Global Eagle Entertainment Inc.
Form 10-K
March 25, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the fiscal year ended December 31, 2013
OR	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	FOR THE TRANSITION PERIOD FROM __________ TO ________

COMMISSION FILE NUMBER 001-35176
GLOBAL EAGLE ENTERTAINMENT INC.
(Exact name of registrant as specified in its charter)

Delaware	27-4757800
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

4553 Glencoe Avenue Los Angeles, California	90292
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (310) 437-6000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.0001 par value	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. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
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). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) 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. (Check one):
Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x
The aggregate market value of the common stock held by non-affiliates of the registrant, computed as of June 30, 2013 (the last business day of the registrant’s most recently completed second fiscal quarter), was approximately $215,612,905.56.

As of March 25, 2014, there were 52,863,455 shares of the registrant’s shares of common stock issued and outstanding (excluding 3,053,634 shares of common stock held by AIA, a majority-owned subsidiary of the registrant) and 19,118,233 shares of the registrant’s shares of non-voting common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement relating to the registrant’s 2014 Annual Meeting of Shareholders to be filed hereafter are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I
ITEM 1. BUSINESS

Overview

Global Eagle Entertainment Inc. (the “Company”, “Global Eagle”, “GEE” “we”, “us”, or “our”) is the leading full service prov of connectivity and content to the worldwide airline industry. Our business is comprised of two operating segments: Connectivity and Content.

- Our Connectivity segment provides our airline partners and their passengers with Wi-Fi connectivity over Ku-band satellite transmissions. We operate our Connectivity business through our wholly-owned subsidiary, Row 44, Inc. ("Row 44"). Row 44 combines specialized network equipment, media applications and premium content services that allow airline passengers to access in-flight Internet, live television, on-demand content, shopping and travel-related information. With our connectivity solution currently installed on more than 500 aircraft, we have the largest fleet of in-flight entertainment and Internet connected aircraft capable of operating over land and sea.
- Our Content segment selects, manages and distributes wholly-owned and licensed media content, video and music programming, applications and video games to over 120 airlines worldwide, as well as to the maritime and other away-from-home non-theatrical markets. We operate our Content business through our majority-owned subsidiary, Advanced Inflight Alliance AG (“AIA”), and other wholly-owned subsidiaries.

Our Connectivity business generates revenue primarily through the sale of equipment and Wi-Fi Internet and related services. Our Content business generates revenue primarily through the licensing of acquired and third party media content, video and music programming, and video games, and secondarily from value added services such as selection, purchase, production, customer support and technical adjustment of content in connection with the integration and servicing of in-flight entertainment programs.

2013 Transactions

On January 31, 2013, we completed a business combination transaction (the “Business Combination”) in which we acquired all of the outstanding capital stock of Row 44 and 86% of the shares of AIA. We currently own approximately 94% of the shares of AIA, and expect to acquire the remaining 6% of the shares of AIA in the first half of 2014. See “Corporate History” below.

On July 9, 2013, we acquired substantially all of the assets of Post Modern Edit, LLC and related entities (such business, which we operate through wholly-owned subsidiaries, is referred to herein as "PMG") for approximately $10.6 million in cash, 431,734 shares of common stock and assumption of $3.3 million of debt, and subject to an earn-out as described in Note 3. Business Combination, to our consolidated financial statements included in Item 15. Exhibits and Financial Statement Schedules. PMG is a premier provider of digital media production and post-production services. PMG’s operations, which include AMP International, Ambient, Criterion Pictures and Sea Movies, provide video production, post-production and digital content delivery services spanning television shows, feature films, commercials, home video and live news broadcasts, as well as multi-language media for use in in-flight and cruise line entertainment systems. PMG serves Hollywood studios and distributors, advertising agencies, major corporations, federal and local government entities, airlines and cruise lines worldwide.

On October 18, 2013, we acquired the U.K.-based parent of IFE Services Limited (“IFES”) for approximately $36 million in cash. IFES is a leading provider of in-flight entertainment services to airlines and cruise lines worldwide. IFES supplies a full range of services to enable its clients to provide a first class entertainment experience to passengers, including movies, television programs, audio, games, 3D maps, safety and films, portable entertainment systems, onboard publications and audio- and video-on-demand technical support and management. We financed the acquisition of IFES through the issuance of a convertible note and the issuance of common stock as more fully described in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation.

Operating Segments

Connectivity

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Through our wholly-owned subsidiary, Row 44, our Connectivity segment provides our airline partners and their passengers with Wi-Fi connectivity via satellite transmissions. Our connectivity system enables aircraft to connect to orbiting Ku-band satellites and to communicate with existing satellite ground earth stations. Our connectivity solution provides airline passengers with Wi-Fi based Internet access, live television, on-demand content, shopping, and flight and destination information.

Row 44 was formed in 2004, its Wi-Fi connectivity system was first deployed by a domestic commercial airline in 2009 and its broadband services became fully operational in 2010. Following the completion of its licensed and operational in-flight broadband system in 2010, Row 44 commenced installation of its equipment on Southwest Airlines and began to generate revenues from operations. Hughes Network Systems, LLC ("Hughes"), a global satellite services company, provides Row 44 exclusive satellite coverage across North America. With our connectivity solution currently installed on more than 500 aircraft, we have the largest fleet of in-flight entertainment and Internet connected aircraft capable of operating over both land and sea. In the near future, we also expect to deliver additional content and other desired communication services to airline passengers, and to provide airlines with valuable aircraft operations data and applications.

Row 44 has achieved the following customer milestones through March 2014:

- 2010 - Southwest Airlines Co.;
- 2011 - Norwegian Air Shuttle;
- 2011 - WirelessG (Mango Airlines);
- 2012 - Transaero Airlines;
- 2012 - UTair Airlines;
- 2012 - Icelandair; and
- 2014 - Air China (trial)

The combined satellite coverage with these customers spans from Alaska to Japan, covering North America, the North Atlantic, Europe, and a substantial portion of the Middle East, Russia and Asia.

Connectivity Segment Products and Services:

Satellite-Based Wi-Fi Internet Connectivity

We offer satellite-based Wi-Fi Internet connectivity in the United States and where permitted in other areas outside the United States where we are provided to provide service. Our service allows airline passengers to connect to the Internet through their personal Wi-Fi enabled devices gate-to-gate. We provide our airline customers flexibility in how they want to provide and price the service to their passengers. Our fee structure for Wi-Fi Internet service varies by airline, and is customarily in the form of (i) a set fee for each enplaned passenger, (ii) a fee based on usage by passengers or (iii) flat rates per installed aircraft. In order to implement our connectivity services, we also provide our airline customers the following:

- Connectivity Equipment - we sell and lease equipment that allows our satellite-based services to operate on aircraft. Our equipment is generally shipped and sold as a single kit, with components of the kits separately priced for future ordering. Significant components of our equipment kits include radomes, antennas, modems and provisional and activation packages. We offer installation support to our customers' in-house or designated third party installers. Substantially all of our equipment is manufactured and warrantied by third party manufacturers.

- Regulatory Support - we obtain Supplemental Type Certificates ("STCs"), which are certificates issued when an applicant has received Federal Aviation Administration ("FAA") or similar international regulatory approval to modify an aircraft from its original type certificate approval. An STC on an aircraft type allows our equipment to be installed on that aircraft type.

- Post-Implementation Support - once our equipment is installed and operational, we provide technical and network support, which includes 24/7 operational assistance and monitoring of the connectivity performance and bandwidth of our satellite-based services on each aircraft.

Live Television Programming

In addition to Internet connectivity, we offer live television programming whereby airline passengers can watch a wide range of live television channels through their personal Wi-Fi enabled devices. Currently including up to 18 channels, our live television product includes a variety of programming options such as news channels, major broadcast networks and specialty

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cable network channels. We also offer a selection of video-on-demand content in connection with our live television channels. Our fee structure for our live television package on our launch airline, Southwest Airlines, is currently based on a free to the passenger sponsorship model whereby we receive a fixed fee per month from Southwest for the duration of the sponsorship. Following the sponsorship, Southwest has the option to pay us (i) a set fee for each enplaned passenger to continue the free to the passenger service or (ii) a fee based on usage by passengers

Online Web-Portal Services

Included in our Wi-Fi Internet services are web portal services, which generally include a web home page and a variety of services for airline passengers to choose from once logged into our Wi-Fi Internet service through their personal Wi-Fi enabled devices. Our web portal service is white-labeled, which allows our airline customers to customize the home page with their own logo and branding. Through our web-portal services, we also offer (i) advertising, (ii) content for brands to sponsor such as the home page, music, texting, travel and or other related web pages, (iii) in-flight maps, music, destination and travel-related services and (iv) video on demand or "VOD." VOD allows customers the ability to watch newly released feature films or television content in-flight and over their personal Wi-Fi enabled devices in exchange for a one-time fee. The fees generated from advertising, sponsored content, VOD and other portal services are generally subject to revenue sharing arrangements with our airline customers.

Ancillary Connectivity Products and Services

In order to implement our connectivity services, we also provide our airline customers the following:

- Connectivity Equipment - we sell equipment that allows our satellite-based services to operate on aircraft. Our equipment is generally shipped and sold as a single kit, with components of the kits separately priced for future ordering. Significant components of our equipment kits include radomes, antennas, modems and provisional and activation packages. We offer installation support to our customers' in-house or designated third party installers. Substantially all of our equipment is manufactured and warrantied by third party manufacturers.

- Regulatory Support - we obtain Supplemental Type Certificates ("STCs"), which are certificates issued when an applicant has received Federal Aviation Administration ("FAA") or similar international regulatory approval to modify an aircraft from its original type certificate approval. An STC on an aircraft type allows our equipment to be installed on that aircraft type.

- Post-Implementation Support - once our equipment is installed and operational, we provide technical and network support, which includes 24/7 operational assistance and monitoring of the connectivity performance and bandwidth of our satellite-based services on each aircraft.

Wi-Fi VOD Delivery System

Starting in the first half of 2014, we plan to offer customers our Wireless In-flight Services and Entertainment (WISE^{TM}) solution, a Wi-Fi VOD solution. The WISE platform allows airlines to deliver newly released content through a Wi-Fi system that is native and embedded into the plane itself. By logging onto the WISE system, passengers will be able to access the latest VOD content through their personal Wi-Fi enabled devices without the potential for outside connectivity interruptions. Our WISE system is intended to serve as a lower cost alternative to our satellite Wi-Fi enabled services. We plan to offer the WISE solution with a wide-variety of features and services, including (i) the basic platform system, (ii) creative services for airline branding and customization of the base platform, (iii) content selection, processing and delivery services, (iv) application development and service delivery and (v) analytics services. By using the extensive product and service offerings of our Content business, we expect to deliver WISE as a complete end-to-end solution for our airline customers, and are continuing to develop additional features for the WISE platform.

Content

Our Content segment is operated through our majority-owned subsidiary, AIA, and other wholly-owned subsidiaries PMG and IFES. Our Content segment is a leader in the business of selecting, procuring, managing, encoding, and distributing video and music programming, and in providing e-readers and similar applications and video games to the in-flight entertainment market. We deliver content compatible with our systems as well as a multitude of third-party in-flight entertainment ("IFE") systems.

Our Content segment's operations are primarily focused on:

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- acquiring IFE licenses for major Hollywood and international film and television productions, and marketing such distribution rights to the airline, maritime and other non-theatrical markets such as schools;
- making content available for IFE systems and all associated services; and
- providing services ranging from the selection, purchase, production and technical adjustment of content to customer support in connection with the integration and servicing of IFE programs.

Content Segment Products and Services

Licensing and Distribution

Our Content segment has been providing movies, television programming, games and audio programming as well as technical services for over 30 years. We source a broad range of theatrical and television programs from over 100 worldwide distributors including Warner Bros., NBC Universal, Twentieth Century Fox, CBS, Paramount, the BBC, Discovery and The Walt Disney Company, as well as smaller international content providers. Our programmers identify content that is relevant and appropriate for each individual airline based on their individual preferences. We tailor movie selections to create the atmosphere deemed appropriate by our individual airline customers.

Technical Services and Digital Production Solutions

Our Content segment addresses a variety of technical needs of airline relating to content irrespective of the particular onboard IFE system being used. We provide comprehensive support for a broad-range of traditional, new and emerging technologies. Our technical services include encoding, editing and meta-data services that we perform in-house in technical facilities in Singapore, Auckland (New Zealand), and California. These technical facilities also enable us to provide a full range of tailored digital production solutions including corporate videos, safety videos, animated video content, podcasts and broadcast quality radio shows. We maintain a robust global digital network, allowing us to transfer a wide-range of file formats to our customers worldwide in minutes. We also support analog systems for airlines running on older “legacy” systems, and can advise on "plug and play" replacement hardware to assist our customers in implementing more cost effective IFE hardware solutions. We can adapt content and databases to be compatible with a broad-range of devices and delivery methods, including tablets, streaming video, iOS, Android and others. We have also negotiated licensing agreements with both domestic and international rights holders for the use of materials on portable electronic devices.

Graphical User Interfaces

Our Content services also include the development of graphical user interfaces for a variety of in-flight entertainment applications, database management related to the overall management of in-flight entertainment and both the technical integration of content and the operation of the varied content management systems found on commercial aircraft across the globe.

Our subsidiary Inflight Productions Ltd ("IFP") is developing custom-built airline “micro-sites” to take the passenger experience beyond the onboard experience and onto the Internet. Through these dedicated websites, from the moment passengers book their ticket they will be able to watch trailers, decide what to view and even provide direct feedback by voting for their favorite onboard movies. Passengers would also be able to buy an audio track they have listened to via referral links to sites such as Amazon or iTunes. IFP also develops customized mobile applications to bring entertainment even closer to passengers. For example, the “Movies&more” mobile application for airline customer KLM, created by IFP, was the first to provide full entertainment listings of films (with trailers), television shows and music available aboard KLM aircraft.

Software and Gaming

With over 100 airline customers and a catalog of over 180 game titles, we have the largest market share in international in-flight gaming content. Creative teams work to produce casual games customized to suit the in-flight environment. We also acquire multi-year licenses from reputable game publishers to adapt third party branded games and concepts for in-flight use from partners such as Disney, EA, Popcap, Tetris, Namco Bandai, DK and Berlitz. Our Content services include cultural expertise to adapt the software we deliver to the language and cultural specificities of each airline customer's passenger demographics. In addition, our Content business develops software applications for the next generation of in-flight entertainment systems, including interactive electronic menus and magazines.

