation clauses which provide for scheduled rent increases during the lease term or for rental payments commencing at a date other than the date of initial occupancy. Such increasing rent expense is recorded in the consolidated statements of operations and comprehensive income (loss) on a straight-line basis over the lease term.

At April 3, 2015 and April 4, 2014, deferred rent included in other long-term liabilities in the Company s consolidated balance sheets was $8.3 million and $9.8 million, respectively.

Income taxes

Accruals for uncertain tax positions are provided for in accordance with the authoritative guidance for accounting for uncertainty in income taxes (ASC 740). The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The authoritative guidance for accounting for uncertainty in income taxes also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. The Company s policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense.

A deferred income tax asset or liability is established for the expected future tax consequences resulting from differences in the financial reporting and tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax credit and loss carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s analysis of the need for a valuation allowance on deferred tax assets considered the losses incurred during the fiscal years ended April 4, 2014 and March 29, 2013 and the income generated during fiscal year April 3, 2015. In fiscal year 2013, the Company recorded a significant loss, a substantial portion of which resulted from an extinguishment of debt charge that was recorded upon the refinancing of the Company s former 8.875% Senior Notes due 2016 (2016 Notes) with the proceeds from the issuance of additional 6.875% Senior Notes due 2020 (2020 Notes), which provides a benefit to net income due to the lower interest rate of the 2020 Notes. The loss from fiscal year 2014 was less significant and a substantial portion of that loss related to legal expense focused on protecting and extending the Company s technology advantages in litigation against Space Systems/Loral, Inc. (SS/L) and its former parent company Loral Space & Communications, Inc. (Loral), which was resolved in the Company s favor during the second quarter of fiscal year 2015 (see Note 12). In addition to these events, the Company s evaluation considered other factors, including the Company s contractual backlog, the Company s history of positive earnings, current earnings trends assuming the Company s satellite subscriber base continues to grow, taxable income adjusted for certain items, and forecasted income by jurisdiction. The Company also considered the lengthy period over which these net deferred tax assets can be realized and the Company s history of not having federal tax loss carryforwards expire unused.

Earnings per share

Basic earnings per share is computed based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share is based upon the weighted average number of common shares outstanding and potential common stock, if dilutive during the period. Potential common stock includes options granted and restricted stock units awarded under the Company s equity compensation plan which are included in the earnings per share calculations using the treasury stock method, common shares expected to be issued under the Company s employee stock purchase plan, and shares potentially issuable under the ViaSat 401(k) Profit Sharing Plan in connection with the Company s decision to pay a discretionary match in common stock or cash. The weighted average number of shares used to calculate basic and diluted net income (loss) per share attributable to ViaSat, Inc. common stockholders is the same for the fiscal years ended April 4, 2014 and March 29, 2013, as the Company incurred a net loss for fiscal years 2014 and 2013 and inclusion of potential common stock would be antidilutive.

Segment reporting

The Company s reporting segments, namely its satellite services, commercial networks and government systems segments, are primarily distinguished by the type of customer and the related contractual requirements. The Company s satellite services segment provides retail and wholesale satellite-based broadband services for its consumer, enterprise and mobile broadband customers primarily in the United States. The Company s commercial networks segment develops and produces a variety of advanced end-to-end satellite and other wireless communication systems and ground networking equipment and products, some of which are ultimately used by the Company s satellite services segment. The Company s government systems segment develops and produces network-centric, Internet Protocol (IP)-based fixed and mobile secure government communications systems, network management systems, products, services and solutions and provides global mobile broadband service and product offerings. The more regulated government environment is subject to unique contractual requirements and possesses economic characteristics which differ from the satellite services and commercial networks segments. The Company s segments are determined consistent with the way management currently organizes and evaluates financial information internally for making operating decisions and assessing performance (see Note 15).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Recent authoritative guidance

In March 2013, the FASB issued ASU 2013-05, Foreign Currency Matters (ASC 830): Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. ASU 2013-05 clarifies that the cumulative translation adjustment should be released into net income only when a reporting entity ceases to have a controlling financial interest in a subsidiary or a business within a foreign entity. Further, for an equity method investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. These amendments are to be applied prospectively to derecognition events occurring after the effective date. This guidance became effective for the Company beginning in the first quarter of fiscal year 2015 and the authoritative guidance did not have a material impact on the Company s consolidated financial statements and disclosures.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (ASC 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11 requires the netting of unrecognized tax benefits against available deferred tax assets for losses and other carryforward benefits that would be available to offset the liability for uncertain tax positions rather than presenting the unrecognized tax benefits on a gross basis. This guidance became effective for the Company beginning in the first quarter of fiscal year 2015 and the authoritative guidance did not have a material impact on the Company s consolidated financial statements and disclosures.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 limits the requirement to report discontinued operations to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity s operations and financial results. The amendments also require expanded disclosures concerning discontinued operations and disclosures of certain financial results attributable to a disposal of a significant component of an entity that does not qualify for discontinued operations reporting. These amendments will become effective prospectively for the Company beginning in fiscal year 2016, including interim periods within that reporting period, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company s consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer. This guidance will replace most existing revenue recognition guidance and will be effective for the Company beginning in fiscal year 2018, including interim periods within that reporting period. Early application is not permitted, but the guidance permits the use of either the retrospective or cumulative effect transition method. The Company has not selected a transition method and the Company is currently evaluating the impact this guidance will have on its consolidated financial statements and disclosures.

In November 2014, the FASB issued ASU 2014-17, Business Combinations (ASC 805): Pushdown Accounting. ASU 2014-17 provides companies with the option to apply pushdown accounting in their separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The election to apply pushdown accounting can be made either in the period in which the change of control occurred, or in a subsequent period. This guidance became effective for the Company in November 2014 and the authoritative guidance did not have a material impact on the Company s consolidated financial statements and disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation (ASC 810): Amendments to the Consolidation Analysis. ASU 2015-02 amended the process that a reporting entity must perform to determine

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

whether it should consolidate certain types of legal entities. This guidance will become effective for the Company in fiscal year 2017, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company s consolidated financial statements and disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest Imputation of Interest (ASC 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This new guidance will be effective for the Company in fiscal year 2017, with early adoption permitted. The new guidance shall be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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Note 2 Composition of Certain Balance Sheet Captions

	As of April 3, 2015	As of April 4, 2014
	(In thousands)	
Accounts receivable, net:		
Billed	$ 120,345	$ 129,794
Unbilled	147,049	143,651
Allowance for doubtful accounts	(1,055)	(1,554)
	$ 266,339	$ 271,891
Inventories:		
Raw materials	$ 42,716	$ 42,786
Work in process	22,957	22,279
Finished goods	62,694	54,536
	$ 128,367	$ 119,601
Prepaid expenses and other current assets:		
Prepaid expenses	$ 40,106	$ 41,341
Other	4,596	2,729
	$ 44,702	$ 44,070
Satellites, net:		
Satellite WildBlue-1 (estimated useful life of 10 years)	$ 195,890	$ 195,890
Capital lease of satellite capacity Anik F2 (estimated useful life of 10 years)	99,090	99,090
Satellite ViaSat-1 (estimated useful life of 17 years)	363,204	363,204
Satellite ViaSat-2 (under construction)	328,857	146,610
	987,041	804,794
Less accumulated depreciation and amortization	(224,820)	(173,958)
	$ 762,221	$ 630,836
Property and equipment, net:		
Equipment and software (estimated useful life of 2-7 years)	$ 511,717	$ 452,197
CPE leased equipment (estimated useful life of 4-5 years)	250,281	221,017
Furniture and fixtures (estimated useful life of 7 years)	20,395	18,773
Leasehold improvements (estimated useful life of 2-17 years)	67,723	62,159
Building (estimated useful life of 24 years)	8,923	8,923
Land	1,621	1,621
Construction in progress	17,890	17,062
	878,550	781,752
Less accumulated depreciation	(460,528)	(360,086)
	$ 418,022	$ 421,666