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Technology

Row 44 Connectivity Solution

Our proprietary connectivity system operated by our subsidiary, Row 44, optimizes performance, features and user experience for an in-flight entertainment system. A server, modem(s), wireless access points and related hardware are installed in the headliner of the interior cabin ceiling of an aircraft, while a satellite communications tracking antenna is mounted under a radome on the top of the aircraft's fuselage. The key system components of the Row 44 platform are illustrated below:

For Wi-Fi connected services, the system works by enabling a passenger Wi-Fi accessible device connected to a Row 44 wireless access point, or WAP, and authorized to use the service to send typical TCP/IP based communications to the WAPs in the aircraft cabin. The WAPs feed data to a single or multiple satellite modems that then utilize the specialized satellite antenna to point at a satellite in the Row 44 network and transmit data to the satellite for relay to a ground earth station and then to the Internet. The responsive data from the Internet travels the same path in the opposite direction, ultimately returning to the passenger's device. To access content-on-demand and similar stored services, the Row 44 on-board server delivers the applicable content wirelessly from solid state storage devices within the server to the passenger's device. For accessing live television, the live television signals are delivered in a continuous stream of data from Row 44's ground earth stations to each aircraft in the applicable coverage area. Passenger devices authorized to access the live television service do so through a connection to the same WAP used to deliver Wi-Fi connectivity. All of these services are monitored, maintained and controlled around the clock by Row 44's dedicated network operations center in Lombard, Illinois and by an additional network operation center maintained by Hughes Network Systems (or third parties under contract with Hughes) pursuant to service agreements with Hughes.

Close relationships with key industry operators like Hughes Network Systems have allowed us to develop a very sophisticated and reliable satellite based system. Hughes is a global broadband satellite network services company and has been a supplier of satellite and network services to Row 44 since 2006. Hughes supplies Row 44 with satellite gateway and related network equipment and modem cards for use as part of the Row 44 system. Hughes also (i) operates several network operations centers for monitoring and servicing the broadband system on a 24/7 basis, (ii) arranges for and provides Row 44 a terrestrial "back haul" link from its network operations centers to the Internet and (iii) arranges for the provision of satellite connectivity service for communications from aircraft equipped with the Row 44 platform to and from the ground-based gateway. Row 44 is currently the exclusive recipient of Ku transmission services from Hughes within the field of broadband Internet connectivity to commercial aircraft in North America. Row 44's relationship with Hughes affords Row 44 unparalleled access to a global leader in satellite networks and services. Hughes' global reach within the satellite industry also gives Row 44 a competitive advantage, and Hughes' turnkey network solutions and extensive network operations experience give Row 44 the power of a

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major network provider at a fraction of the cost of building out such infrastructure. Hughes also has extensive satellite network design engineering and program management resources that Row 44 is able to leverage as needed.

Wireless In-flight Services and Entertainment Solution

Starting in 2014, we expect to offer customers our Wireless In-flight Services and Entertainment (WISE) software solution developed by our subsidiary DTI Solutions. WISE is one of the latest Wi-Fi-based content and services delivery platforms for the airline industry. WISE software allows airlines to deliver content to a wide-variety of passenger mobile devices through a Wi-Fi system that is native and embedded into the aircraft itself or via a variety of add-on systems. WISE is designed to work in a non-connected environment and also is compatible with in-flight connectivity systems. The WISE software platform includes industry standard digital rights management (DRM) compatible with latest available airline available content and payment processing functionality. To date we have partnered with Rockwell Collins, Airbus, Honeywell and OnAir for delivery of the WISE solution to airline customers.

Customers

We currently deploy our Connectivity services worldwide to the airline industry, with customers located in North America, South Africa and Europe, including Russia and Iceland. We are currently under trials to install our Connectivity solution in aircrafts operated by Air China in 2014. For fiscal year 2013, our largest Connectivity airline customer was Southwest Airlines, which represented approximately 22% of our total consolidated revenue in 2013.

We provide Content curating and processing services to the airline, maritime, and non-theatrical industries globally. Our customers also include major Hollywood and international studios. We are the exclusive representative to over 60 airlines for our Content services.

Competitive Advantages

We are developers, acquirers and distributors of satellite bandwidth entertainment, gaming and other media content and work closely with major and independent studios and other content producers. Accordingly, our significant operating and deal-making experience and relationships with companies in these industries gives us a number of competitive advantages and may present us with a substantial number of additional business targets and relationships to facilitate growth going forward. We believe that we have sustainable competitive advantages due to our market positions, technology and relationships with important content suppliers and airlines.

Connectivity

Our leading satellite-based broadband services allow us to connect airlines passengers to the Internet and deliver live streaming television, stored content on demand and other related services over land and sea. Unlike competitive technologies such as air-to-ground GSM or Ka-band satellite solutions, our Ku-band satellite Wi-Fi platform is capable of being operated from gate-to-gate and over the majority of the commonly used air routes across the globe at data throughput levels required to deliver a feature-rich in-flight entertainment experience. We also have an exclusive relationship with Hughes and have network operational footprints in North America, Europe and Russia. These competitive advantages provide us the ability to more rapidly on-board and service new and existing airline customers regardless of where they fly.

In addition to regional expansion, we have the ability to rapidly expand our product offerings worldwide. We recently launched our live television and our texting services in the United States and expect to offer similar and other related services in additional markets. We also have programs in place offering gate-to-gate connectivity services in markets where this service is permitted. Targeting heavily air-trafficked regions allows us to leverage existing customers and add additional airline customers with little interruption to our base operations. Adding customers in areas with existing satellite coverage (utilized for launch customers) allows us to spread fixed costs associated with transponders over a larger network base.

We have dedicated Connectivity engineering resources, which enable us to deploy end-to-end solutions for our airline customers. Our engineering resources are able to assist our airline customers in obtaining necessary regulatory approvals such as the STCs, which permit our equipment to be installed and operated on the applicable aircraft type covered by the STC (regardless of airline operator). As we continue to obtain STCs on a wider variety of plane types, we will be able to leverage these STCs for more rapid deployment on new airline customers in the future on a more cost-effective and efficient basis.

Content

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We are the leader in providing content and services to airlines around the world and across all continents. Our cultural expertise allows us to provide customized solutions to accommodate cultural and linguistic requirements in all key markets, across all airlines. We provide our content services to the vast majority of airlines in markets such as the Middle East, Asia and Europe, where demand for content tends to be stronger and airlines are more widely equipped with on-board in-flight entertainment solutions. North American airlines have traditionally focused less on on-board in-flight entertainment solutions, but there are signs of reinvestment and a shift towards providing a wider variety of in-flight entertainment content on-board North American carriers in the coming years. More recently, we broadened our portfolio of content services by becoming a solution provider for advanced, interactive in-flight entertainment hardware systems. The new in-flight entertainment hardware systems provide the technological basis for turning the systems previously used only for the purpose of entertaining passengers into interactive passenger platforms that offer a variety of possibilities. In the in-flight entertainment industry, this strategic development entails changing in-flight entertainment into a total ‘‘passenger experience.’’ We intend to leverage our market position and technological know-how to participate in and take advantage of this cutting-edge development in in-flight entertainment.

With AIA, and the additions of PMG and IFES in the second half of 2013, we strengthened our position as a global leader in content services for the airline market. With the ability to offer the widest variety of content, games and related services, we provide our customers a wider variety of content options and more cost-effective content solutions to our customers.

Our Strategy

We believe that our combined Content and Connectivity offering is uniquely positioned to change the existing in-flight entertainment content model and drive towards a synergized entertainment and commerce platform. Using portals created specifically for the in-flight audience, we provide Internet access, content-on-demand, and live television programming. Providing this rich content direct to passengers’ own devices has created new opportunities for revenue from passengers on our customer airlines and from brand sponsorship.

Connectivity

We are seeking to aggressively to expand our connectivity solutions to customers worldwide, particularly outside of North America. We are strategically targeting markets with high populations and traffic density, having begun with North America and Europe, and more recently in Asia. Particularly in China, Southeast Asia and South America, we are seeking to gain early-entrant advantage with our satellite-based connectivity solutions.

Leverage Technology

We believe we have the most technologically advanced connectivity solution in the market today, and plan to continue to leverage this as we target expansion in new and emerging markets. The lack of a comparable connectivity solution in the market today creates a large opportunity for us, particularly with carriers who fly across international borders. With a proven connectivity solution in the US and Europe, we can continue to leverage our existing technology to expand our connectivity solutions globally, and capture market share in emerging markets such as Western Europe, China and the Middle East..

Continue Technological Evolution

We work continuously to improve existing systems and user interfaces, while also developing plans to remain at the forefront of the technology curve. We are in the process of evaluating additional technologies such as a Ka band satellite solution and utilization of high-throughput Ku-band satellites (HTS) to maintain our competitive advantage as the industry evolves. We also expect to continue to develop better-performing components of our system, including components to better service long-haul carriers. Our strategic decision to develop key components and systems that interface with handheld devices enable our airline customers to stay on the cutting edge without completely replacing or having to invest in on-board entertainment systems.

Content

Supply-Chain Efficiency

Through AIA, PMG and IFES and related subsidiaries, we have attained critical mass in the in-flight entertainment content market that will open up the possibilities of managing larger airline budgets, as well as providing a fully outsourced solution to our customers. We believe that this will lead to longer-term contracts and a wider variety of services. We have already demonstrated this in early 2014 with new contracts awarded for more than five years and covering creative user interfaces and innovation as well as traditional content. The scale we now have in our post-production facilities and range in content rights management allows for a more efficient cost structure and to begin servicing newer, smaller and more remote airlines customers.

Increasing the Value of Traditional Content

We are the leading provider of IFE content and solutions to the airline industry. With a broad range of content solutions, we offer unparalleled services to our airline customers, as well as the ability to provide them with more cost-effective and outsourced solutions. Our ability to efficiently scale our post-production facilities and provide a range of content rights management to our customers is unmatched by our competitors. We believe that this will lead to expanded services with existing customers, and allow us to more rapidly expand our services to newer, smaller and more remote airlines customers.

Competition

Our Connectivity operating segment operates in a highly competitive environment. In addition to competition from other in-flight connectivity providers such as GoGo and OnAir, we also compete with other in-flight entertainment service providers such as Thales and Panasonic Avionics. Other connectivity service providers use different technology, including air-to-ground mobile services, L-band satellite connectivity and Ka-band satellite connectivity, to provide connectivity to airliners; however, Panasonic Avionics uses the same Ku-band connectivity services. We believe Ku-band satellite services offer the best combination of worldwide availability, available high-speed bandwidth and cost versus competing technologies. In addition, our connectivity solutions are focused on delivering the best passenger experience, and provide a significant value difference when compared to existing solutions offered by our competition.

Our Content operating segment operates in a highly fragmented market. As of December 31, 2013, our combined Content operations service the majority of the content market for the worldwide airline industry through our acquisitions of AIA, PMG and IFES. In addition to the overall fragmented market for our content and related services, we compete with other IFES leading providers including Spafax. We believe our state-of-the-art studio services offer unparalleled solutions to our airline and studio partners versus our competitors. In addition, our worldwide relationships with major airline carriers and Hollywood studios provide us a significant competitive advantage over our competition.

Government Regulation

As a participant in the global airline and global telecommunication industries we are subject to a variety of government regulatory obligations.

Federal Aviation Administration/European Aviation Safety Agency

Our Connectivity division’s primary product involves the installation of material hardware onboard commercial airliners. The installation of equipment on airliners is subject to the rules and regulations promulgated by the Federal Aviation Administration ("FAA") and its global counterparts, including the European Aviation Safety Agency ("EASA"). Prior to installing our equipment on an aircraft type, we are required to obtain a STC, which supplements the original Type Certificate obtained by the original aircraft manufacturer from the FAA/EASA and identifies the parts to be installed and the location of the installation and will only be issued by the FAA/EASA after we comply with any additional regulations for the installation of hardware such as ours (for example, bird strike regulation compliance). To date, we have obtained STCs for installing our connectivity solution hardware on the Boeing 737

Next Generation series of aircraft and the Boeing 757 aircraft type. We currently have additional STC projects underway and expect to obtain additional STCs throughout 2014.

Global AMSS Regulation

In order to operate our connectivity services, we are also required to obtain authorization in each jurisdiction over which we intend to provide our aero mobile satellite services (AMSS). In the USA, we obtained a license from the Federal Communications Commission (FCC) allowing us to provide AMSS services subject to compliance with various requirements imposed by the FCC. Certain other countries require affirmative licenses, however many countries require notification of intent to provide services and various technical details without the need for obtaining affirmative approval. To-date we are authorized to provide our AMSS connectivity services in over 150 countries.

Employees

As of December 31, 2013, we had 730 employees, 228 of whom are employed in the United States. None of our employees is represented by a labor union or is subject to a collective bargaining agreement. We believe that relations with our employees are good.

Segment Reporting and Geographic Information

For additional information regarding our segments, including information about our financial results by geography, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2. Basis of Presentation and Summary of Significant Accounting Policies to our consolidated financial statements included in Item 15. Exhibits and Financial Statement Schedules.

Corporate History

Prior to January 31, 2013, we were known as Global Eagle Acquisition Corp., a Delaware corporation that was formed in February 2011 to effect a merger, capital stock exchange, asset acquisition or similar business combination with one or more businesses. In May 2011, the Company consummated an initial public offering. On January 31, 2013, we completed a business combination transaction (the "Business Combination") in which we acquired all of the outstanding capital stock of Row 44 and 86% of the shares of AIA, and changed our name to Global Eagle Entertainment Inc. Prior to the consummation of the Business Combination, the Company did not engage in any business except for activities related to its formation and related public financing.

Subsequent to the Business Combination, we acquired an additional approximately 8% of the shares of AIA, such that as of December 31, 2013, we owned approximately 94% of the shares of AIA. The shares of AIA's capital stock not owned by us are listed in the Regulated Market ("General Standard") of the Frankfurt Stock Exchange. In July 2013, we commenced a process under German law to acquire the remaining 6% of the shares of AIA, which we expect to complete in the first half of 2014.

Additional information regarding the Business Combination is set forth in (i) our definitive proxy statement filed with the U.S. Securities and Exchange Commission ("SEC") on January 17, 2013, (ii) our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on March 18, 2013 and (iii) our Current Reports on Form 8-K and Forms 8-K/A filed with the SEC on February 6, 2013, March 18, 2013, May 16, 2013 and August 9, 2013.

Our principal executive offices are located at 4553 Glencoe Avenue, Los Angeles, California, 90292.

Available Information

Our main corporate website address is www.globaleagleent.com. Copies of the Company's Quarterly Reports on Form 10-Q, Annual Report on Form 10-K and Current Reports on Form 8-K filed or furnished to the U.S. Securities and Exchange Commission (the "SEC"), and any amendments to the foregoing, will be provided without charge to any shareholder submitting a written request to the Secretary at the principal executive offices of the Company or by calling (818) 706-3111. All of the Company's SEC filings are also available on the Company's website at http://investors.globaleagleent.com/financials.cfm, as soon as reasonably practicable after having been electronically filed or furnished to the SEC. All SEC filings are also available at the SEC's website at www.sec.gov.

We also webcast our earnings calls and certain events we participate in or host with members of the investment community on the investor relations section of our corporate website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, and press and earnings releases on the investor relations section of our corporate website. Investors can receive notifications of new press releases and SEC filings by signing up for email alerts on our website. Further corporate governance information, including our board committee charters and code of ethics, is also available on our website at http://investors.globaleagleent.com/governance.cfm. The information included on our website, or any of the websites of entities that we are affiliated with, is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Investing in our common stock involves substantial risks. In addition to the other information included in this report, the following risk factors should be considered in evaluating our business and future prospects. The risk factors described below are not necessarily exhaustive, and you are encouraged to perform your own investigation with respect to us and our

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business. You should also read the other information included in this report, including our financial statements and the related notes. As described more fully below, our business is subject to risks and uncertainties that fall in the following categories:

•Risks Related to Our Connectivity Operating Segment;
•Risks Related to Our Content Operating Segment;
•Risks Related to Our Technology and Intellectual Property and Government Regulation;
•Risks Related to Our Business and Industry; and
•Risks Related to Our Securities.

Risks Related to Our Connectivity Operating Segment

We rely on one key customer for a substantial percentage of our Connectivity operating segment's revenue.

Our Connectivity operating segment, which we operate through our wholly-owned subsidiary, Row 44, is substantially dependent on its customer relationship with Southwest Airlines, which accounted for 73%, 85% and 62% of our Connectivity operating segment's revenues for the years ended December 31, 2013, 2012 and 2011, respectively, and 22% of our consolidated revenue for the year ended December 31, 2013. Row 44 and Southwest are parties to an Amended and Restated Supply and Services Agreement, dated as of February 1, 2013, governing the supply by Row 44 of products and services to Southwest, including units of Row 44's broadband system, Wi-Fi service in connection use such broadband system, live television related services and certain additional contemplated services. If Row 44 fails to meet certain service level requirements related to its television service to Southwest Airlines under the agreement, Southwest Airlines may terminate Row 44's television service on Southwest aircraft. Similarly, if Row 44 fails to meet certain other obligations related to its technology, equipment and services, Southwest may have the right to terminate the entire agreement with Row 44. Our business would be materially adversely affected if Southwest terminates either the television service or the entire agreement with Row 44.

Our Connectivity operating segment has a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

Our Connectivity operating segment did not complete the first installation of its connectivity system until 2009 and did not begin to generate service revenue until 2010. The limited operating history of our Connectivity operating segment may make it difficult to accurately evaluate our potential growth and future performance. Any assessments of our Connectivity operating segment and predictions that we make about future success or viability may not be accurate. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, and the size and nature of our market opportunity will change as we scale our business and increase deployment of our in-flight connectivity system.

We may face increased competition from next generation connectivity technologies.

Ka-band connectivity solutions are in the early stage of deployment on airlines and may offer benefits for certain of the types of services our Ku-band connectivity solution provides. If airlines value the services in which Ka-band provides those benefits, we may be forced to invest in improving our product offering, including possibly by investing more in our current solution or adopting a new technology, to maintain our current connectivity customers and attract additional customers. Other next generation connectivity solutions, including so-called "ground-to-orbit" solutions have been announced that may also require us to take similar action.

Our Connectivity operating segment has incurred significant operating losses since its inception.

Prior to the second half of 2013, our Connectivity operating segment had incurred significant operating losses since Row 44's inception in 2004, and it may not be able to generate sufficient revenue in future periods to generate operating income or positive cash flow. We also expect the operating segment's costs to fluctuate materially in future periods as we continue to invest resources and inventories in new customers and services, which could negatively affect our future operating results. We expect to continue to expend substantial financial and other resources as we continue to expand our Connectivity operating segment internationally. The amount and timing of these costs are subject to numerous variables. Such variables include the availability and timing of certain next-generation technologies, such as Ka-band and other satellite technologies, as well as costs incurred to develop and implement changes to airborne software and hardware, the need and costs to expand our service offerings to be competitive and, with respect to satellite technologies, the cost of obtaining satellite capacity.

We face limitations on our ability to grow our domestic Connectivity operations that could harm our operating results and financial condition.

Our ability to expand our Connectivity operating segment domestically at its current rate of growth is inherently limited by various factors, including the limited on the number of U.S. and foreign commercial airlines operating over our domestic coverage area and who have not already selected a connectivity partner or are otherwise available to sell our products and service, the number of planes operated by our current customers which have not yet been connected and in which our connectivity system can be installed and the passenger capacity within each plane. The growth of our Connectivity operating segment may slow when compared to more recent results, to the extent that we have exhausted all substantial potential airline customers, and as we approach installation on full fleets and maximum penetration rates on all flights. We cannot provide assurance that we will be able to profitably expand the domestic market presence or establish new markets and, if we fail to do so, our business and results of operations could be materially adversely affected.

We may be unsuccessful in generating revenue from live television, portal and content-on-demand services.

We are developing and are scheduled to deploy a number of service offerings to deliver to our commercial airline customers.

Live Television

We currently offer up to 18 channels of live television service in the United States, and we intend to expand our live television service to our airline customers in Europe, although there can be no assurance that we will be successful in doing so or in generating meaningful revenue from that source of content abroad. In the U.S., our customer Southwest Airlines maintains a sponsor for its “TV Flies Free” offering which will continue at least through the end of 2014, with a possible extension to 2015. The expiration or termination of this sponsorship, however, could have a material impact on our Connectivity operating segment’s revenue. Additionally, if we are unable to replicate the live television sponsorship model with other airlines, or the take rate for a passenger fee-based live television model does not meet expected targets, our Connectivity operating segment’s ability to generate revenue could be materially adversely affected.

Portal Services

We currently deploy several advertising based portal services such as a moving map with flight information and we recently launched a Wi-Fi Internet-based texting service onboard Southwest Airlines aircraft. We also intend to further develop and deploy additional Wi-Fi Internet portal services, which we believe will provide our Connectivity operating segment a substantial revenue opportunity in the near term. However, Wi-Fi portal services generate only nominal revenue today. We therefore cannot make any assurance that we will be successful in developing and deploying portal services or that our ability to generate revenue from these services will match our expectations. If our portal services are not successful, our growth and financial prospects would be materially adversely impacted.

Content-on-demand

Separate from content-on-demand offering as part of our live television services, we are also working to increase the number of on-demand movies and other content available on our Wi-Fi Internet connectivity system. The future growth prospects for our business depend, in part, on revenue from advertising fees and e-commerce revenue share arrangements on passenger purchases of goods and services, including video and media services. Our ability to generate revenue from these service offerings depends on:

- growth of our Connectivity operating segment’s commercial airline customer base;
- the attractiveness of our Connectivity operating segment’s customer base to media partners;
- rolling out live television and content on demand on more aircraft and with additional airline customers and increasing passenger adoption both in the U.S. and abroad;
- establishing and maintaining beneficial contractual relationships with media partners whose content, products and services are attractive to airline passengers; and,

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- our ability to customize and improve our Connectivity operating segment’s service offerings in response to trends and customer interests.

If we are unsuccessful in generating revenue from our Connectivity operating segment’s service offerings, that failure could have a material adverse effect on our growth prospects, financial condition and results of operation.

We may be unsuccessful in expanding our Connectivity operating segment internationally, which could harm the growth of our business, operating results and financial conditions.

The ability to further expand our Connectivity operating segment internationally involves various risks, including the need to invest significant resources in unfamiliar markets and the possibility that there may not be returns on these investments in the near future, comparable to our recent financial results or at all. In addition, our Connectivity operating segment has incurred, and we expect to continue to incur, expenses before we generate any material revenue in these new markets. Our Connectivity operating segment’s ability to expand will also be limited by the demand for in-flight broadband Internet access in key international markets. Different privacy, censorship, aerospace and liability standards and regulations, governmental instability and political change and different intellectual property laws and enforcement practices in foreign countries may cause our business and operating results to suffer. Additionally, any failure to compete successfully in international markets could negatively impact our reputation and domestic operations.

Any future international operations may fail to succeed due to risks inherent in foreign operations, including:

- different technological solutions for broadband Internet than those used in North America;
- varied, unfamiliar and unclear legal and regulatory restrictions;
- unexpected changes in international regulatory requirements and tariffs;
- unexpected changes in governmental or political structures in certain foreign countries;
- legal, political or systemic restrictions on the ability of U.S. companies to do business in foreign countries, including restrictions on foreign ownership of telecommunications providers or the establishment of economic sanctions by the U.S. affecting businesses such as ours;
- inability to find content or service providers to partner with on commercially reasonable terms, or at all;
- Foreign Corrupt Practices Act compliance and related risks;
- difficulties in staffing and managing foreign operations;
- currency fluctuations; and
- potential adverse tax consequences.

As a result of these obstacles, we may find it difficult or prohibitively expensive to grow our Connectivity operating segment internationally or may be unsuccessful in our attempt to do so, which could harm our future operating results and financial condition.

We are currently engaged in a trial of our Connectivity solution on an aircraft operated by Air China in connection with Air China's choice of a connectivity provider. Failure to win Air China as a client could have an adverse impact on our plans to expand our services into China.

We are currently under trial to install our Connectivity solution on an aircraft operated by Air China. The trial will commence aboard a 777-200 aircraft and will enable Air China’s passengers to access the Internet and stored content on approved handheld devices, in accordance with applicable Chinese regulations. An expansion of our business into China will require us to comply with a number of foreign laws, rules and regulations with which we have limited prior experience. Our management team’s lack of experience with these new requirements could increase the likelihood that we will inadvertently violate such a requirement, which could divert more of our resources and negatively impact our business. In addition, we

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cannot assure you that the trials with Air China will be successful, which could mean that the costs incurred and resources expended in connection with these trials may not yield the expansion of our business that we have anticipated. Even if the trials with Air China are successful, we may not realize the benefits of the trial if we are unable to expand our business in China beyond one test aircraft. We cannot assure you that this expansion will generate additional revenues or increase our profitability. Even if this expansion generates the benefits that we have anticipated, there may be other unforeseeable and unintended factors or consequences that occur as a result of the expansion, which could adversely impact our profitability and our business.

We rely on single service providers for certain critical components of and services relating to our satellite connectivity network.

We currently source key components of our hardware, including the satellite antenna sourced from TECOM Industries, Inc., or TECOM, and key aspects of our connectivity services, including substantially all of our Connectivity operating segment's satellite transponder services from partners of Hughes Network Systems, LLC, or HNS, from sole providers of equipment and network services, respectively. While we have contracts in effect with these key component and service providers, if we experience a disruption in the delivery of products and services from either of these providers, it may be difficult for us to continue providing our own products and services to our customers. We have experienced component delivery issues in the past, and there can be no assurance that we will avoid similar issues in the future. Additionally, any loss of exclusivity that we have with our hardware providers today could eliminate our competitive advantage in the use of satellites for in-flight connectivity in the future, which could have a material adverse effect on our business and operations.

We depend upon third parties to manufacture our Connectivity operating segment's equipment components and to provide services for our network.

We rely on third-party suppliers for equipment components that we use to provide our satellite telecommunication Wi-Fi services. The supply of third party components could be interrupted or halted by a termination of these relationships, a failure of quality control or other operational problems at such suppliers or a significant decline in their financial condition. If we are not able to continue to engage suppliers with the capabilities or capacities required by our Connectivity operating segment, or if such suppliers fail to deliver quality products, parts, equipment and services on a timely basis consistent with our schedule, our business prospects, financial condition and results of operations could be adversely affected.

Risks Related to Our Content Operating Segment

The portion of our Content operating segment that is based on applications as part of in-flight entertainment has a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

AIA has developed applications to be used on more sophisticated in-flight entertainment hardware platforms as well as wireless streaming solution to be used on planes without in-flight entertainment hardware. Our application and wireless streaming businesses are still in a ramp up phase and have limited operating history. This makes it difficult for us to accurately evaluate the potential growth and future performance of the application and wireless streaming businesses. Any assessments of our application and wireless streaming services and predictions that we make about future success or viability may not be accurate. We have encountered and will continue to encounter risks and difficulties frequently experienced by companies expanding in new business areas in rapidly changing industries, and the size and nature of our market opportunity will change as we scale our application and wireless streaming businesses.

The future financial performance of our Content operating segment may be dependent on our ability to continue to acquire new companies that positively affect our financial performance.

Our Content operating segment's growth both in revenues and profits in the past has been dependent on the ability to execute acquisitions of companies inside or outside of its core industry. There can be no assurance that we will be able to continue to make additional acquisitions in the future, or that any future acquisitions will have a positive impact on our financial performance. If we are unable to make such acquisitions or if they are not successful from a financial performance perspective, this could have a negative impact on our financial condition or results of operations.

We may not accurately predict the profit margins of our Content operating segment with respect to its long term fixed price contracts.

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In some cases our Content operating segment has entered into multi-year, fixed-price delivery contracts with producers. These procurement contracts enable us to purchase content that a given studio releases or markets during the term of the contract at a fixed purchase price, or through “flat deals”. Adjustments of the previously agreed upon purchase price might be necessary in certain circumstances if there are significant changes in the customer base of our Content operating segment during the term of a given contract. If we are unable to make such adjustments upon the occurrence of such changes, there is a risk that the profit margins on our flat fee agreements may be smaller than predicted or even a loss, which could negatively impact our financial condition and results of operations.

AIA is subject to ongoing tax audits that could result in additional tax payments or a reduction in tax loss carryforwards.

A comprehensive tax audit by the Canadian tax authorities of AIA’s Canadian subsidiary DTI Software for the tax years 2008, 2009, 2010, 2011 and 2012 is underway. More specifically, the Canadian tax authorities are currently investigating DTI’s tax status in Dubai, United Arab Emirates, and whether income derived in Dubai should have been constituted taxable earnings subject to Canadian income tax for the tax year ended December 31, 2008. We estimate the maximum Canadian income tax exposure for the taxable year 2008 is approximately $1.4 million, which includes approximately $0.6 million of potential interest and penalties. We are currently investigating these claims and are not able to estimate the aggregate potential tax liability that could result for subsequent tax years after 2008. If the Canadian tax authorities attempt to assess similar penalties for tax years subsequent to 2008, we may be subject to pay significant historical tax obligations, including penalties and accrued interest. In addition, DTI claims certain tax credit in the course of the development of games and applications in Canada including tax credits that support multimedia, e-commerce and research and development in Canada. It is possible that Canadian tax authorities might come to a different conclusion concerning the respective amount that DTI is able to claim. This could lead to an adjustment of the booked tax credits that could be material to our financial condition.