Other assets:		
Capitalized software costs, net	$ 119,936	$ 91,022
Patents, orbital slots and other licenses, net	16,900	15,700
Deferred income taxes	75,789	110,711
Other	57,183	39,535
	$ 269,808	$ 256,968
Accrued liabilities:		
Collections in excess of revenues and deferred revenues	$ 83,528	$ 69,127
Accrued employee compensation	27,953	23,954
Accrued vacation	25,859	22,550
Warranty reserve, current portion	9,235	9,368
Current portion of other long-term debt	260	1,856
Other	44,491	49,119
	$ 191,326	$ 175,974
Other liabilities:		
Deferred revenue, long-term portion	$ 4,894	$ 10,097
Deferred rent, long-term portion	8,307	9,758
Warranty reserve, long-term portion	6,310	7,655
Deferred income taxes, long-term portion	363	816
Satellite performance incentives obligation, long-term portion	20,121	$ 20,567
	$ 39,995	$ 48,893

VIASAT, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 Fair Value Measurements

In accordance with the authoritative guidance for financial assets and liabilities measured at fair value on a recurring basis (ASC 820), the Company prioritizes the inputs used to measure fair value from market-based assumptions to entity specific assumptions:

Level 1 Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs which reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instruments valuation.

The following tables present the Company s hierarchy for its assets measured at fair value on a recurring basis as of April 3, 2015 and April 4, 2014:

	Fair Value as of April 3, 2015	Level 1	Level 2	Level 3
		(In thousands)		
Assets:				
Cash equivalents	$ 2,033	$ 2,033	$	$
Total assets measured at fair value on a recurring basis	$ 2,033	$ 2,033	$	$

	Fair Value as of April 4, 2014	Level 1	Level 2	Level 3
		(In thousands)		
Assets:				
Cash equivalents	$ 2,087	$ 2,087	$	$
Foreign currency forward contracts	40		40	
Total assets measured at fair value on a recurring basis	$ 2,127	$ 2,087	$ 40	$

The following section describes the valuation methodologies the Company uses to measure financial instruments at fair value:

Cash equivalents The Company s cash equivalents consist of money market funds. Money market funds are valued using quoted prices for identical assets in an active market with sufficient volume and frequency of transactions (Level 1).

Foreign currency forward contracts The Company uses derivative financial instruments to manage foreign currency risk relating to foreign exchange rates. The Company does not use these instruments for speculative or trading purposes. The Company s objective is to reduce the risk to earnings and cash flows associated with changes in foreign currency exchange rates. Derivative instruments are recognized as either assets or liabilities in the accompanying consolidated financial statements and are measured at fair value. Gains and losses resulting from changes in the fair values of those derivative instruments are recorded to earnings or other comprehensive income (loss) depending on the use of the derivative instrument and whether it qualifies for hedge accounting. The Company s foreign currency forward contracts are valued using standard calculations/models that are primarily based on observable inputs, such as foreign currency exchange rates, or can be corroborated by observable market data (Level 2).

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Long-term debt The Company s long-term debt consists of borrowings under its revolving credit facility (the Revolving Credit Facility) and under its direct loan facility with the Export-Import Bank of the United States for ViaSat-2 (the Ex-Im Credit Facility and, together with the Revolving Credit Facility, the Credit Facilities), reported at the outstanding principal amount of borrowings, and $575.0 million in aggregate principal amount of 2020 Notes reported at amortized cost. However, for disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. As of April 3, 2015 and April 4, 2014, the fair value of the Company s outstanding long-term debt related to the 2020 Notes was determined using quoted prices in active markets (Level 1) and was $610.9 million and $616.7 million, respectively. The fair value of the Company s long-term debt related to the Revolving Credit Facility approximates its carrying amount due to its variable interest rate, which approximates a market interest rate. The fair value of the Company s long-term debt related to the Ex-Im Credit Facility approximates its carrying amount due to the proximity of the closing of the Ex-Im Credit Facility compared to the reporting date.

Satellite performance incentives obligation The Company s contract with the manufacturer of ViaSat-1 requires the Company to make monthly in-orbit satellite performance incentive payments, including interest at 7.0%, over a fifteen-year period from December 2011 to December 2026, subject to the continued satisfactory performance of the satellite. The Company recorded the net present value of these expected future payments as a liability and as a component of the cost of the satellite. However, for disclosure purposes, the Company is required to measure the fair value of outstanding satellite performance incentives on a recurring basis. The fair value of the Company s outstanding satellite performance incentives is estimated to approximate their carrying value based on current rates (Level 2). As of each of April 3, 2015 and April 4, 2014, the Company s estimated satellite performance incentives obligation and accrued interest was $22.4 million and $22.6 million, respectively.

Note 4 Goodwill and Acquired Intangible Assets

During fiscal year 2015, the Company s goodwill increased by $33.6 million, of which $34.6 million was related to the acquisition of NetNearU recorded within the Company s government systems segment, partially offset by the effect of foreign currency translation recorded within the Company s government systems and commercial networks segments. During fiscal year 2014, the $0.6 million increase in the Company s goodwill related to the effects of foreign currency translation recorded mainly within the Company s commercial networks segment.

Other acquired intangible assets are amortized using the straight-line method over their estimated useful lives of two to ten years. Amortization expense related to other acquired intangible assets was $18.0 million, $14.6 million and $15.6 million for the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013, respectively.

The expected amortization expense of amortizable acquired intangible assets may change due to the effects of foreign currency fluctuations as a result of international businesses acquired. Expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization (In thousands)
Expected for fiscal year 2016	$ 15,135
Expected for fiscal year 2017	7,821
Expected for fiscal year 2018	6,487
Expected for fiscal year 2019	3,974
Expected for fiscal year 2020	2,942
Thereafter	5,981
	$ 42,340

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The allocation of the other acquired intangible assets and the related accumulated amortization as of April 3, 2015 and April 4, 2014 is as follows:

		As of April 3, 2015			As of April 4, 2014		
	Weighted Average Useful Life	Total	Accumulated Amortization	Net book Value	Total	Accumulated Amortization	Net book Value
	(In years)			(In thousands)			
Technology	6	$ 67,403	$ (55,939)	$ 11,464	$ 57,084	$ (52,979)	$ 4,105
Contracts and customer relationships	8	99,556	(74,019)	25,537	88,853	(62,245)	26,608
Satellite co-location rights	9	8,600	(4,893)	3,707	8,600	(3,969)	4,631
Trade name	3	5,940	(5,788)	152	5,680	(5,680)	
Other	7	8,722	(7,242)	1,480	6,320	(6,267)	53
Total other acquired intangible assets		$ 190,221	$ (147,881)	$ 42,340	$ 166,537	$ (131,140)	$ 35,397

Note 5 Senior Notes and Other Long-Term Debt

Total long-term debt consisted of the following as of April 3, 2015 and April 4, 2014:

	As of April 3, 2015	As of April 4, 2014
	(In thousands)	
Senior Notes		
2020 Notes	$ 575,000	$ 575,000
Unamortized premium on the 2020 Notes	7,657	8,861
Total senior notes, net of premium	582,657	583,861
Less: current portion of the senior notes		
Total senior notes long-term, net	582,657	583,861
Other Long-Term Debt		
Revolving Credit Facility	210,000	105,000
Ex-Im Credit Facility	20,476	
Unamortized discount on the Ex-Im Credit Facility	(7,302)	
Other	822	2,756
Total other long-term debt	223,996	107,756
Less: current portion of other long-term debt	260	1,856
Other long-term debt, net	223,736	105,900
Total debt	806,653	691,617
Less: current portion	260	1,856

Long-term debt, net	$ 806,393	$ 689,761

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The estimated aggregate amounts and timing of payments on the Company s long-term debt obligations as of April 3, 2015 for the next five years and thereafter were as follows (excluding the effects of premium accretion on the 2020 Notes and discount accretion under the Ex-Im Credit Facility):

For the Fiscal Years Ending	(In thousands)
2016	$ 260
2017	263
2018	1,504
2019	212,409
2020	2,409
Thereafter	589,453
	806,298
Plus: unamortized premium (discount)	355
Total	$ 806,653

Revolving Credit Facility

As of April 3, 2015, the Revolving Credit Facility provided a $500.0 million revolving line of credit (including up to $150.0 million of letters of credit), with a maturity date of November 26, 2018. Borrowings under the Revolving Credit Facility bear interest, at the Company s option, at either (1) the highest of the Federal Funds rate plus 0.50%, the Eurodollar rate plus 1.00%, or the administrative agent s prime rate as announced from time to time, or (2) the Eurodollar rate, plus, in the case of each of (1) and (2), an applicable margin that is based on the Company s total leverage ratio. At April 3, 2015, the weighted average effective interest rate on the Company s outstanding borrowings under the Revolving Credit Facility was 2.18%. The Company has capitalized certain amounts of interest expense on the Revolving Credit Facility in connection with the construction of various assets during the construction period. The Revolving Credit Facility is required to be guaranteed by certain significant domestic subsidiaries of the Company (as defined in the Revolving Credit Facility) and secured by substantially all of the Company s and any such subsidiaries assets. As of April 3, 2015, none of the Company s subsidiaries guaranteed the Revolving Credit Facility.

The Revolving Credit Facility contains financial covenants regarding a maximum total leverage ratio and a minimum interest coverage ratio. In addition, the Revolving Credit Facility contains covenants that restrict, among other things, the Company s ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments.

The Company was in compliance with its financial covenants under the Revolving Credit Facility as of April 3, 2015. At April 3, 2015, the Company had $210.0 million in principal amount of outstanding borrowings under the Revolving Credit Facility and $40.4 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of April 3, 2015 of $249.6 million.

Ex-Im Credit Facility

On March 12, 2015, a foreign subsidiary of the Company entered into the Ex-Im Credit Facility with the Export-Import Bank of the United States. As of April 3, 2015, the Ex-Im Credit Facility provided a $524.9 million senior secured direct loan facility, $467.0 million of which can be used to finance up to 85% of the costs of construction, launch and insurance of the ViaSat-2 satellite and related goods and services (including costs incurred on or after September 18, 2012), with the remainder used to finance the total exposure fees incurred under the Ex-Im Credit Facility of up to $57.9 million (depending on the total amount of financing borrowed under the Ex-Im Credit Facility). Borrowings under the Ex-Im Credit Facility bear interest at a fixed rate of 2.38% and are required

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to be repaid in 17 approximately equal semi-annual installments, commencing approximately six months after the in-orbit acceptance date of the ViaSat-2 satellite (or, if earlier, on October 15, 2017), with a maturity date of October 15, 2025. Exposure fees of $6.0 million were incurred in connection with the initial borrowing under the Ex-Im Credit Facility, with the remaining exposure fees payable by the in-orbit acceptance date for ViaSat-2. Exposure fees under the Ex-Im Credit Facility are amortized using the effective interest rate method. The effective interest rate on the Company s outstanding borrowings under the Ex-Im Credit Facility, which takes into account estimated timing and amount of borrowings, exposure fees, debt issuance costs and other fees, was approximately 4.43% as of April 3, 2015. The Ex-Im Credit Facility is guaranteed by ViaSat and is secured by first-priority liens on the ViaSat-2 satellite and related assets, as well as a pledge of the capital stock of the borrower under the facility.

The Ex-Im Credit Facility contains financial covenants regarding ViaSat s maximum total leverage ratio and minimum interest coverage ratio. In addition, the Ex-Im Credit Facility contains covenants that restrict, among other things, our ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments.

The Company was in compliance with its financial covenants under the Ex-Im Credit Facility as of April 3, 2015. At April 3, 2015, we had $20.5 million in principal amount of outstanding borrowings under the Ex-Im Credit Facility, leaving $452.5 million available to finance ViaSat-2 related costs as incurred. The borrowings under the Ex-Im Credit Facility were issued with a discount of $7.3 million (comprising the initial $6.0 million exposure fee and other customary fees). The borrowings under the Ex-Im Credit Facility are recorded as long-term debt, net of discount, in the Company s consolidated financial statements. The discount and deferred financing cost associated with the issuance of the borrowings under the Ex-Im Credit Facility is amortized to interest expense on an effective interest rate basis over the term of the borrowings under the Ex-Im Credit Facility.

Senior Notes

Senior Notes due 2020

In February 2012, the Company issued $275.0 million in principal amount of 2020 Notes in a private placement to institutional buyers, which were exchanged in August 2012 for substantially identical 2020 Notes that had been registered with the Securities and Exchange Commission (the SEC). These initial 2020 Notes were issued at face value and are recorded as long-term debt in the Company s consolidated financial statements. On October 12, 2012, the Company issued an additional $300.0 million in principal amount of 2020 Notes in a private placement to institutional buyers at an issue price of 103.50% of the principal amount, which were exchanged in January 2013 for substantially identical 2020 Notes that had been registered with the SEC. The 2020 Notes are all treated as a single class. The 2020 Notes bear interest at the rate of 6.875% per year, payable semi-annually in cash in arrears, which interest payments commenced in June 2012. Debt issuance costs associated with the issuance of the 2020 Notes are amortized to interest expense on a straight-line basis over the term of the 2020 Notes, the results of which are not materially different from the effective interest rate basis. The $10.5 million premium the Company received in connection with the issuance of the additional 2020 Notes is recorded as long-term debt in the Company s consolidated financial statements and is being amortized as a reduction to interest expense on an effective interest rate basis over the term of those 2020 Notes.

The 2020 Notes are required to be guaranteed on an unsecured senior basis by each of the Company s existing and future subsidiaries that guarantees the Credit Facility. During the second quarter of fiscal year 2014, the last remaining subsidiary guarantor, ViaSat Communications, Inc., was merged into the Company. Accordingly, as of April 3, 2015, none of the Company s subsidiaries guaranteed the 2020 Notes. The 2020

VIASAT, INC.

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Notes are the Company s general senior unsecured obligations and rank equally in right of payment with all of the Company s existing and future unsecured unsubordinated debt. The 2020 Notes are effectively junior in right of payment to the Company s existing and future secured debt, including under the Credit Facilities (to the extent of the value of the assets securing such debt), are structurally subordinated to all existing and future liabilities (including trade payables) of the Company s subsidiaries that do not guarantee the 2020 Notes, and are senior in right of payment to all of their existing and future subordinated indebtedness.

The indenture governing the 2020 Notes limits, among other things, the Company s and its restricted subsidiaries ability to: incur, assume or guarantee additional debt; issue redeemable stock and preferred stock; pay dividends, make distributions or redeem or repurchase capital stock; prepay, redeem or repurchase subordinated debt; make loans and investments; grant or incur liens; restrict dividends, loans or asset transfers from restricted subsidiaries; sell or otherwise dispose of assets; enter into transactions with affiliates; reduce the Company s satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

Prior to June 15, 2015, the Company may redeem up to 35% of the 2020 Notes at a redemption price of 106.875% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. The Company may also redeem the 2020 Notes prior to June 15, 2016, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and any accrued and unpaid interest, if any, thereon to the redemption date. The applicable premium is calculated as the greater of: (i) 1.0% of the principal amount of such 2020 Notes and (ii) the excess, if any, of (a) the present value at such date of redemption of (1) the redemption price of such 2020 Notes on June 15, 2016 plus (2) all required interest payments due on such 2020 Notes through June 15, 2016 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the treasury rate (as defined under the indenture) plus 50 basis points, over (b) the then-outstanding principal amount of such 2020 Notes. The 2020 Notes may be redeemed, in whole or in part, at any time during the twelve months beginning on June 15, 2016 at a redemption price of 103.438%, during the twelve months beginning on June 15, 2017 at a redemption price of 101.719%, and at any time on or after June 15, 2018 at a redemption price of 100%, in each case plus accrued and unpaid interest, if any, thereon to the redemption date.