AIA currently make claims for investment tax credits that are available in Canada to support multimedia, e-commerce and research and development in Canada, and any reduction in or elimination of government support for such tax credits would negatively impact our business and results of operations.

DTI Software makes claims for currently available tax credits in Canada in the course of its development of games and applications in Canada, including tax credits that support multimedia, e-commerce and research and development in Canada. If governmental authorities in Canada, and, in particular, in the province of Quebec, were to reduce or eliminate the amount of tax credits that are available in respect of these activities by DTI, then our tax liabilities would likely increase, and this would have a negative impact on our overall profitability.

On-board use of personal electronic devices may harm our Content operating segment.

Ever-increasing numbers of passengers have their own personal electronic devices which they might use to bring their own content such as movies, music or games with them on a flight or to access on-board connectivity to the Internet, live television or content on demand. This could decrease demand for our Content operating segment’s in-flight offerings provided through seatback screens or other fixed on-board screens, which could have a material adverse effect on our financial condition and results of operation.

Many of our Content operating segment’s products will have long sales cycles, which may cause us to expend resources without an acceptable financial return and which makes it difficult to plan our expenses and forecast our revenues. This could have a material adverse effect on our business.

Many of our Content operating segment’s products have long sales cycles that involve numerous steps, including initial customer contacts, specification writing, software engineering design, software prototyping, pilot testing, device certification, regulatory approvals (if needed), sales and marketing and commercial manufacture, integration and delivery. During this time, we may expend substantial financial resources and management time and effort without any assurance that product sales will result. The anticipated long sales cycle for some of our Content operating segment's products makes it difficult to predict the quarter in which sales may occur. Delays in sales may cause us to expend resources without an acceptable financial return and make it difficult to plan expenses and forecast revenues, which could have a material adverse effect on our business.

Our Content operating segment may not retain or attract customers if we do not develop new products and enhance our current products in response to technological changes and competing products , or if our new or enhanced products do not gain market acceptance.

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The in-flight entertainment market is faced with rapid technological change, evolving standards in computer hardware, software development, communications and security infrastructure, and changing needs and expectations of customers. Building new products and service offerings requires significant investment in development. A substantial portion of our Content operating segment's research and development resources are devoted to maintenance requirements and product upgrades that address new technology support. These demands put significant constraints on the resources that we have available for new product development. We also face uncertainty when we develop or acquire new products for our Content operating segment, because there is no assurance that a sufficient market will develop for those products.

We are exposed to foreign currency risks, and our lack of a formal hedging strategy could create losses.

Within our Content operating segment, currency risks arise from the fact that both sales to customers and purchasing are largely effected in U.S. dollars, while most of our Content operating segment's operating companies' fixed costs are incurred in euros, British pounds and Canadian dollars. At times, we may engage in hedging transactions to counteract direct currency risks. However, we do not have a formal hedging strategy, and cannot always guarantee that all currency risks have been hedged in full. Severe currency fluctuations could also cause the hedging transactions to fail if agreed thresholds (triggers) are not met or exceeded. We therefore cannot fully preclude negative foreign currency effects in the future-some of which might be substantial-due to unforeseen exchange rate fluctuations and/or inaccurate assessments of market developments.

There are also intragroup receivables and liabilities in our Content operating segment, such as loans that can generate significant foreign currency effects. Changes in the exchange rates of a number of foreign currencies against the euro, especially the U.S. dollar and the Canadian dollar, could lead to the recognition of unrealized foreign exchange losses in some cases, particularly as a result of intragroup transactions. Therefore, our Content operating segment is exposed to a heightened currency risk in connection with intragroup borrowing owing to the foreign currency sensitivity in severe and unforeseeable exchange rate movements that are consequently difficult to predict.

Our Content operating segment faces intense pricing pressure.

Pricing pressures are high in the content market. As a result, we may need to provide significant price concessions in connection with the frequent tenders in which we engage in order to acquire new customers or keep current customers. . This may have a negative adverse effect on our revenue and results of operations.

We source our content from studios, distributors and other content providers, and any reduction in the volume of content produced by such content providers could hurt our Content operating segment by providing it with less quality content to choose from and resulting in potentially less attractive offerings for passengers.

We receive content from studios, distributors and other content providers, and, in some circumstances, we depend on the volume and quality of the content that these content providers produce. If studios, distributors or other content providers were to reduce the volume or quality of content that they make available to us over any given time period, whether because of their own financial limitations or other factors influencing their businesses, we would have less quality content to choose from, and our programmers would have more difficulty finding relevant and appropriate content to provide to our customers. This could negatively impact the passenger experience, which could, in turn, reduce the demand for our Content operating segment's offerings, which would have a negative impact on our revenue and results of operations.

Our revenue may be adversely affected by a reduction or elimination of the time between our receipt of content and the content being made more broadly publicly available to the rental or home viewing market.

We receive the content that we provide through our Content operating segment directly from studios, distributors and other content providers, and the timing is at the discretion of the content providers. Historically, we and (prior to the Business Combination) AIA received content prior to such content being more broadly publicly distributed via rental viewing, retail stores or Internet streaming services. If a content provider delays release of certain content in a manner reducing or eliminating this “early window”, our Content operating segment may not be able to generate as much revenue from such content as we could have generated with an earlier release date.

The revenue generated by our Content operating segment may be adversely affected by a reduction or elimination of use of our Content operating segment’s services by competitors in the marketplace.

A portion of our income is currently generated by the licensing of software and content and by the performance of content processing services for direct competitors, including other content service providers, of our Content operating segment.

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If our competitors develop their own software and content acquisition and processing capabilities, our Content operating segment may be materially adversely affected.

Risks Related to our Technology, Intellectual Property and Government Regulation

Our Connectivity operating segment may suffer service interruptions or delays, technology failures or damage to its equipment.

Our reputation and ability to attract, retain and serve our commercial airline customers depends, in part, upon the reliable performance of our Connectivity operating segment's satellite transponder capacity, network infrastructure and connectivity system. The operations and services of our Connectivity operating segment depend upon the extent to which our equipment and the equipment of our third-party network providers is protected against damage from fire, flood, earthquakes, power loss, solar flares, telecommunication failures, computer viruses, break-ins, acts of war or terrorism and similar events. Damage to our networks could cause interruptions in the services that we provide through our Connectivity operating segment, which could have a material adverse effect on our service revenue, our reputation and our ability to attract or retain customers. Row 44 has experienced interruptions in these systems in the past, including component and service failures that temporarily disrupted users' access to the Internet, and we may experience further service interruptions, service delays or technology or systems failures, which may be due to factors beyond our control. If we experience frequent system or network failures, our reputation could be harmed and our airline customers may have the right to terminate their contracts with us or pursue other remedies, which could have a material adverse effect on our financial condition and our ability to attract and retain customers.

Assertions by third parties of infringement, misappropriation or other violations by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

In recent years, there has been significant litigation involving intellectual property rights in many technology-based industries, including the wireless communications industry. Any infringement, misappropriation or related claims, whether or not meritorious, are time-consuming, divert technical and management personnel and are costly to resolve. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease providing certain products or services or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. Certain of our suppliers do not provide indemnity to us for the use of the products and services that these providers supply to us. At the same time, we generally offer third party intellectual property infringement indemnity to the customers of our Connectivity operating segment which, in some cases, do not cap our indemnity obligations and thus could render us liable for both defense costs and any judgments. Any of these events could result in increases in our operating expenses, limit our service offerings or result in a loss of business if we are unable to meet our indemnification obligations and our airline customers terminate or fail to renew their contracts.

On December 28, 2012, Advanced Media Networks, L.L.C. filed suit in the United States District Court for the Central District of California against Row 44 and one of its customers, which Row 44 has agreed to indemnify for allegedly infringing two of its patents and seeking injunctive relief and unspecified monetary damages. After Row 44 requested reexamination of the patents by the U.S. Patent & Trademark Office, the lawsuit was stayed. The lawsuit remains stayed, and the reexaminations have not concluded. Based on currently available information, the Company believes it has strong defenses. If the patents survive reexamination, the Company intends to defend vigorously against this lawsuit, though the outcome of this matter is inherently uncertain and could have a materially adverse effect on its Connectivity business, financial condition and results of operations. The potential range of loss related to this matter cannot be determined and as a result, no reserve has been established.

We are subject to civil litigation involving allegations of copyright infringement, which could result in our having to pay damages. We may also be subject to additional similar litigation in the future.

On October 22, 2013, Arista Music, Sony Music Entertainment and certain parties believed to be related to the foregoing filed suit in the United States District Court for the Southern District of New York against In-flight Productions Ltd., or IFP, and one of its customers for copyright infringement and related claims and unspecified money damages. IFP is a direct subsidiary of AIA and an indirect subsidiary of Global Eagle. We intend to vigorously assert available defenses in connection with this matter; however, the outcome is inherently uncertain and, if adverse, could have a material adverse effect on our business, financial condition and results of operations. The potential range of loss related to this matter cannot be determined at this time. In addition to this matter, we may in the future be subject to additional similar civil litigation involving copyright infringement, which could result in injunctive relief or our having to pay damages.

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The use of open source software in our Connectivity operating segment could limit our ability to commercialize our technology.

Open source software is software made widely and freely available to the public in human-readable source code form, usually with liberal rights to modify and improve such software. Some open source licenses require as a condition of use that proprietary software that is combined with licensed open source software and distributed must be released to the public in source code form and under the terms of the applicable open source license. Accordingly, and depending on the manner in which such licenses were interpreted and applied, we could face restrictions on our ability to commercialize certain of the products of our Connectivity operating segment and could be required to (i) release the source code of certain of our proprietary software to the public, including to competitors; (ii) seek licenses from third parties for replacement software; and/or (iii) re-engineer our software in order to continue offering our products. Such consequences could materially adversely affect our business.

The failure of our Connectivity operating segment's equipment or material defects or errors in our software may damage our reputation or result in claims against us that exceed our insurance coverage, thereby requiring us to pay significant damages and impairing our ability to sell our connectivity service.

Our Connectivity operating segment's products contain complex systems and components that could contain errors or defects, particularly when we incorporate new technology. If any of our connectivity products are defective, we could be required to redesign or recall those products or pay substantial damages or warranty claims. Such events could result in significant expenses, disrupt sales and affect our reputation and that of our products. If our Connectivity operating segment's on-board equipment has a severe malfunction, or there is a problem with the equipment installation, which damages an airplane or impairs its on-board electronics or avionics, significant property loss and serious personal injury or death could result. Any such failure could expose us to substantial product liability claims or costly repair obligations. In particular, passenger jets operated by our airline customers are very costly to repair; therefore, the damages in any product liability claims could be material. Our insurance coverage may not be sufficient to fully cover the payment of any claims. A product recall or a product liability claim not covered by insurance could have a material adverse effect on our business, financial condition and results of operations. Further, we indemnify most of our airline customers for losses due to third-party claims and, in certain cases, the causes for such losses may include failure of our products.

The software underlying our connectivity services is inherently complex and may contain material defects or errors, particularly when the software is first introduced or when new versions or enhancements are released. We have from time to time found defects or errors in its software, and defects or errors in our existing software may be detected in the future. Any defects or errors, particularly those that cause interruptions to the availability of our connectivity services could result in:

•termination or failure to renew contracts by our airline customers;

•a reduction in sales or delay in market acceptance of our connectivity service;

•sales credits or refunds to our customers and airline customers;

•governmental compliance requirements regarding customer privacy rights;

•loss of existing customers and difficulty in attracting new customers;

•diversion of development resources;

•harm to our reputation and brand image;

•increased insurance costs; and

•claims for substantial damages.

The costs incurred in correcting any material defects or errors in our software may be substantial and could harm our results of operations.

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Regulation by United States and foreign government agencies, such as the FAA, which regulates the civil aviation manufacturing and repair industries in the United States, and the FCC, which regulates the U.S. telecommunications industry, may increase our costs of providing service or require us to change our services.

Our Connectivity operating segment is subject to various governmental regulations, including those regulations promulgated by various federal, state and local regulatory agencies and legislative bodies where we do, or in the future may do, business. The U.S. government agency that has primary regulatory authority over our operations is the FAA. The commercial and private aviation industries, including civil aviation manufacturing and repair industries, are highly regulated by the FAA in the United States. FAA certification is required for all equipment that we install on commercial aircraft, and certain of our operating activities require that we obtain FAA certification as a parts manufacturer. FAA approvals required to operate our Connectivity operating segment include Supplemental Type Certificates, or STCs, and Parts Manufacturing Authority, or PMAs. Obtaining STCs and PMAs is an expensive and time-consuming process that requires significant focus and resources. Any inability to obtain, delay in obtaining, or change in, needed FAA certifications, authorizations, or approvals, could have an adverse effect on our ability to meet the installation commitments of our Connectivity operating segment, manufacture and sell parts for installation on aircraft, or expand our business and could, therefore, materially adversely affect our growth prospects, business and operating results. The FAA closely regulates many of our operations. If we fail to comply with the FAA's many regulations and standards that apply to our activities, we could lose the FAA certifications, authorizations or other approvals on which the manufacturing, installation, maintenance, preventive maintenance and alteration capabilities of our Connectivity operating segment are based. In addition, from time to time, the FAA may adopt new regulations or amend existing regulations, such as recently promulgated regulations with respect to radome bird strike testing. The FAA could also change its policies regarding the delegation of inspection and certification responsibilities to private companies, which could adversely affect our business. To the extent that any such new regulations or amendments to existing regulations or policies apply to our activities, those new regulations or amendments to existing regulations would generally increase our costs of compliance.