In the event a change of control occurs (as defined in the indenture), each holder will have the right to require the Company to repurchase all or any part of such holder s 2020 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2020 Notes repurchased plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Discharge of Indenture and Loss on Extinguishment of Debt

In connection with the Company s issuance of the additional $300.0 million of 2020 Notes issued in October 2012, the Company repurchased and redeemed all of its $275.0 million in aggregate principal amount of 2016 Notes then outstanding through a cash tender offer and redemption, and the indenture governing the 2016 Notes was satisfied and discharged in accordance with its terms. On October 12, 2012, the Company purchased $262.1 million in aggregate principal amount of the 2016 Notes pursuant to the tender offer. The total cash payment to purchase the tendered 2016 Notes in the tender offer, including accrued and unpaid interest up to, but excluding, the repurchase date and a $10 consent payment per $1,000 principal amount of notes tendered, was $282.5 million. On November 14, 2012, the Company redeemed the remaining $12.9 million in aggregate principal amount of 2016 Notes pursuant to the optional redemption provisions of the 2016 Notes at a redemption price of 106.656% of the principal amount, plus accrued and unpaid interest to, but not including, the redemption date. The total cash payment to redeem the remaining 2016 Notes was $14.0 million.

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As a result of the repurchase and redemption of the 2016 Notes, the Company recognized a $26.5 million loss on extinguishment of debt during fiscal year 2013, which was comprised of $19.8 million in cash payments (including tender offer consideration, consent payments, redemption premium and related professional fees), and $6.7 million in non-cash charges (including unamortized discount and unamortized debt issuance costs).

Note 6 Common Stock and Stock Plans

In March 2013, the Company filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of debt securities, common stock, preferred stock, depositary shares, warrants, and rights. The securities may be offered from time to time, separately or together, directly by the Company, by selling security holders, or through underwriters, dealers or agents at amounts, prices, interest rates and other terms to be determined at the time of the offering.

In November 1996, the Company adopted the 1996 Equity Participation Plan (the Equity Participation Plan). The Equity Participation Plan provides for the grant to executive officers, other key employees, consultants and non-employee directors of the Company a broad variety of stock-based compensation alternatives such as nonqualified stock options, incentive stock options, restricted stock units and performance awards. From November 1996 to September 2012 through various amendments of the Equity Participation Plan, the Company increased the maximum number of shares reserved for issuance under this plan to 21,400,000 shares. The Company believes that such awards better align the interests of its employees with those of its stockholders. Shares of the Company s common stock granted under the Equity Participation Plan in the form of stock options or stock appreciation right are counted against the Equity Participation Plan share reserve on a one for one basis. Shares of the Company s common stock granted under the Equity Participation Plan as an award other than as an option or as a stock appreciation right with a per share purchase price lower than 100% of fair market value on the date of grant are counted against the Equity Participation Plan share reserve as two shares for each share of common stock prior to September 22, 2010 and subsequent to September 19, 2012, and as 2.65 shares for each share of common stock during the period beginning on September 22, 2010 and ending on September 19, 2012. Restricted stock units are granted to eligible employees and directors and represent rights to receive shares of common stock at a future date.

In November 1996, the Company adopted the ViaSat, Inc. Employee Stock Purchase Plan (the Employee Stock Purchase Plan) to assist employees in acquiring a stock ownership interest in the Company and to encourage them to remain in the employment of the Company. The Employee Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code. In September 2013, the Company amended the Employee Stock Purchase Plan to increase the maximum number of shares reserved for issuance under this plan from 2,250,000 shares to 2,550,000 shares. To facilitate participation for employees located outside of the United States in light of non-U.S. law and other considerations, the amended Employee Stock Purchase Plan also provides for the grant of purchase rights that are not intended to be tax-qualified. The Employee Stock Purchase Plan permits eligible employees to purchase common stock at a discount through payroll deductions during specified six-month offering periods. No employee may purchase more than $25,000 worth of stock in any calendar year. The price of shares purchased under the Employee Stock Purchase Plan is equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower.

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Total stock-based compensation expense recognized in accordance with the authoritative guidance for share-based payments was as follows:

	Fiscal Years Ended		
	April 3, 2015	April 4, 2014	March 29, 2013
	(In thousands)		
Stock-based compensation expense before taxes	$ 39,353	$ 33,639	$ 27,035
Related income tax benefits	(14,889)	(12,685)	(10,213)
Stock-based compensation expense, net of taxes	$ 24,464	$ 20,954	$ 16,822

For fiscal years 2015, 2014 and 2013 the Company recorded no incremental tax benefits from stock options exercised and restricted stock unit award vesting as the excess tax benefit from stock options exercised and restricted stock unit award vesting increased the Company s net operating loss carryforward.

The Company has no awards with market or performance conditions. The compensation cost that has been charged against income for the Equity Participation Plan under the authoritative guidance for share-based payments was $37.2 million, $31.7 million and $25.5 million, and for the Employee Stock Purchase Plan was $2.1 million, $1.9 million and $1.5 million, for the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013, respectively. The Company capitalized $2.5 million, $1.6 million and $1.0 million of stock-based compensation expense as a part of the cost for software development for resale included in other assets and as a part of the equipment and software for the internal use included in property, equipment and satellites for fiscal years 2015, 2014 and 2013, respectively.

As of April 3, 2015, total unrecognized compensation cost related to unvested stock-based compensation arrangements granted under the Equity Participation Plan (including stock options and restricted stock units) and the Employee Stock Purchase Plan was $102.8 million and $0.6 million, respectively. These costs are expected to be recognized over a weighted average period of 2.6 years and 2.7 years, for stock options and restricted stock units, respectively, under the Equity Participation Plan and less than six months for the Employee Stock Purchase Plan.

Stock options and employee stock purchase plan. The Company s employee stock options typically have a simple four-year vesting schedule and a six to ten year contractual term. The weighted average estimated fair value of employee stock options granted and employee stock purchase plan shares issued during fiscal year 2015 was $22.22 and $14.18 per share, respectively, during fiscal year 2014 was $23.03 and $16.32 per share, respectively, and during fiscal year 2013 was $13.96 and $9.02 per share, respectively, using the Black-Scholes model with the following weighted average assumptions (annualized percentages):

	Employee Stock Options			Employee Stock Purchase Plan		
	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013
Volatility	34.0%	40.2%	41.2%	30.6%	34.3%	30.0%
Risk-free interest rate	1.7%	1.3%	0.7%	0.1%	0.1%	0.1%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected life	5.5 years	5.5 years	5.5 years	0.5 years	0.5 years	0.5 years

The Company s expected volatility is a measure of the amount by which its stock price is expected to fluctuate over the expected term of the stock-based award. The estimated volatilities for stock options are based on the historical volatility calculated using the daily stock price of the Company s stock over a recent historical period equal to the expected term. The risk-free interest rate that the Company uses in determining the fair value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of its stock-based awards is based on the implied yield on U.S. Treasury zero-coupon issues with remaining terms equivalent to the expected term of its stock-based awards. The expected term or life of employee stock options represents the expected period of time from the date of grant to the estimated date that the stock options under the Company s Equity Participation Plan would be fully exercised. The expected term assumption is estimated based primarily on the options vesting terms and remaining contractual life and employees expected exercise and post-vesting employment termination behavior.