In addition to the FAA, we are also subject to the rules and regulations of the Federal Communications Commission ("FCC"). As part of our authorization to commence providing satellite based Wi-Fi connectivity services to aircraft, we obtained a license from the FCC that obligates us to comply with various requirements specifically identified in that license and with the general rules and regulations promulgated by the FCC. In addition, we agreed to cooperate with law enforcement agencies of the U.S. government to address specific concerns regarding providing connectivity to aircraft over the United States. Also, as a broadband Internet provider, we must also comply with the Communications Assistance for Law Enforcement Act of 1994, or CALEA, and similar laws in other countries, which require communications carriers to ensure that their equipment, facilities and services can accommodate certain technical capabilities in executing authorized wiretapping and other electronic surveillance. Currently, our CALEA solutions are deployed in our U.S. network and Western European network, but we nevertheless could be subject to an enforcement action by the FCC, other telecommunications regulators or law enforcement agencies for any delays related to meeting any current or future CALEA or similarly mandated law enforcement related obligations. Such enforcement actions could subject us to fines, cease and desist orders or other penalties, all of which could adversely affect our business. Further, to the extent that the FCC adopts additional capability requirements applicable to broadband Internet providers, its decision may increase the costs that we must incur to comply with such regulations.

Adverse decisions or regulations of these regulatory bodies could negatively impact our operations and costs of doing business. We are unable to predict the scope, pace or financial impact of regulations and other policy changes that could be adopted by the various governmental entities that oversee portions of our business.

Regulation by foreign government agencies may increase our costs of providing service or require us to change our services.

Our Connectivity operating segment is subject to regulations promulgated by various regulatory agencies and legislative bodies in foreign jurisdictions where we do, or in the future may do, business. These foreign bodies may require us to obtain certifications for equipment that we install on commercial aircraft, and certain of our operating activities may require that we obtain foreign regulatory certifications as a parts manufacturer. Obtaining these certifications could be an expensive and time-consuming process requiring significant focus and resources. Any inability to obtain, delay in obtaining, or change in, needed certifications, authorizations, or approvals, could have an adverse effect on our ability to meet the installation commitments of our Connectivity operating segment, manufacture and sell parts for installation on aircraft, or expand our business and could, therefore, materially adversely affect our growth prospects, business and operating results. Many of our operations are subject to regulation by a number of foreign regulatory agencies in multiple foreign jurisdictions. If we fail to comply with the many foreign regulations and standards that apply to our activities, we could lose the foreign certifications, authorizations or other approvals on which the manufacturing, installation, maintenance, preventive maintenance and alteration capabilities of our Connectivity operating segment are based. In addition, from time to time, the foreign bodies that regulate our

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activities may adopt new regulations, amend existing regulations or change their policies, all of which could adversely affect our business. To the extent that any such new regulations or amendments to existing regulations or policies apply to our activities, those new regulations or amendments to existing regulations would generally increase our costs of compliance.

If government regulation of the Internet, including e-commerce or online video distribution, changes, we may need to change the way we conduct our Connectivity operating segment to a manner that incurs greater operating expenses, which could harm our results of operations.

The current legal environment for Internet communications, products and services is uncertain and subject to statutory, regulatory or interpretive change. Certain laws and regulations applicable to our Connectivity operating segment were adopted prior to the advent of the Internet and related technologies and often do not contemplate or address specific issues associated with those technologies. We cannot be certain that we, our vendors and media partners or our customers are currently in compliance with all applicable regulatory or other legal requirements in all of the countries in which our connectivity service is used. Our failure, or the failure of our vendors and media partners, customers and others with whom we transact business, to comply with existing or future legal or regulatory requirements could materially adversely affect our business, financial condition and results of operations. Regulators may disagree with our interpretations of existing laws or regulations or the applicability of existing laws or regulations to our business, and existing laws, regulations and interpretations may change in unexpected ways. For example, the FCC adopted regulations regarding net neutrality that, in certain situations, limit mobile broadband providers to "network management" techniques that are reasonable; however, the rules were struck down by the D.C. Circuit Court as outside the scope of the FCC's regulatory authority. Although these rules are no longer in effect, the FCC has indicated it intends to implement similar network management limitations in the future, which, if deemed valid under the FCC's authority, could adversely impact our ability to monitor and manage the network to optimize our users' Internet experience.

We cannot be certain what positions regulators may take regarding our compliance with, or lack of compliance with, current and future legal and regulatory requirements or what positions regulators may take regarding any past or future actions that Row 44 has taken or we may take in any jurisdiction. Regulators may determine that we are not in compliance with legal and regulatory requirements, and impose penalties, or we may need to make changes to our connectivity system, which could be costly and difficult. Any of these events would adversely affect our operating results and financial condition.

Risks Related to Our Business and Industry

Our management has concluded that our disclosure controls are ineffective due to four material weaknesses in our internal control over financial reporting. If we are unable to establish and maintain effective disclosure controls and internal control over financial reporting, our ability to produce accurate financial statements on a timely basis could be impaired, and the market price of our securities may be negatively affected.

In connection with our year-end audit, our management conducted an assessment of our disclosure controls and procedures and our internal control over financial reporting and concluded that they were both ineffective, due to the existence of four material weaknesses in our internal controls over financial reporting, as described below. See Item 9A. Controls and Procedures. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis. In connection with the preparation of our financial statements for the year ended December 31, 2013, management identified the following material weaknesses in our internal control over financial reporting:

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- Timely and routine financial statement close/reporting process

We were unable to execute a timely financial close, nor were we able to properly accumulate certain analyses and reconciliations in a consistent and accurate manner, which resulted in errors in one or more accounts in the Company's financial statements and footnotes, which we have subsequently corrected. Throughout the majority of 2013, we were unable to design and implement sufficient monitoring controls over the financial information received from our majority-owned foreign subsidiary, AIA, and its associated consolidation, and therefore the precision to which these controls were designed and the completeness and timeliness of communication from AIA foreign locations to our headquarters in the United States was not sufficient to prevent a potential material misstatement over the same time period. This lack of effective monitoring controls could have a material impact on our significant financial statement accounts during the year ended December 31, 2013.

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- Design, implementation and operating effectiveness of IT General Controls (ITGCs)

During 2013, we did not implement and maintain effective IT general controls ("ITGC's") over the general ledger systems and other related IT systems we used to process, accumulate and consolidate our accounting transactions. The general ledger systems that we used were not designed to implement and operate effective ITGCs. As a result, we were unable to properly implement and maintain effective controls intended to ensure that access to applications and data, and the ability to place program changes into production for such applications and data, were adequately restricted to appropriate internal personnel, due to the inherent deficiencies in some of these general ledger systems (namely QuickBooks and LucaNet), and to a lesser extent through other related IT systems. As a result, there is a reasonable possibility that a material misstatement within the classes of transactions dependent on the operation of ITGCs would not be prevented or detected on a timely basis. The ineffective design and operation of our ITGCs impacts all of our significant financial statement accounts.

- Accounting for business combinations

When finalizing the preliminary purchase price allocation to the fair value of the assets and liabilities in connection with our acquisitions of AIA and PMG, we did not design adequate controls to review, analyze and test the application of the assumptions in financial information that we provided to our independent third party appraiser, and did not appropriately perform other key internal analyses on our opening balance sheet accounts including the deferred tax impacts on a timely basis,. As a result of these control design deficiencies, we recorded adjustments during the fiscal 2013 year-end financial close impacting goodwill, acquisition date tax balances and uncertain tax positions, identifiable intangibles and related amortization and accrued liabilities.

- Accounting for income taxes

We were unable to design and maintain effective internal controls over the accuracy of our accounting for income taxes for our foreign subsidiaries. In particular, and given the number of acquisitions in 2013, the global nature of the AIA business, and the internal control deficiencies within AIA as described above, our processes, procedures and controls around the accounting for our income taxes did not provide adequate timely analysis of the nature, extent and amount of acquisition date tax balances and uncertain tax positions related to foreign entities acquired. This resulted in corrections to the 2013 balance sheet through net adjustments to goodwill and the income tax provision recorded during the fiscal 2013 year-end financial close.

For the steps we have taken to remediate these material weaknesses, see Item 9A. Controls and Procedures. We may need to expend significant financial resources to remediate these material weaknesses. Our assessment of internal control over financial reporting did not include the internal control over financial reporting of three businesses acquired during the year, AIA, PMG and IFES.

If we are unable to establish and maintain proper and effective disclosure controls and procedures and internal control over financial reporting, we may not be able to produce timely and accurate financial statements. If that were to happen, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our securities could decline, and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities.

Our business is highly dependent on the airline industry, which itself is affected by many events that are beyond the control of the airlines. The highly competitive nature of the airline industry makes it extremely sensitive to economic conditions, both domestically and internationally.

Our business is directly affected by the number of passengers flying on commercial airlines, the financial condition of these airlines and related economic conditions and the general availability of air travel around the world. If consumer demand for air travel declines, or the number of aircraft and flights shrink, or air travel is severely disrupted in a key operating area, the number of passengers available to use our in-flight services and enjoy our delivered content will be reduced, which will have a material adverse effect on our financial condition and prospects. High unemployment rates, reduced consumer and business spending, recessionary conditions in the United States or Europe and terrorism are among the general economic and social conditions that adversely affect the airline industry. A general reduction or shift in discretionary spending can result in decreased demand for leisure and business travel and lead to a reduction in the number of airline flights offered, the number of passengers flying and the willingness of airlines to commit to spending funds on items such as our in-flight connectivity system. Each of our airline customers operates in an intensely competitive environment and constantly faces pressure on in-

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flight offerings and pricing of all aspects of air travel. These uncertain and, at times, unfavorable financial circumstances in the air travel industry could cause one or more of our commercial airline customers to reduce expenditures on passenger services, including the deployment of our in-flight connectivity system or content, which could have a material adverse effect on our business prospects and financial condition.

If the benefits of any acquisition that we or any of our wholly- or partially-owned subsidiaries consummate do not meet the expectations of the marketplace, investors, financial analysts or industry analysts, our financial condition may be negatively affected and the market price of our securities may decline.

On July 10, 2013, we completed our acquisition of PMG. Additionally, and on October 18, 2013, we acquired IFES. We may not realize the expected benefits of one or both of these acquisitions, or any other acquisition that we may consummate in the future as rapidly as, or to the extent anticipated by, the marketplace, investors, financial analysts or industry analysts. Any such failure may have a significant negative effect on our financial condition, results of operations and stock price

Subsequent to the consummation of any acquisition that we may consummate, we may be required to take write-downs or write-offs, restructuring and impairment or other charges that may have a negative effect on our financial condition and the market price of our securities.

Although we conducted due diligence in connection with the acquisitions of IFES and PMG, we cannot assure you that this diligence revealed all material issues that may be present in IFES's or PMG's business, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of our control will not later arise. As a result, we may be forced to later write down or write off assets, restructure operations, or incur impairment or other charges that could result in losses. Even if the due diligence that we conducted in connection with acquisitions that we have already consummated or that we consummate in the future successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. Any such write-downs, write-offs, restructuring or charges could have a significant negative effect on our financial condition, results of operations and stock price.

Additional businesses or technologies we acquire could prove difficult to integrate, disrupt our ongoing business, dilute stockholder value or have an adverse effect on our results of operations.

In addition to the recent acquisitions that we have consummated, we may engage in further acquisitions of businesses or technologies to augment our growth. Acquisitions involve challenges and risks in negotiation, execution, valuation and integration. Moreover, we may not be able to find suitable acquisition opportunities on terms that are acceptable to us. Even if successfully negotiated, closed and integrated, certain acquisitions may not advance our business strategy, may fall short of expected return-on-investment targets or may fail. In addition to the risks described above, any future acquisition could involve numerous additional risks, including:

•potential disruption of our ongoing business and distraction of management;

•difficulty integrating the operations and products of the acquired business;

•use of cash to fund the acquisition or for unanticipated expenses;

•limited market experience in new businesses;

•exposure to unknown liabilities, including litigation against the companies that we acquire;

•additional costs due to differences in culture, geographical locations and duplication of key talent;

•delays associated with or resources being devoted to regulatory review and approval;

•acquisition-related accounting charges affecting our balance sheet and operations;

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•difficulty integrating the financial results of the acquired business in our consolidated financial statements;

•controls in the acquired business;

•potential impairment of goodwill;

•dilution to our current stockholders from the issuance of equity securities; and

•potential loss of key employees or customers of the acquired company.

In the event that we enter into any acquisition agreements, closing of the transactions could be delayed or prevented by regulatory approval requirements, including antitrust review, or other conditions. We may not be successful in addressing these risks or any other problems encountered in connection with any attempted acquisitions, and we could assume the economic risks of such failed or unsuccessful acquisitions.

We may be subject to litigation in connection with our plan to acquire the remaining 6% of the shares of AIA

In July 2013, we commenced a process under German law to acquire the remaining 6% of the shares of AIA. In February 2014, we obtained a successful vote to accomplish the purchase of the remaining shares, and we expect to complete the acquisition in the first half of 2014. We may be subject to claims of former stockholders of AIA that the price we paid for their shares of AIA was too low. If former stockholders of AIA commence legal claims against us, we may be required to incur significant expenses defending these claims, which could have a material impact on our financial condition.

The failure to implement, as well as the completion and impact of, our reorganization of AIA, PMG and IFES could adversely affect our business.

We plan to undertake in 2014 certain corporate realignment and integration efforts in connection with our Content operating segment in order to streamline/improve operating procedures and generate synergies with AIA, PMG and IFES. We expect these corporate realignment activities will involve changes to many aspects of our Content operating segment and will involve complex legal- and tax-related matters. As a result, we may incur substantial costs and expend considerable resources in connection with these activities, which could distract our management negatively impact our results of operations. In addition, these efforts could disrupt our financial close and accounting reporting processes and could result in our discovery of previously unknown tax or other liabilities. We cannot assure you that we will be able to successfully implement this reorganization, which could mean that the costs incurred and resources expended in connection with the reorganization may not yield the results that we anticipate. Even if we do successfully implement the reorganization, we may not realize the benefits that we anticipate from these efforts. We cannot assure you that the reorganization will result in cost savings or will materially increase our profitability. Even if the reorganization generates the benefits that we have anticipated, there may be other unforeseeable and unintended factors or consequences that occur as a result of the reorganization, which could adversely impact our profitability and our business.

A future act or threat of terrorism or other events could result in a prohibition on the use of Wi-Fi enabled devices on aircraft.

A future act of terrorism, the threat of such acts or other airline accidents could have an adverse effect on the airline industry. In the event of a terrorist attack, terrorist threats or unrelated airline accidents, the industry would likely experience significantly reduced passenger demand. The U.S. federal government could respond to such events by prohibiting the use of Wi-Fi enabled devices on aircraft, which would eliminate demand for our in-flight equipment and services. In addition, any association or perceived association between our equipment or services and accidents involving aircraft on which our equipment or services operate would likely have an adverse effect on demand for our services. Reduced demand for our products and services would adversely affect our business prospects, financial condition and results of operations.

We may not be able to grow our business with our current airline customers or successfully secure new airline customers in the future, on favorable terms or at all.

We are currently in negotiations and discussions to provide our services to a number of commercial airlines around the world, and we are constantly in negotiations and discussions with existing airline customers and potential new airline customers to either maintain or expand an existing contract or win a new contract. Negotiations with airline customers require a substantial amount of time, energy and resources, and there can be no assurance that we will be successful in maintaining existing customers or winning new customers. If any of our current airline customers or potential new airline customers do not view our product and service offerings as high-quality or cost-effective, or if we do not keep pace with innovation, our current and potential customers may choose to do business with our competitors. Unreliable service levels, uncompetitive pricing, lack of availability, security risk and lack of related features of our equipment and services are some of the factors that may adversely impact our ability to retain existing customers and partners and attract new and repeat customers. If consumers are able to satisfy their in-flight entertainment needs through activities other than broadband Internet access, at no or lower cost, they may not perceive value in our products and services.

Additionally, the terms of any future agreements with existing or new airline customers may be less favorable than the current agreements. We may ultimately fail in entering into agreements with additional commercial airlines on competitive terms, and that failure could harm our results of operations due to a diversion of resources, the actual costs of pursuing these opportunities and the inability to deploy committed satellite transponder space segments to additional airlines. To the extent that we are unable to secure new airline customers or that any of our future agreements with existing or new customers are not as favorable as our existing arrangements, our growth and financial prospects would be materially and adversely affected.

Increased costs and other demands associated with the growth of our business could impact our ability to achieve profitability over the long term and could strain our personnel, technology and infrastructure resources.

Anticipated future growth, including growth related to the broadening of our service offerings and international expansion of our business into new markets, could require the outlay of significant operating and capital expenditures and could place strains on our personnel, technology and infrastructure. Our success will depend, in part, upon our ability to contain costs with respect to growth opportunities. To successfully manage the expected growth of our operations in a timely and cost-effective manner, we will need to continue to improve our operational, financial, technological and management controls and our reporting systems and procedures. In addition, as we continue to grow, we must effectively integrate, develop and motivate a large number of new employees and must maintain the beneficial aspects of our corporate culture. If we fail to successfully manage the growth of our business, it could adversely affect our financial condition and results of operations.

Competition from a number of companies could result in price reduction, reduced revenue and a loss of market share, all of which could harm our results of operations.

In-flight entertainment is undergoing a sea change driven, first and foremost, by technical innovations. We face competition from land-based providers of broadband Wi-Fi services to commercial airlines and from other satellite-based broadband providers of Internet connectivity, live television, video on-demand services and content. In recent years, a number of new vendors have emerged with new technologies and new approaches, especially for the hardware systems that are built into aircraft. Competition from such providers has affected the prospects of our business and will continue to do so in the future, especially given the fact that there are a limited number of commercial airlines around the world. Some of our competitors are larger, more diversified companies with greater financial, marketing, production and research and development resources. As a result, these competitors may be better positioned to withstand the effects of periodic economic downturns, especially those that continue for extended periods of time. Competition within the in-flight broadband Internet access and in-cabin entertainment markets may also subject us to downward pricing pressures on our service and product offerings. Competition will likely increase our sales and marketing expenses and related customer acquisition costs. We may not have the liquidity, financial resources, technical expertise or marketing and support capabilities to compete successfully. Our failure to respond to established and new competitors could have a material adverse effect on our business and results of operations.

We may fail to recruit, train and retain the highly skilled employees that are necessary to remain competitive and execute the growth strategy of our business. The loss of one or more of our key personnel could harm our business.

Competition for key technical personnel in high-technology industries is intense. We believe that the future success of our business depends in large part on our continued ability to hire, train, retain and leverage the skills of qualified engineers and other highly skilled personnel needed to maintain and grow our satellite based broadband connectivity network and our Content operating segment. We may not be as successful as our competitors at recruiting, training, retaining and utilizing these highly skilled personnel. In particular, we may have more difficulty attracting or retaining highly skilled personnel during periods of poor operating performance. In addition, because of the widespread geographical locations of our business, we have a risk of migration of employees and poor retention rate. We may also encounter challenges in complying with foreign employment laws

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and regulations in our many international locations. Any failure to recruit, train and retain highly skilled employees or any failure to comply with applicable foreign employment laws and regulations could negatively impact our business and results of operations.

Our business depends on the continued service and performance of key personnel. Such individuals have acquired specialized knowledge and skills with respect to our segments and their operations. As a result, if any of these individuals were to leave, we could face substantial difficulty in hiring qualified successors and could experience a loss of productivity while any such successor obtains the necessary training and expertise. We do not maintain key man insurance on any of our officers or key employees. In addition, much of our key technology and systems are custom-made for our business by our personnel. The loss of key personnel, including key members of our management team, as well as certain of our key marketing or technology personnel, could disrupt our operations and have an adverse effect on our ability to grow our business.

Our corporate structure may create tax inefficiencies.

As a result of the Business Combination, AIA is a majority-owned subsidiary of the Company and thus a controlled foreign corporation of the Company for U.S. federal income tax purposes. This organizational structure may create inefficiencies, as certain types of income and investments of AIA that otherwise would not be currently taxable under general tax principles, may become taxable. In addition, distributions from the operating subsidiaries of AIA may be subject to additional withholding tax and result in lower profits. It is our intention to streamline our corporate structure and, by doing so, certain transactions in the restructuring could be taxable in the United States and Germany. We cannot presently predict the impact such restructuring may have on U.S. and foreign tax liability.

Our management team may invest or spend the proceeds of any financing that we complete in ways with which you may not agree or in ways which may not yield a significant return.

We have consummated two recent public offerings of our stock, resulting in aggregate proceeds, before expenses, to us of approximately $204.3 million. Our management has broad discretion over the use of proceeds from these offerings and will have broad discretion over the use of proceeds from any financing that we may complete in the future. We cannot guarantee that the net proceeds from any financing that we have completed or will complete in the future will be used for corporate purposes that increase our operating results or enhance the value of our common stock.

Risks Related to Our Securities

Concentration of ownership may have the effect of delaying or preventing a change in control.

As of March 1, 2014, PAR beneficially owned approximately 17.6% and Harry E. Sloan beneficially owned approximately 14.2% of our outstanding shares of common stock with voting power. These percentages exclude 3,053,634 shares of our common stock issued pursuant to the Row 44 Merger to AIA, which became our majority-owned subsidiary after the consummation of the Business Combination, and which shares therefore are not considered outstanding. As a result, these stockholders, if acting together, have the ability to influence the outcome of corporate actions of the Company requiring stockholder approval. This concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common stock.

Future sales of our common stock may cause the market price of our securities to drop significantly, even if our business is doing well.

In connection with our public offering of common stock completed in December 2013, our directors and officers and certain of our significant stockholders, including PAR and Putnam, entered into lock-up agreements that expired on March 24, 2014 , unless extended pursuant to the terms of such lock-up agreements. Upon the expiration of the lock-up period, these stockholders will have the ability to sell large amounts of our stock in the open market or in privately negotiated transactions, which could have the effect of increasing the volatility in our stock price or putting significant downward pressure on the price of our stock.

The market price of our securities may be volatile and may decline as a result of a number of factors, some of which are beyond our control.

The trading price of our securities could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on an investment in our securities, and our securities may trade at prices significantly below the price that you paid for them. In such circumstances, the trading price of our securities may not recover and may experience a further decline.

Factors affecting the trading price of our securities may include:

•actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;

•changes in the market's expectations about our operating results;

•success of competitors;

•our operating results failing to meet the expectation of securities analysts or investors in a particular period;

•changes in financial estimates and recommendations by securities analysts concerning the Company, the market for in-flight entertainment, the airline industry, or the travel market in general;

•operating and stock price performance of other companies that investors deem comparable to us;

•our ability to market new and enhanced products on a timely basis;

•changes in laws and regulations affecting our business or our industry;

•commencement of, or involvement in, litigation involving the Company;

•changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;

•the volume of shares of our common stock available for public sale;

•any major change in our board or management;

•sales of substantial amounts of common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and

•general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general, and Nasdaq in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to us could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

Warrants currently exercisable for our common stock could significantly increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

Outstanding warrants purchasing an aggregate of 15,571,050 shares of our common stock are exercisable for a like number of shares of our common stock. The exercise price of these warrants is $11.50 per share. To the extent that such warrants are exercised, additional shares of our common stock will be issued, which will result in dilution to the holders of common stock of the Company and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our common stock.

We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to warrant holders, thereby making your warrants worthless.

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We have the ability to redeem outstanding warrants at any time prior to their expiration, at a price of $0.01 per warrant, provided that the last reported sales price of the common stock equals or exceeds $17.50 per share for any 20 trading days within a 30 trading-day period ending on the third trading day prior to proper notice of such redemption, provided that on the date we give notice of redemption and during the entire period thereafter until the time that we redeem the warrants, we have an effective registration statement under the Securities Act covering the shares of common stock issuable upon exercise of the warrants and a current prospectus relating to them is available. A registration statement covering the shares of common stock issuable upon exercise of the warrants was declared effective by the SEC on August 22, 2013. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force you (i) to exercise your warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) to sell your warrants at the then-current market price when you might otherwise wish to hold your warrants or (iii) to accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of your warrants. None of the Sponsor Warrants will be redeemable by us so long as they are held by members of the Sponsor or its permitted transferees.

We may amend the terms of our outstanding warrants in a manner that may be adverse to holders with the approval by the holders of at least 65% of the then outstanding warrants sold as part of the units in our initial public offering.

Our warrants were issued in registered form under a warrant agreement between American Transfer & Stock Company, LLC, as warrant agent, and us. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 65% of the then outstanding warrants sold as part of the units in our initial public offering to make any change that adversely affects the interests of the registered holders. Accordingly, we may amend the terms of the warrants in a manner adverse to a holder if holders of at least 65% of the then outstanding warrants sold as part of the units in our initial public offering approve of such amendment. Although our ability to amend the terms of the warrants with the consent of at least 65% of the then outstanding warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, shorten the exercise period or decrease the number of shares of our common stock purchasable upon exercise of a warrant.

If securities or industry analysts cease publishing research or reports about the Company, our business, or our market, or if they change their recommendations regarding our common stock adversely, the price and trading volume of our common stock could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. If insufficient securities or industry analysts cover us, our stock price and trading volume would likely be negatively impacted. If any of the analysts covering us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, the price of our common stock would likely decline. If any analyst who covers us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our second amended and restated certificate of incorporation and bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions include:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death, or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

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- the ability of our board of directors to determine to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;

- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

- the requirement that an annual meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer, or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;

- limiting the liability of, and providing indemnification to, our directors and officers;

- controlling the procedures for the conduct and scheduling of stockholder meetings;

- providing the board of directors with the express power to postpone previously scheduled annual meetings of stockholders and to cancel previously scheduled annual meetings of stockholders;

- providing that directors may be removed prior to the expiration of their terms by stockholders only for cause; and

- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the Company.

These provisions, alone or together, could delay hostile takeovers and changes in control of the Company or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the DGCL, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of the Company's outstanding common stock. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

We may issue additional equity or convertible debt securities in the future, which may result in additional dilution to investors.

During the fiscal year ended December 31, 2013, we issued 44,899,018 shares of our capital stock in connection with the Business Combination, 16,225,206 shares of our common stock in connection with certain equity financings, 898,082 shares of our common stock in exchange for outstanding warrants, as well as additional shares of common stock pursuant to awards made under our equity incentive plan. As a result of these issuances, there was dilution to our then existing shareholders. In addition, to the extent that we need to raise additional capital in the future and we issue additional shares of common stock or securities convertible or exchangeable for our common stock, our then existing stockholders may experience dilution and the new securities may have rights senior to those of our common stock offered.

Lack of dividends may make our stock less attractive as an investment.

We intend to retain all future earnings for use in the development of our business. We do not anticipate paying any cash dividends on our stock in the foreseeable future. Accordingly, our stockholders may have to sell some or all of their common stock in order to generate cash flow from their investment. Our stockholders may not receive a gain on their investment when they sell their common stock and may lose some or the entire amount of their investment. In addition, stocks that pay regular dividends command higher market trading prices, and so our stock price may be lower as a result of our dividend policy. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our financial condition, operating results, contractual restrictions, restrictions imposed by applicable law and other factors that our board of directors deems relevant.

Our ability to raise capital in the future may be limited.

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Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms, or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

We are able to issue shares of preferred stock with greater rights than our common stock.

Our second amended and restated certificate of incorporation authorizes our board of directors to issue one or more series of preferred stock and set the terms of the preferred stock without seeking any further approval from our shareholders. Any preferred stock that is issued may rank ahead of our common stock in terms of dividends, liquidation rights or voting rights. If we issue preferred stock, it may adversely affect the market price of our common stock.

We may issue additional equity or convertible debt securities in the future, which may result in additional dilution to investors.