A summary of employee stock option activity for fiscal year 2015 is presented below:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (In thousands)
Outstanding at April 4, 2014	2,200,443	$ 35.68		
Options granted	351,500	65.15		
Options canceled				
Options exercised	(724,800)	21.71		
Outstanding at April 3, 2015	1,827,143	$ 46.90	3.23	$ 26,349
Vested and exercisable at April 3, 2015	1,024,982	$ 39.18	2.09	$ 21,602

The total intrinsic value of stock options exercised during fiscal years 2015, 2014 and 2013 was $28.9 million, $25.9 million and $23.5 million, respectively. All options issued under the Company s stock option plans have an exercise price equal to the fair market value of the Company s stock on the date of the grant.

Restricted stock units. Restricted stock units represent a right to receive shares of common stock at a future date determined in accordance with the participant s award agreement. There is no exercise price and no monetary payment required for receipt of restricted stock units or the shares issued in settlement of the award. Instead, consideration is furnished in the form of the participant s services to the Company. Restricted stock units generally vest over four years. Compensation cost for these awards is based on the fair value on the date of grant and recognized as compensation expense on a straight-line basis over the requisite service period. For fiscal years 2015, 2014 and 2013, the Company recognized $31.4 million, $26.7 million and $21.7 million, respectively, in stock-based compensation expense related to these restricted stock unit awards.

The per unit weighted average grant date fair value of restricted stock units granted during fiscal years 2015, 2014 and 2013 was $65.20, $61.52 and $36.82, respectively. A summary of restricted stock unit activity for fiscal year 2015 is presented below:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Share
Outstanding at April 4, 2014	1,842,936	$ 47.97
Awarded	815,894	65.20
Forfeited	(37,903)	52.35
Released	(647,006)	46.68
Outstanding at April 3, 2015	1,973,921	$ 55.42

Vested and deferred at April 3, 2015	133,553	$	32.05

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The total fair value of shares vested related to restricted stock units during the fiscal years 2015, 2014 and 2013 was $30.6 million, $25.2 million and $21.8 million, respectively.

Note 7 Shares Used In Computing Diluted Net Income (Loss) Per Share

	Fiscal Years Ended		
	April 3, 2015	April 4, 2014	March 29, 2013
		(In thousands)	
Weighted average:			
Common shares outstanding used in calculating basic net income (loss) per share attributable to ViaSat, Inc. common stockholders	47,139	45,744	43,931
Options to purchase common stock as determined by application of the treasury stock method	475		
Restricted stock units to acquire common stock as determined by application of the treasury stock method	515		
Potentially issuable shares in connection with certain terms of the ViaSat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan equivalents	156		
Shares used in computing diluted net income (loss) per share attributable to ViaSat, Inc. common stockholders	48,285	45,744	43,931

Antidilutive shares relating to stock options excluded from the calculation comprised 451,038 shares for the fiscal year ended April 3, 2015. Antidilutive shares relating to restricted stock units excluded from the calculation comprised 285,481 for the fiscal year ended April 3, 2015.

The weighted average number of shares used to calculate basic and diluted net income (loss) per share attributable to ViaSat, Inc. common stockholders is the same for both the fiscal years ended April 4, 2014 and March 29, 2013, as the Company incurred a net loss attributable to ViaSat, Inc. common stockholders for the fiscal years ended April 4, 2014 and March 29, 2013 and inclusion of potentially dilutive shares of common stock would be antidilutive. Potentially dilutive shares of common stock excluded from the calculation for the fiscal year ended April 4, 2014 were 920,113 shares relating to stock options, 618,113 shares relating to restricted stock units and 151,619 shares relating to certain terms of the ViaSat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan. Potentially dilutive shares of common stock excluded from the calculation for the fiscal year ended March 29, 2013 were 1,601,693 shares relating to stock options, 424,464 shares relating to restricted stock units and 162,517 shares relating to certain terms of the ViaSat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan.

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Note 8 Income Taxes

The provision for income taxes includes the following:

	Fiscal Years Ended		
	April 3, 2015	April 4, 2014	March 29, 2013
		(In thousands)	
Current tax provision (benefit)			
Federal	$ (216)	$ 798	$ (166)
State	1,507	540	2
Foreign	115	12	(64)
	1,406	1,350	(228)
Deferred tax provision (benefit)			
Federal	14,546	(11,188)	(36,042)
State	(1,477)	(16,032)	(12,657)
Foreign	(648)	(77)	(1,127)
	12,421	(27,297)	(49,826)
Total provision (benefit) from income taxes	$ 13,827	$ (25,947)	$ (50,054)

Significant components of the Company s net deferred tax assets are as follows:

	As of	
	April 3, 2015	April 4, 2014
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 223,642	$ 269,427
Tax credit carryforwards	112,183	96,586
Warranty reserve	5,841	6,475
Accrued compensation	8,016	6,880
Deferred rent	3,585	4,128
Inventory reserve	8,510	6,636
Stock-based compensation	12,739	9,728
Other	34,116	6,872
Valuation allowance	(15,550)	(12,832)
Total deferred tax assets	393,082	393,900
Deferred tax liabilities:		
Property, equipment and satellites and intangible assets	(260,582)	(246,293)

Total deferred tax liabilities	(260,582)	(246,293)
Net deferred tax assets	$ 132,500	$ 147,607

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes is as follows:

	Fiscal Years Ended		
	April 3, 2015	April 4, 2014	March 29, 2013
		(In thousands)	
Tax provision (benefit) at federal statutory rate	$ 18,808	$ (12,132)	$ (31,737)
State tax provision, net of federal benefit	4,014	(3,555)	(3,202)
Tax credits, net of valuation allowance	(14,055)	(13,217)	(17,136)
Non-deductible compensation	1,966	1,337	1,305
Non-deductible meals and entertainment	759	678	448
Foreign effective tax rate differential, net of valuation allowance	898	536	(363)
Other	1,437	406	631
Total provision (benefit) from income taxes	$ 13,827	$ (25,947)	$ (50,054)

As of April 3, 2015, the Company had federal and state research credit carryforwards of $84.2 million and $92.7 million, respectively, which begin to expire in fiscal year 2026 and fiscal year 2018, respectively. As of April 3, 2015, the Company had alternative minimum tax (AMT) and foreign tax credit (FTC) carryforwards of $0.4 million and $1.1 million, respectively. The AMT credit does not expire and the FTC begins to expire in fiscal year 2021. As of April 3, 2015, the Company had federal and state net operating loss carryforwards of $703.4 million and $557.8 million, respectively, which begin to expire in fiscal year 2020 and fiscal year 2016, respectively.

The Company recognizes excess tax benefits associated with share-based compensation to stockholders equity only when realized. When assessing whether excess tax benefits relating to share-based compensation have been realized, the Company follows the with-and-without approach excluding any indirect effects of the excess tax deductions. Under this approach, excess tax benefits related to share-based compensation are not deemed to be realized until after the utilization of all other tax benefits available to the Company. During fiscal year 2015, the Company did not realize any excess tax benefits. As of April 3, 2015, the Company had $48.4 million of unrealized excess tax benefits associated with share-based compensation. These tax benefits will be accounted for as a credit to additional paid-in capital if and when realized, rather than a reduction of the provision for income taxes.