During the fiscal year ended December 31, 2013, we issued an aggregate of 44,899,018 shares of our capital stock in connection with the Business Combination, 16,225,206 shares of our common stock in connection with certain equity financings, 898,082 shares of our common stock in exchange for outstanding warrants, as well as additional shares of common stock pursuant to awards made under our equity incentive plan. As a result of these issuances, there was dilution to our then existing shareholders. In addition, to the extent that we need to raise additional capital in the future and we issue additional shares of common stock or securities convertible or exchangeable for our common stock, our then existing stockholders may experience dilution and the new securities may have rights senior to those of our common stock offered.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable

ITEM 2. PROPERTIES

Our principal properties at December 31, 2013 include:

Location	Property / Approximate Size	Use and Term	Function
Westlake Village, CA, USA	Building (6,880 square feet)	Leased office; termination date: 12/31/15	Corporate/Connectivity services
Marina Del Rey, CA, USA	Building Suite #210 (4,350 square feet)	Leased office; termination date: 5/17/17	Corporate/Content services
		Leased office; termination date: 5/3/17	

Marina Del Rey, CA, USA	Building Suite #300/305 (4,714 square feet)		Corporate/Content services
Marina Del Rey, CA, USA	Building Suite #205 (4,714 square feet)	Leased office; termination date: 5/1/15	Corporate/Content services
Lombard, Ill, USA	Building (10,195 square feet)	Leased office; termination date: 5/17/17	Connectivity R&D
Las Vegas, NV, USA	Building (3,781 square feet)	Leased office; termination date: 6/30/16	Connectivity services
Camarillo, CA USA	Hanger	Leased plane hanger; termination date: 7/31/14	Connectivity R&D and operations

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Lake Forest, CA, USA	Building (2,192 square feet)	Leased office; termination date: 3/19/17	Content technical lab
Lake Forest, CA, USA	Building (2,395 square feet)	Leased office; termination date: 11/1/14	Content technical lab
Montreal, Canada	Building (20,347 square feet)	Leased office; termination date: 12/31/14	Content services
Los Angeles, CA, USA	Building (10,000 square feet)	Leased office; termination date: 6/15/16	Content services
North Point, Hong Kong	Building (5,213 square feet)	Leased office; termination date: 6/30/15	Content services
Munich, Germany	Building (6,074 square feet)	Leased office; termination date: 8/31/14	Corporate
Amsterdam, Netherlands	Building (850 square feet)	Leased office; termination date: 12/31/15	Content services
Auckland, New Zealand	Building (2,950 square feet)	Leased office; termination date: 4/30/14	Content services
Singapore, Southeast Asia	Building (7,100 square feet)	Leased office; termination date: 7/8/14	Content services
Dubai Media City, Dubai, United Arab Emirates	Building (773 square feet)	Leased office; termination date: 10/14/14	Content services
Dubai Media City, Dubai, United Arab Emirates	Building (1,543 square feet)	Leased office; termination date: 10/31/14	Content services
Mumbai, India	Building (3,300 square feet)	Leased office; termination date: 3/31/15	Content services
Duisberg, Germany	Building (4,704 square feet)	Leased office; termination date: 1/31/15	Content services
London, United Kingdom	Building (14,500 square feet)	Leased office; termination date: 3/24/16	Content services
Banbury, UK	Building (1,150 square feet)	Leased office; termination date: 12/31/14	Content services
Moscow, Russia	Building (500 square feet)	Leased office; termination date: 12/31/14	Connectivity operations
Irvine, CA, USA	Building (22,000 square feet)	Leased office; termination date 6/30/20	Content technical lab
Chicago, Ill, USA	Building (3.535 square feet)	Leased office; termination date: 10/31/14	Content services
Santa Ana, CA	Building (4,000 square feet)	Leased office; termination date: 12/31/14	Content services
Burbank, CA	Building (1,100 square feet)	Leased office; termination date: 12/31/14	Content services
Vaughan, Ontario, Canada	Building (10,200 square feet)	Leased office; termination date: 12/31/17	Content services
Montreal, Canada	Building (700 square feet)	Leased office; termination date: 7/31/16	Content services
Manchester, United Kingdom	Building (13533 square feet)	Owned Building mortgage to be paid off in 2032	Content services
		Leased office; termination date: 2/28/14	Content services

Singapore, Southeast Asia	Building (350 square feet		
Madrid, Spain	Building (2,435 square feet)	Leased office; termination date: 1/31/14	Content services
Lake Forest, CA, USA	Building (14,510 square feet)	Leased office; termination date: 6/30/15	Content services

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ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings in which we are involved are discussed in Note 9. Commitments and Contingencies, to the consolidated financial statements included in Item 15. Exhibits and Financial Statement Schedules, and are incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

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

Market Information

Our common stock is traded on the NASDAQ Capital Market ("NASDAQ") under the symbol "ENT". There is no public market for our shares of non-voting common stock. Prior to February 1, 2013, our common stock traded on NASDAQ under the symbol "EAGL".

The following table sets forth, for the period indicated and on a per-share basis, the high and low sale prices of our common stock as reported by NASDAQ.

Year Ended December 31, 2013	High	Low
Quarter ended December 31, 2013	$16.30	$8.51
Quarter ended September 30, 2013	$11.49	$7.82
Quarter ended June 30, 2013	$10.49	$7.96
February 1 - March 31, 2013 (ENT)	$10.23	$8.11
January 1 - January 31 (EAGL)	$10.44	$9.83

Year Ended December 31, 2012	High	Low
Quarter ended December 31, 2012	$10.23	$9.80
Quarter ended September 30, 2012	$10.27	$9.77
Quarter ended June 30, 2012	$9.78	$9.69
Quarter ended March 31, 2012	$9.76	$9.52

Holders of Record

As of March 25, 2014, there were 52,863,455 shares of our common stock outstanding, which were held by approximately 82 stockholders of record. As of March 25, 2014, there were 19,118,233 shares of non-voting common stock outstanding, which were held by one holder of record. The number of holders of record does not include a substantially greater number of "street name" holders or beneficial holders of our common stock whose shares are held of record by banks, brokers and other financial institutions.

Dividend Policy

We have never declared or paid cash dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future. Instead, we anticipate that all of our earnings on our common stock will be used to provide working capital, to support our operations and to finance the growth and development of our business. Any future determination to declare cash dividends will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table reflects our repurchases of our common stock during the three months ended December 31, 2013:

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet be Purchased under the Plan
October 1 - October 31				$—	$—
November 1 - November 30					
December 1 to December 31	8,387	(a)	14.55	—	
	8,387		$14.55	$—	$—

(a) Represents shares repurchased from certain of our officers for the purpose of satisfying federal and state employment tax withholding obligations related to the shares of our common stock issued to such officers in connection with our acquisition of Row 44 with respect to such officers' non-qualified stock options to purchase shares of common stock of Row 44. Upon the repurchase, these shares were cancelled.

Recent Sales of Unregistered Securities

On December 11 and December 16, 2013, pursuant to warrant purchase agreements entered into between the Company and certain of its security holders, the Company issued an aggregate of 243,959 shares of its common stock in exchange for an aggregate of 761,150 warrants, each exercisable for shares of common stock of the Company at an exercise price of $11.50 per share. The exchanges were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 3(a)(9) thereunder based on the fact that the shares of Global Eagle common stock were exchanged by the Company with the Company's existing security holders exclusively, and no commission or other remuneration was paid or given directly or indirectly for soliciting such exchange.

ITEM 6. SELECTED FINANCIAL DATA

Since Row 44 was the accounting acquirer in the Business Combination, the presented financial information for the years ended December 31, 2009, 2010, 2011 and 2012 reflects the financial information and activities only of Row 44. The presented financial information for the year ended December 31, 2013 includes the financial information and activities of Row 44 for the period January 1, 2013 to December 31, 2013 (365 days) as well as the financial information and activities of the Company and AIA for the period January 31, 2013 to December 31, 2013 (335 days), PMG for the period July 10, 2013 to December 31, 2013 (174 days) and IFES for the period October 18, 2013 to December 31, 2013 (74 days).

The consolidated statements of operations data for the years ended December 31, 2011, 2012 and 2013, and the consolidated balance sheet data as of December 31, 2012 and 2013, are derived from our audited consolidated financial statements included in Item 15. Exhibits and Financial Statement Schedules. The consolidated statements of operations data for the years ended December 31, 2009 and 2010 as well as the consolidated balance sheet data as of December 31, 2009, 2010 and 2011 are derived from audited consolidated financial statements of Row 44 not included in this Annual Report on Form 10-K. In conjunction with the Business combination on January 31, 2013, outstanding shares of Row 44 par value $0.0001 common stock were converted into Global Eagle par value $0.0001 common stock. As Row 44 was deemed the accounting acquirer in the Business Combination, the historical financial information for the years ended December 31, 2012 and 2011 reflects the financial information and activities only of Row 44 as the predecessor entity. The historical equity of Row 44 has been retroactively adjusted to reflect the equity structure of GEAC, using the respective exchange ratios established in the Business Combination, which reflects the number of shares GEAC issued to equity holders of Row 44 at the Business Combination date. The retroactive revision of Row 44's equity as of January 1, 2009 includes Row 44's redeemable preferred stock, certain vested warrants and stock options had they been converted as of January 1, 2009, which is consistent with the terms of the transaction. Accordingly, all common and preferred shares and per share amounts for all periods presented in these consolidated financial statements and notes thereto have been adjusted retrospectively, where applicable, to reflect the respective exchange ratios

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established in the Business Combination. For details on the Row 44 share conversion to Global Eagle common stock, refer to the Company's definitive proxy statement on Schedule 14A filed with the SEC on January 17, 2013.

The historical results presented below are not necessarily indicative of financial results to be achieved in future periods, and certain prior year amounts have been reclassified to conform to the current year presentation. The following selected consolidated financial data should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K (in thousands):

	Year ended December 31,				
	2013	2012	2011	2010	2009
Revenue	$259,723	$69,210	$33,637	$14,588	$347
Operating expenses:					
Cost of sales	197,938	76,897	35,947	17,814	6,178
Sales and marketing expenses	10,330	3,935	3,129	1,573	802
Product development	9,068	2,646	3,392	4,529	2,597
General and administrative	70,629	14,534	9,552	6,038	5,976
Amortization of intangible assets	17,281	34	25	24	25
Total operating expenses	305,246	98,046	52,045	29,978	15,578
Loss from operations	(45,524)	(28,836)	(18,408)	(15,390)	(15,231)
Other income (expense):					
Interest income (expense), net	(2,417)	(10,368)	(233)	—	(11,619)
Change in value of derivative financial instruments	(63,961)	(3,576)	—	—	—
Other income (expense)	(1,000)	(23)	(60)	(3,667)	(23)
Total other income (expense)	(67,378)	(13,967)	(293)	(3,667)	(11,642)
Loss before income taxes	(112,902)	(42,803)	(18,701)	(19,057)	(26,873)
Income tax expense	(1,839)	—	—	—	—
Net loss	(114,741)	(42,803)	(18,701)	(19,057)	(26,873)
Non-controlling Interest	(290)	—	—	—	
Net loss attributable to common stockholders	$(115,031)	$(42,803)	$(18,701)	$(19,057)	$(26,873)
Net loss attributable to common stock per share - basic and diluted. (1)	$(2.17)	$(2.24)	$(1.35)	$(1.50)	$(2.11)
Weighted average number of common shares outstanding - basic and diluted (1), (3)	53,061	19,148	13,883	12,736	12,736

	Year ended December 31,				
Consolidated Balance Sheet Data:	2013	2012	2011	2010	2009
Cash and cash equivalents and marketable securities	$258,796	$2,088	$8,810	$3,489	$105
Working capital	176,124	(3,799)	(11,654)	15,140	(21,781)
Total assets	578,883	29,437	23,931	18,491	5,583
Long term liabilities	38,424	3,111	2,703	2,257	1,710
Total stockholders' equity (deficit)	$356,184	$1,417	$(9,147)	$6,797	$(20,985)

(1) Basic income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding during the period. For all periods presented, all potentially dilutive common shares comprising of stock options and warrants are antidilutive.

(2) The Company completed three business acquisitions during the year ended December 31, 2013.

(3) On January 31, 2013 and in conjunction with the Business Combination, Row 44 common stock $0.0001 par value was converted into Global Eagle Entertainment Inc. common stock par value $0.0001. Immediately prior to the Business Combination, Row 44's proportional adjustment to the existing conversion ratios for each series of

preferred stock outstanding was effected in January 2009. Accordingly, all share and per share amounts for all periods presented have been adjusted retrospectively, where applicable, to reflect the stock conversion retrospectively to January 1, 2009.

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

Cautionary Note Regarding Forward-Looking Statements

We make forward-looking statements in this Annual Report on Form 10-K and the documents incorporated by reference herein within the meaning of the Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations or forecasts for future events, including without limitation our earnings, revenues, expenses or other future financial or business performance or strategies, or the impact of legal or regulatory matters on our business, results of operations or financial condition. These statements may be preceded by, followed by or include the words “may,” “might,” “will,” “will likely result,” “should,” “estimate,” “plan,” “project,” “forecast,” “intend,” “ex “anticipate,” “believe,” “seek,” “continue,” “target” or similar expressions. These forward-looking statements are based on information available to us as of the date of this Annual Report on Form 10-K and on our current expectations, forecasts and assumptions, and involve substantial risks and uncertainties. Actual results may vary materially from those expressed or implied by the forward looking statements herein due to a variety of factors, including: our ability to integrate our recently acquired businesses, the ability of the combined business to grow, including through acquisitions which we are able to successfully integrate, and the ability of our executive officers to manage growth profitably; the ability of our customer Southwest Airlines to maintain a sponsor for its “TV Flies Free” offering and our ability to replicate this model through other sponsorship alliances; the outcome of any legal proceedings pending or that may be instituted against us, Row 44, AIA, PMG or IFES; changes in laws or regulations that apply to us or our industry; our ability to recognize and timely implement future technologies in the satellite connectivity space, including Ka-band system development and deployment; our ability to deliver end-to-end network performance sufficient to meet increasing airline customer and passenger demand; our ability to obtain and maintain international authorizations to operate our service over the airspace of foreign jurisdictions our customers utilize; our ability to expand our service offerings and deliver on our service roadmap; our ability to timely and cost-effectively identify and license television and media content that passengers will purchase; general economic and technological circumstances in the satellite transponder market, including access to transponder space in capacity limited regions and successful launch of replacement transponder capacity where applicable; our ability to obtain and maintain licenses for content used on legacy installed in-flight entertainment systems; the loss of, or failure to realize benefits from, agreements with our airline partners; the loss of relationships with original equipment manufacturers or dealers; unfavorable economic conditions in the airline industry and economy as a whole; our ability to expand our domestic or international operations, including our ability to grow our business with current and potential future airline partners or successfully partner with satellite service providers, including Hughes Network Systems; our reliance on third-party satellite service providers and equipment and other suppliers, including single source providers and suppliers; the effects of service interruptions or delays, technology failures, material defects or errors in our software, damage to our equipment or geopolitical restrictions; the limited operating history of our connectivity and in-flight television and media products; costs associated with defending pending or future intellectual property infringement actions and other litigation or claims; increases in our projected capital expenditures due to, among other things, unexpected costs incurred in connection with the roll out of our technology roadmap or our international plan of expansion; fluctuation in our operating results; the demand for in-flight broadband Internet access services and market acceptance for our products and services; and other risks and uncertainties set forth herein. We do not undertake any obligation to update forward-looking statements as a result of as a result of new information, future events or developments or otherwise.

The following discussion and analysis of our business and results of operations for the twelve months ended December 31, 2013, and our financial conditions at that date, should be read in conjunction with the financial statements and the notes thereto included in Item 15. Exhibits and Financial Statement Schedules. As used herein, "Global Eagle Entertainment," "GEE," "the Company," "our," "we," or "us" and similar terms include Global Eagle Entertainment Inc. and its subsidiaries, unless the context indicates otherwise.