In accordance with the authoritative guidance for income taxes (ASC 740), net deferred tax assets are reduced by a valuation allowance if, based on all the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Future realization of existing deferred tax assets ultimately depends on future profitability and the existence of sufficient taxable income of appropriate character (for example, ordinary income versus capital gains) within the carryforward period available under tax law. In the event that the Company s estimate of taxable income is less than that required to utilize the full amount of any deferred tax asset, a valuation allowance is established which would cause a decrease to income in the period such determination is made. A valuation allowance of $15.6 million at April 3, 2015 and $12.8 million at April 4, 2014 has been established relating to state net operating loss carryforwards and research credit carryforwards that, based on management s estimate of future taxable income attributable to certain states and generation of additional research credits, are considered more likely than not to expire unused. The Company s analysis of the need for a valuation allowance on deferred tax assets considered the losses incurred during the fiscal years ended April 4, 2014 and March 29, 2013 and the income generated during the fiscal year ended April 3, 2015. In fiscal year 2013, the Company recorded a significant loss, a substantial portion of such which resulted from an extinguishment of debt charge that was recorded upon the refinancing of the Company s former 2016 Notes with the proceeds from the

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

issuance of additional 2020 Notes, which provides a benefit to net income due to the lower interest rate of the 2020 Notes. The loss from fiscal year 2014 was less significant and a substantial portion of that loss related to legal expense focused on protecting and extending our technology advantages in the litigation against SS/L and its former parent company Loral, which was resolved in the Company s favor during the second quarter of fiscal year 2015 (see Note 12). In addition to these events, the Company s evaluation considered other factors, including the Company s contractual backlog, the Company s history of positive earnings, current earnings trends assuming the Company s satellite subscriber base continues to grow, taxable income adjusted for certain items, and forecasted income by jurisdiction. The Company also considered the lengthy period over which these net deferred tax assets can be realized and the Company s history of not having federal tax loss carryforwards expire unused. Based on the Company s analysis of the need for a valuation allowance on deferred tax assets, the Company increased the valuation allowance by $2.7 million during fiscal year 2015 which related primarily to state net operating loss carryforwards and research and development credit carryforwards available to reduce state income taxes. The Company will continue to evaluate the ability to realize its deferred tax assets on a quarterly basis to determine if the weight of available evidence suggests that an additional valuation allowance is needed.

If the Company has an Ownership Change as defined under Internal Revenue Code Section 382, it may have an annual limitation on the utilization of its net operating loss and tax credit carryforwards.

The following table summarizes the activity related to the Company s unrecognized tax benefits:

	April 3, 2015	As of April 4, 2014 (In thousands)	March 29, 2013
Balance, beginning of fiscal year	$ 37,395	$ 34,491	$ 33,556
Increase (decrease) related to prior year tax positions	524	(249)	16
Increases related to current year tax positions	3,897	4,459	4,608
Statute expirations	(47)	(1,306)	(3,489)
Settlements			(200)
Balance, end of fiscal year	$ 41,769	$ 37,395	$ 34,491

Of the total unrecognized tax benefits at April 3, 2015, $34.0 million would reduce the Company s annual effective tax rate if recognized, subject to valuation allowance consideration.

In the next twelve months it is reasonably possible that the amount of unrecognized tax benefits will not change significantly.

The Company is subject to periodic audits by domestic and foreign tax authorities. By statute, the Company s U.S. federal income tax returns are subject to examination by the Internal Revenue Service (IRS) for fiscal years 2012 through 2014. Additionally, tax credit carryovers that were generated in prior years and utilized in these years may also be subject to examination by the IRS. With few exceptions, fiscal years 2011 to 2014 remain open to examination by state and foreign taxing jurisdictions. The Company believes that it has appropriate support for the income tax positions taken on its tax returns and its accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations. The Company s policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. There were no accrued interest or penalties associated with uncertain tax positions as of April 3, 2015 and April 4, 2014.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9 Acquisition

On June 6, 2014, the Company completed the acquisition of all outstanding shares of NetNearU. The purchase price for NetNearU was $60.2 million in cash consideration. The net cash outlay for the acquisition, after taking into account cash acquired of $4.1 million, was $56.1 million.

The Company accounts for business combinations pursuant to the authoritative guidance for business combinations (ASC 805). Accordingly, the Company allocated the purchase price of the acquired company to the net tangible assets and intangible assets acquired based upon their estimated fair values. Under the authoritative guidance for business combinations, acquisition-related transaction costs and acquisition-related restructuring charges are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred. Merger-related transaction costs incurred by the Company during the first quarter of fiscal year 2015 were approximately $0.4 million, which were recorded in SG&A expenses.

The purchase price allocation of the acquired assets and assumed liabilities based on the estimated fair values as of June 6, 2014 is as follows:

	(In thousands)
Current assets	$ 8,482
Property and equipment	1,087
Identifiable intangible assets	24,310
Goodwill	34,576
Total assets acquired	68,455
Current liabilities	(5,305)
Other long-term liabilities	(2,981)
Total liabilities assumed	(8,286)
Total purchase price	$ 60,169

Amounts assigned to identifiable intangible assets are being amortized on a straight-line basis over their estimated useful lives and are as follows:

	Fair value (In thousands)	Estimated weighted average life (In years)
Technology	$ 10,970	7
Customer relationships	10,950	9
Non-compete agreements	2,130	2
Trade name	260	2
Total identifiable intangible assets	$ 24,310	8

The intangible assets acquired in the NetNearU business combination were determined, in accordance with the authoritative guidance for business combinations, based on the estimated fair values using valuation techniques consistent with the market approach and/or income approach to measure fair value. The remaining useful lives were estimated based on the underlying agreements and/or the future economic benefit expected to be received from the assets.

NetNearU has developed a comprehensive network management system for Wi-Fi and other internet access networks that the Company expects to use to extend the Company s Exede® broadband services to a wider

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

subscriber base in multiple markets, including commercial airlines, live events, hospitality, enterprise networking and government broadband projects. NetNearU s primary operations currently support government applications with the potential for future expansion into commercial applications. These current benefits and additional opportunities were among the factors that were taken into account in setting the purchase price and contributed to the recognition of preliminary estimated goodwill, which was recorded within the Company s government systems segment. The intangible assets and goodwill recognized are not deductible for federal income tax purposes.

The consolidated financial statements include the operating results of NetNearU from the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was insignificant to the financial statements for all periods presented.

Note 10 Employee Benefits

The Company is a sponsor of a voluntary deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, the Company may make discretionary contributions to the plan which vest over six years. The Company s discretionary matching contributions to the plan are based on the amount of employee contributions and can be made in cash or the Company s common stock at the Company s election. Subsequent to the 2015 fiscal year-end, the Company elected to settle the discretionary contributions liability in stock, consistent with fiscal year 2014. Based on the year-end common stock closing price, the Company would issue 192,892 shares of common stock at this time. Discretionary contributions accrued by the Company as of April 3, 2015 and April 4, 2014 amounted to $11.6 million and $10.1 million, respectively.

Note 11 Commitments

In May 2013, the Company entered into an agreement to purchase ViaSat-2, the Company s second high-capacity Ka-band satellite, from The Boeing Company (Boeing) at a price of approximately $358.0 million, plus an additional amount for launch support services to be performed by Boeing.

In January 2008, the Company entered into several agreements with SS/L, Loral and Telesat Canada related to the Company s ViaSat-1 satellite, which was placed into service in January 2012. The Company s contract with SS/L requires monthly in-orbit satellite performance incentive payments, including interest, over a fifteen-year period from December 2011 until December 2026, subject to the continued satisfactory performance of the satellite. The Company recorded the net present value of these expected future payments as a liability and as a component of the cost of the satellite during the third quarter of fiscal year 2012. As of April 3, 2015, the Company s estimated satellite performance incentives obligation and accrued interest was approximately $22.4 million, of which $2.3 million and $20.1 million have been classified current in accrued liabilities and non-current in other liabilities, respectively. Under the satellite construction contract with SS/L, the Company may incur up to $34.0 million in total costs for satellite performance incentives obligation and related interest earned over the fifteen-year period with potential future minimum payments of $2.0 million, $2.1 million, $2.3 million, $2.4 million and $2.6 million in fiscal years 2016, 2017, 2018, 2019 and 2020, respectively, with $22.6 million commitments thereafter.

The Company has various other purchase commitments under satellite capacity agreements which are used to provide satellite networking services to its customers for future minimum payments of approximately $50.0 million, $13.7 million, $11.0 million, $11.0 million, 9.3 million and $3.7 million in fiscal years 2016, 2017, 2018, 2019, 2020 and thereafter respectively.

VIASAT, INC.

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The Company leases office and other facilities under non-cancelable operating leases with initial terms ranging from one to fifteen years which expire between fiscal year 2016 and fiscal year 2026 and provide for pre-negotiated fixed rental rates during the terms of the lease. Certain of the Company s facilities leases contain option provisions which allow for extension of the lease terms.

For operating leases, minimum lease payments, including minimum scheduled rent increases, are recognized as rent expense on a straight-line basis over the lease term as that term is defined in the authoritative guidance for leases including any option periods considered in the lease term and any periods during which the Company has use of the property but is not charged rent by a landlord (rent holiday). Leasehold improvement incentives paid to the Company by a landlord are recorded as a liability and amortized as a reduction of rent expense over the lease term. Total rent expense was $24.5 million, $22.3 million and $19.9 million in fiscal years 2015, 2014 and 2013, respectively.

Future minimum lease payments are as follows:

Fiscal Years Ending	(In thousands)
2016	$ 25,990
2017	25,611
2018	19,287
2019	18,377
2020	14,866
Thereafter	56,010
	$ 160,141

Note 12 Contingencies

From time to time, the Company is involved in a variety of claims, suits, investigations and proceedings arising in the ordinary course of business, including actions with respect to intellectual property claims, breach of contract claims, labor and employment claims, tax and other matters. Although claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, the Company believes that the resolution of its current pending matters will not have a material adverse effect on its business, financial condition, results of operations or liquidity.

The Company has contracts with various U.S. government agencies. Accordingly, the Company is routinely subject to audit and review by the DCMA, the DCAA and other U.S. government agencies of its performance on government contracts, indirect rates and pricing practices, accounting and management internal control business systems, and compliance with applicable contracting and procurement laws, regulations and standards. An adverse outcome to a review or audit or other failure to comply with applicable contracting and procurement laws, regulations and standards could result in material civil and criminal penalties and administrative sanctions being imposed on the Company, which may include termination of contracts, forfeiture of profits, triggering of price reduction clauses, suspension of payments, significant customer refunds, fines and suspension, or a prohibition on doing business with U.S. government agencies. In addition, if the Company fails to obtain an adequate determination of its various accounting and management internal control business systems from applicable U.S. government agencies or if allegations of impropriety are made against it, the Company could suffer serious harm to its business or its reputation, including its ability to bid on new contracts or receive contract renewals and its competitive position in the bidding process. The Company s incurred cost audits by the DCAA have not been concluded for fiscal year 2011 and subsequent fiscal years. During the second quarter of fiscal year 2015, the DCAA completed its incurred cost audit for fiscal year 2004 and approved the Company s

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

incurred cost claims for fiscal years 2005 through 2010 without further audit. Although the Company has recorded contract revenues subsequent to fiscal year 2010 based upon an estimate of costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company s estimates, its profitability would be adversely affected. As of April 3, 2015 and April 4, 2014, the Company had $4.3 million and $6.7 million, respectively, in contract-related reserves for its estimate of potential refunds to customers for potential cost adjustments on several multi-year U.S. government cost reimbursable contracts. This reserve is classified as either an element of accrued liabilities or as a reduction of unbilled accounts receivable based on status of the related contracts. The year-over-year decrease in contract-related reserves reflected the conclusion of the DCAA s incurred cost audit for fiscal year 2004 and the DCAA s approval of the Company s incurred cost claims for fiscal years 2005 through 2010.

Certain Matters Resolved During Fiscal Year 2015

On September 5, 2014, the Company entered into a settlement agreement with SS/L and Loral (the Settlement Agreement), pursuant to which SS/L and Loral are required to pay the Company a total of $108.7 million, inclusive of interest, over a two and a half year period from the date of settlement. In exchange, the Company dismissed both lawsuits against SS/L and Loral. The parties further agreed not to sue each other with respect to the patents and intellectual property that were the subject of the lawsuits and, for a period of two years, not to sue each other or each other s customers for any intellectual property claims.

The Company accounted for the amounts payable by SS/L and Loral under the Settlement Agreement as a multiple-element arrangement and allocated the total consideration to the identifiable elements based upon their fair value. The consideration assigned to each element was as follows:

	(In thousands)
Implied license	$ 85,132
Other damages	18,714
Interest income	4,866
	$ 108,712

During fiscal year 2015, the Company recorded $53.7 million with respect to amounts realized under the Settlement Agreement, of which $33.0 million was recognized as product revenues and $18.7 million was recognized as a reduction to SG&A expenses in the Company s satellite services segment, and $2.0 million was recognized as interest income in the consolidated financial statements. The remaining payments under the Settlement Agreement will be recognized in future periods when realized, and will be recorded as product revenues in the satellite services segment and interest income.

Note 13 Product Warranty

The Company provides limited warranties on its products for periods of up to five years. The Company records a liability for its warranty obligations when products are shipped or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within twelve months are classified as accrued liabilities and amounts expected to be incurred beyond twelve months are classified as other liabilities in the consolidated financial statements. For mature products, the warranty cost estimates are based on historical experience with the particular product. For newer products that do not have a history of warranty costs, the Company bases its estimates on its experience with the technology involved and the types of failures that may occur. It is possible that the Company s underlying assumptions will

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

not reflect the actual experience and in that case, future adjustments will be made to the recorded warranty obligation. The following table reflects the change in the Company s warranty accrual in fiscal years 2015, 2014 and 2013.

	Fiscal Years Ended		
	April 3, 2015	April 4, 2014	March 29, 2013
		(In thousands)	
Balance, beginning of period	$ 17,023	$ 14,107	$ 11,651
Change in liability for warranties issued in period	5,725	10,110	7,441
Settlements made (in cash or in kind) during the period	(7,203)	(7,194)	(4,985)
Balance, end of period	$ 15,545	$ 17,023	$ 14,107

Note 14 Comprehensive Income (Loss)

In accordance with the authoritative guidance for reporting of amounts reclassified out of accumulated other comprehensive income (loss) (ASC 220), the Company considers information related to amounts reclassified out of accumulated other comprehensive income (loss) to be insignificant and therefore immaterial for separate disclosures. The changes in the components of accumulated other comprehensive income (loss), net of taxes, were as follows:

	Fiscal Year Ended April 3, 2015		
	Net Change in Foreign Currency Translation Adjustments	Net Change in Derivatives	Accumulated Other Comprehensive Income (Loss)
		(In thousands)	
Beginning balance	$ 2,288	$ 25	$ 2,313
Current period other comprehensive income (loss), net of tax	(2,141)	(25)	(2,166)
Ending balance	$ 147	$	$ 147

	Fiscal Year Ended April 4, 2014		
	Net Change in Foreign Currency Translation Adjustments	Net Change in Derivatives	Accumulated Other Comprehensive Income (Loss)

	(In thousands)		
Beginning balance	$ 800	$ (194)	$ 606
Current period other comprehensive income (loss), net of tax	1,488	219	1,707
Ending balance	$ 2,288	$ 25	$ 2,313

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	Fiscal Year Ended March 29, 2013		
	Net Change in Foreign Currency Translation Adjustments	Net Change in Derivatives	Accumulated Other Comprehensive Income (Loss)
		(In thousands)	
Beginning balance	$ 1,709	$ (270)	$ 1,439
Current period other comprehensive income (loss), net of tax	(909)	76	(833)
Ending balance	$ 800	$ (194)	$ 606

Tax amounts related to comprehensive income (loss) disclosures are not material for all of the periods presented.

Note 15 Segment Information

The Company s reporting segments, comprised of the satellite services, commercial networks and government systems segments, are primarily distinguished by the type of customer and the related contractual requirements. The Company s satellite services segment provides retail and wholesale satellite-based broadband services for its consumer, enterprise and mobile broadband customers primarily in the United States. The Company s commercial networks segment develops and produces a variety of advanced end-to-end satellite and other wireless communication systems and ground networking equipment and products, some of which are ultimately used by the Company s satellite services segment. The Company s government systems segment develops and produces network-centric, IP-based fixed and mobile secure government communications systems, network management systems, products, services and solutions and provides global mobile broadband service and product offerings. The more regulated government environment is subject to unique contractual requirements and possesses economic characteristics which differ from the satellite services and commercial networks segments. The Company s segments are determined consistent with the way management currently organizes and evaluates financial information internally for making operating decisions and assessing performance.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Segment revenues and operating profits (losses) for the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013 were as follows:

	Fiscal Years Ended		
	April 3, 2015	April 4, 2014 (In thousands)	March 29, 2013
Revenues:			
Satellite Services			
Product(1)	$ 33,576	$ 42	$ 4,715
Service	466,284	390,666	272,272
Total	499,860	390,708	276,987
Commercial Networks			
Product	331,052	378,577	295,469
Service	16,078	16,944	19,471
Total	347,130	395,521	314,940
Government Systems			
Product	363,446	407,119	364,233
Service	172,099	158,114	163,530
Total	535,545	565,233	527,763
Elimination of intersegment revenues			
Total revenues	$ 1,382,535	$ 1,351,462	$ 1,119,690
Operating profits (losses):			
Satellite Services(2)	$ 62,379	$ (45,991)	$ (79,172)
Commercial Networks	(33,616)	(12,134)	(11,079)
Government Systems	72,347	76,038	85,473
Elimination of intersegment operating profits			
Segment operating profit (loss) before corporate and amortization of acquired intangible assets	101,110	17,913	(4,778)
Corporate			
Amortization of acquired intangible assets	(17,966)	(14,614)	(15,584)
Income (loss) from operations	$ 83,144	$ 3,299	$ (20,362)

(1) Product revenues in the satellite services segment for the fiscal year ended April 3, 2015, include $33.0 million relating to amounts realized under the Settlement Agreement. See Note 12.

(2) Operating profits for the satellite services segment for the fiscal year ended April 3, 2015 include $51.8 million relating to amounts realized under the Settlement Agreement. See Note 12.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assets identifiable to segments include: accounts receivable, unbilled accounts receivable, inventory, acquired intangible assets and goodwill. The Company s property and equipment, including its satellites, gateways and other networking equipment, are assigned to corporate assets as they are available for use by the various segments throughout their estimated useful lives. Segment assets as of April 3, 2015, April 4, 2014 and March 29, 2013 were as follows:

	As of April 3, 2015	As of April 4, 2014	As of March 29, 2013
		(In thousands)	
Segment assets:			
Satellite Services	$ 63,790	$ 73,382	$ 89,945
Commercial Networks	217,268	229,455	175,230
Government Systems	273,313	206,848	238,057
Total segment assets	554,371	509,685	503,232
Corporate assets	1,604,007	1,450,430	1,290,840
Total assets	$ 2,158,378	$ 1,960,115	$ 1,794,072

Other acquired intangible assets, net and goodwill included in segment assets as of April 3, 2015 and April 4, 2014 were as follows:

	Other Acquired Intangible Assets, Net		Goodwill	
	As of April 3, 2015	As of April 4, 2014	As of April 3, 2015	As of April 4, 2014
		(In thousands)		
Satellite Services	$ 17,873	$ 28,931	$ 9,809	$ 9,809
Commercial Networks	1,443	2,583	43,994	44,148
Government Systems	23,024	3,883	63,438	29,670
Total	$ 42,340	$ 35,397	$ 117,241	$ 83,627

Amortization of acquired intangible assets by segment for the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013 was as follows:

	Fiscal Years Ended		
	April 3, 2015	April 4, 2014	March 29, 2013
		(In thousands)	
Satellite Services	$ 11,058	$ 11,058	$ 12,401
Commercial Networks	1,452	1,337	666
Government Systems	5,456	2,219	2,517

Total amortization of acquired intangible assets	$ 17,966	$ 14,614	$ 15,584

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue information by geographic area for the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013 was as follows:

	Fiscal Years Ended		
	April 3, 2015	April 4, 2014 (In thousands)	March 29, 2013
United States	$ 1,149,700	$ 1,044,737	$ 840,899
Europe, Middle East and Africa	89,982	127,696	171,853
Asia, Pacific	81,397	147,063	56,195
North America other than United States	51,661	25,811	39,158
Central and Latin America	9,795	6,155	11,585
Total revenues	$ 1,382,535	$ 1,351,462	$ 1,119,690

The Company distinguishes revenues from external customers by geographic area based on customer location.

The net book value of long-lived assets located outside the United States was $14.3 million at April 3, 2015, $18.5 million at April 4, 2014 and $18.5 million at March 29, 2013.

Note 16 Certain Relationships and Related-Party Transactions

John Stenbit, a director of the Company since August 2004, also serves on the board of directors of Loral. From time to time, the Company enters into various contracts in the ordinary course of business with Telesat Canada, which is owned by Telesat Holdings, Inc., which is a joint venture between Loral and the Public Sector Pension Investment Board. Material amounts related to these contracts are disclosed in the tables below.

Revenue and expense for the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013 were as follows:

		Fiscal Years Ended		
		April 3, 2015	April 4, 2014 (In thousands)	March 29, 2013
Revenue:				
Telesat Canada	ordinary course of business	$ 4,804	$ *	$ *
Expense:				
Telesat Canada	ordinary course of business	7,339	7,785	7,685

* Amount was not meaningful

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Cash received and paid during the fiscal years ended April 3, 2015, April 4, 2014 and March 29, 2013 were as follows:

			Fiscal Years Ended	
		April 3, 2015	April 4, 2014	March 29, 2013
			(In thousands)	
Cash received:				
Telesat Canada	ordinary course of business	5,484	*	1,023
Cash paid:				
Telesat Canada	ordinary course of business	7,305	7,868	7,358

* Amount was not meaningful

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SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

For the Three Fiscal Years Ended April 3, 2015

Date	**Allowance for Doubtful Accounts (In thousands)**
Balance, March 30, 2012	$ 997
Charged (credited) to costs and expenses	1,621
Deductions	(1,184)
Balance, March 29, 2013	$ 1,434
Charged (credited) to costs and expenses	4,591
Deductions	(4,471)
Balance, April 4, 2014	$ 1,554
Charged (credited) to costs and expenses	3,822
Deductions	(4,321)
Balance, April 3, 2015	$ 1,055

Date	**Deferred Tax Asset Valuation Allowance (In thousands)**
Balance, March 30, 2012	$ 14,695
Charged (credited) to costs and expenses	1,270
Deductions	
Balance, March 29, 2013	$ 15,965
Charged (credited) to costs and expenses	(3,133)
Deductions	
Balance, April 4, 2014	$ 12,832
Charged (credited) to costs and expenses	2,718
Deductions	
Balance, April 3, 2015	$ 15,550