Overview of the Company

We are a leading full service provider of connectivity and content to the worldwide airline industry. Our principal operations and decision-making functions are located in North America and Europe. We manage and report our businesses in two operating segments: Connectivity and Content. Our operating results are regularly reviewed by our chief operating decision makers by our Connectivity and Content operating segments, principally to make decisions about how we allocate our resources and to measure our segment and consolidated operating performance. We currently generate a majority of our revenue through the licensing of content and the sale of network equipment to airlines, and to a lesser extent through our Wi-Fi and Content services to the airline industry. Our chief operating decision makers regularly review revenue and contribution

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profit on a segment basis, and results of operating expenses and pre-tax income or loss for each of our operating segments in order to gain more depth and understanding of the key business metrics driving our business. Accordingly, we report these segments separately.

For the years ended December 31, 2013, 2012 and 2011, we reported revenue of $259.7 million, $69.2 million and $33.6 million, respectively. For the years ended December 31, 2013, 2012 and 2011, our Content operating segment accounted for 70%, 0% and 0% of our total revenue, respectively, and our Connectivity operating segment accounted for 30%, 100% and 100%, respectively. For the years ended December 31, 2013, 2012, and 2011, one airline customer, Southwest Airlines, accounted for 22%, 85% and 62% of our consolidated revenues, respectively.

2013 Transactions

On January 31, 2013, we completed a business combination transaction (the "Business Combination") in which we acquired all of the outstanding capital stock of Row 44 and 86% of the shares of AIA. We currently own approximately 94% of the shares of AIA, and expect to acquire the remaining 6% of the shares of AIA in the first half of 2014. We expect to pay between $15.0 million to $20.0 million to acquire these remaining outstanding shares.

On July 9, 2013, we acquired PMG for approximately $10.6 million in a cash, 431,734 shares of common stock and assumption of $3.3 million of debt, subject to an earnout as more fully described in Note 3. Business Combinations, to our consolidated financial statements included in Item 15. Exhibits and Financial Statement Schedules. PMG is a premier provider of digital media production and post-production services. PMG's operations, which include AMP International, Ambient, Criterion Pictures and Sea Movies, provide video production, post-production and digital content delivery services spanning television shows, feature films, commercials, home video and live news broadcasts, as well as multi-language media for use in in-flight and cruise line entertainment systems. PMG serves Hollywood studios and distributors, advertising agencies, major corporations, federal and local government entities, airlines and cruise lines worldwide.

On October 18, 2013, we acquired the U.K.-based parent of IFES for approximately $36 million in cash. IFES is a leading provider of in-flight entertainment services to airlines and cruise lines worldwide. IFES supplies a full range of services to enable its clients to provide a first class entertainment experience to passengers, including movies, television programs, audio, games, 3D maps, safety and destination films, portable entertainment systems, onboard publications and audio- and video-on-demand technical support and management. We financed the acquisition of IFES through the issuance of a convertible note which we subsequently repaid and the issuance of common stock as more fully described below.

Basis of Presentation

This analysis is presented on a consolidated basis. In addition, a brief description is provided of significant transactions and events that have an impact on the comparability of the results being analyzed. Due to our specific situation, the presented financial information for the year ended December 31, 2013 is only partially comparable to the financial information for the years ended December 31, 2012 and 2011. Since Row 44 was deemed the accounting acquirer in the Business Combination consummated on January 31, 2013, the presented financial information for the years ended December 31, 2012 and 2011 reflects the financial information and activities of Row 44 only. The presented financial information for the year ended December 31, 2013 includes the financial information and activities of Row 44 for the period January 1, 2013 to December 31, 2013 (365 days) as well as the financial information and activities of GEE and AIA for the period January 31, 2013 to December 31, 2013 (335 days), PMG for the period July 10, 2013 to December 31, 2013 (174 days) and IFES for the period October 18, 2013 to December 31, 2013 (74 days). This lack of comparability needs to be taken into account when reading the discussion and analysis of our results of operations and cash flows. Furthermore, the presented financial information for the year ended December 31, 2013 also contains other one-time costs that are directly associated with the Business Combination such as professional fees to support the Company's new and complex legal, tax, statutory and reporting requirements following the Business Combination.

Opportunities, Challenges and Risks

For the year ended December 31, 2013, we derived the majority of our revenue through the licensing of content in connection with our Content offerings, and secondarily from equipment and Wi-Fi Internet service from our Connectivity operating segment. Historically and for the year ended December 31, 2013, the vast majority of our equipment and Wi-Fi Internet service revenues were generated by two airlines, Southwest Airlines and Norwegian Airlines. For the years ended December 31, 2013, 2012 and 2011, these airlines accounted for substantially all of our Connectivity revenue.

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We believe our operating results and performance are driven by various factors that affect the commercial airline industry, including general macroeconomic trends affecting the travel industry, trends affecting our target user base, regulatory changes, competition and the rate of passenger adoption of our services, as well as factors that affect Wi-Fi Internet service providers in general. Growth in our Content and Connectivity operating segments is principally dependent upon the number of airlines that implement our services, our ability to negotiate favorable economic terms with our customers and partners, and the number of passengers who use our services. Growth in our margins is dependent on our ability to manage the costs associated with implementing and operating our services, including the costs of licensing and distributing content, equipment and satellite service. Our ability to attract and retain new and existing customers will be highly dependent on our abilities to implement our services on a timely basis and continually improve our network and operations as technology changes and as we experience increased network capacity constraints as we continue to grow.

As technology continues to evolve, we believe that there are opportunities to expand our services by adding more content in a greater variety of formats. Currently, our Content and Connectivity operating segments are separate platforms; however, we believe there is an opportunity to diversify our revenue long-term by cross leveraging these services, including offering a greater variety of premium paid content across our Connectivity platform. For example, we acquired AIA (we currently own 94%), and more recently PMG and IFES, to accelerate our paid premium content opportunity. In addition, we expect to realize significant cost savings as we integrate the operations of Row 44, AIA, PMG, and IFES during the second half of 2014. Conversely, the evolution of technology presents an inherent risk to our Content and Connectivity operating segments. Today, our Connectivity platform utilizes leading satellite Ku-band systems and equipment; however, and with the introduction and evolution of more competitive technologies such as GSM and Ka-band satellite solutions, our current technology may become obsolete, too expensive and or outdated. As a result, we may lose customers to our competitors who offer more technologically evolved and or less costly connectivity systems in the future. In addition, the future growth in our Content operating segment relies heavily on our airline customers continuing to utilize onboard in-flight entertainment (“IFE”) systems for their passengers to watch media content. With the emergence and increased use of hand-held personal devices by airline passengers, our airline customers may decide to decrease the media content onboard IFE systems, and or discontinue the use of IFE systems indefinitely. This would adversely impact the future growth of our Content operating segment.

As of December 31, 2013, we owned approximately 94% of AIA. Shares of AIA's capital stock not owned by us are listed in the Regulated Market ("General Standard") of the Frankfurt Stock Exchange. During the third quarter of 2013, we commenced the process to acquire the remaining non-controlling AIA shareholder interests. In February 2014, AIA’s shareholders approved a resolution to transfer all non-controlling AIA shareholder interests to us in exchange for specified cash compensation to be paid in the first half of 2014. We expect to pay between $15.0 million to $20 million to acquire these non-controlling AIA shareholder interests. In addition, following the acquisition of these remaining outstanding shares, we expect to incur significant professional fees and personnel costs to integrate the operations of AIA during the second half of 2014.

We are significantly dependent on certain key suppliers. The Connectivity operating segment purchases its satellite bandwidth from a single supplier, TECOM, which also provides us with certain equipment and servers required to deliver the satellite stream, rack space at the supplier's data centers to house the equipment and servers and network operations service support. We also purchase radomes, satellite antenna systems and rings from single suppliers. Any interruption in supply from these significant vendors could have a material impact on our ability to provide connectivity services to airline customers.

Our consolidated cost of sales, the largest component of our operating expenses, can vary from period to period, particularly as a percentage of revenue, based upon the mix of the underlying equipment and service revenues we generate. In the near term, we expect that the period-over-period growth in our Connectivity revenue will exceed the growth in our Content revenue, which typically provides for lower operating margins. However, we do expect that our costs of sales as a percentage of our revenue will continue to improve through the first half of 2014 compared to same period in 2013 largely due to the expected growth of our Connectivity services revenue.

In July 2013, our customer Southwest Airlines announced “TV Flies Free” under which Southwest passengers using Internet-ready personal devices have free access to live television and up to 75 on-demand shows on the airline's more than 400 Wi-Fi-enabled aircraft powered by us. TV Flies Free initially is being sponsored by DISH Network Corporation, through 2014, with a possible extension through 2015. A significant amount of the revenue we generate from the TV Flies Free program is indirectly provided by the program’s sponsor. Should sponsorship revenue not be available to Southwest Airlines from DISH or another third party, Southwest Airlines is under no contractual obligation to offer free access to live television and on-demand shows to its passengers. As a result, there can be no assurance that we will continue to receive the same level of revenues from Southwest Airlines, and Connectivity service revenue in future periods may fluctuate accordingly.

In connection with our Business Combination in the first quarter of 2013, we assumed approximately $22.0 million of accrued expense obligations and incurred an incremental $12.0 million in one-time fees associated with the transaction. We incurred approximately $3.5 million of additional operating expenses in the fourth quarter of 2013 related to the addition of personnel, professional fees and systems to build our infrastructure to support our public company compliance and certain corporate alignment initiatives in the latter half of 2013. We believe that factors such as these will continue to constrain our operating margin growth in the short-term as we increase our investment in new business initiatives, such as our recent acquisitions of PMG and IFES, to support future growth.

For the year ended December 31, 2013, a substantial amount of our Connectivity revenue was derived from airlines located in the United States. While our Connectivity revenue is primarily generated through airlines based in the United States today, we believe that there is an opportunity in the longer term for us to significantly expand our Connectivity operating segment's service offerings to airlines based in countries outside of the United States. More recently, we began installing our Connectivity services on two airlines based in Russia. In 2013, we announced a partnership with China Telecom Communications Co., LTD to jointly work to expand our Connectivity services within the People's Republic of China. We plan to further expand our Connectivity operations internationally to address this opportunity. As we expand our business internationally, we may incur additional expenses associated with this growth initiative.

Key Components of Consolidated Statements of Operations

The following briefly describes certain key components of revenue and expenses as presented in our consolidated statements of operations.

Revenue

Our revenue is derived from our Connectivity and Content operating segments.

Connectivity Segment

We currently generate our Connectivity revenue through the sale of equipment and through our Wi-Fi Internet and related service offerings. Our equipment revenue is based on the sale and corresponding support of Row 44's connectivity equipment to its commercial airline customers. Our service revenue is based on the fees paid by airlines and/or airline passengers for the delivery of in-flight services, such as Internet access and live television, and to a lesser extent from revenue sharing arrangements with commercial airlines for Internet based services used by their passengers, such as shopping.

Where we enter into revenue sharing arrangements with our customers, and we act as the primary obligor, we report the underlying revenue on a gross basis in our consolidated statements of operations, and record the revenue-sharing payments to our customers in costs of sales. In determining whether to report revenue gross for the amount of fees received from our customers, we assess whether we maintain the principal relationship, bear credit risk and have latitude in establishing prices with the airlines.

Included in our Connectivity service revenue are periodic service level credits, which vary from airline to airline and are based on the contracted service levels we provide over any given period.

Content Segment

A significant amount of our Content revenue is generated from licensing of acquired and third party media content, video and music programming, applications, and video games to the airline industry, and secondarily from services ranging from selection, purchase, production, customer support and technical adjustment of content in connection with the integration and servicing of in-flight entertainment programs. Our Content licensing revenue is based upon individual licensing agreements with the airlines to deliver and air content over specified terms. Content services revenue, such as technical services, the encoding of video products, development of graphical interfaces or the provision of materials, is priced on specific services contracted for and recognized as services are performed.

Operating Expenses

Operating expenses consist of cost of sales, sales and marketing, product development, general and administrative, and amortization of intangible assets. Included in our operating expenses are stock based compensation and depreciation expenses associated with our capital expenditures.

Cost of Sales

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Connectivity Segment Cost of Sales

Connectivity segment cost of sales consists of the costs of our equipment and services.

Equipment. Equipment costs of sales are substantially comprised of the costs paid to procure our equipment for services. Equipment costs are principally comprised of the costs we pay to third parties to facilitate our equipment orders, and are originally classified as inventory on our balance sheet upon receipt of goods. Upon sale, equipment costs of sales are recorded when title and risk of loss pass to the customer, which is aligned with our equipment revenue recognition. As we near the completion of equipping the Southwest airline fleet for our services, we expect that equipment costs of sales will continue to decline in the near term as compared to 2012.

Services. Service costs of sales principally consist of the costs of satellite service and support, revenue recognized by us and shared with others as a result of our revenue-sharing arrangements, Internet connection and co-location charges and other platform operating expenses including depreciation of the systems and hardware used to build and operate our platform; and personnel costs related to our network operations, customer service and information technology. As we continue to build out our Connectivity services platform and expand our satellite coverage globally, we anticipate that our service costs will increase when compared to historical periods. Our services cost of sales are dependent on a number of factors, including the amount of satellite coverage and bandwidth required to operate our services and the number of partners we share our corresponding revenue with.

Content Segment Cost of Sales

Content segment cost of sales principally consists of licensing fees paid to acquire content rights for the airline industry, and to a lesser extent service and personnel costs to support our Content business.

Sales and Marketing

Sales and marketing expenses consist primarily of sales and marketing personnel costs, sales support, public relations, advertising, marketing and general promotional expenditures. Fluctuations in our sales and marketing expenses are generally the result of our efforts to support the growth in our businesses, including expenses required to support the expansion of our direct sales force. We currently anticipate that our sales and marketing expenses will continue to increase in the near term as a percent of revenue as we continue to grow our sales and marketing organizations and invest in marketing activities to support the growth of our businesses.

Product Development

Product development expenses consist primarily of expenses incurred in our software engineering, product development and web portal design activities and related personnel costs. Fluctuations in our product development expenses are generally the result of hiring personnel to support and develop our platform, including the costs to further develop our Connectivity segment platform and network operations. We currently anticipate that our product development expenses will increase as we continue to hire more product development personnel and further develop our products and offerings to support the growth of our business, but remain relatively flat as a percentage of revenue compared to 2013.

General and Administrative

General and administrative expenses consist primarily of personnel costs from our executive, legal, finance, human resources and information technology organizations and facilities related expenditures, as well as third party professional fees, insurance and bad debt expenses. Professional fees are largely comprised of outside legal, accounting audit and information technology consulting. For the years ended December 31, 2012 and 2013, our allowance for doubtful accounts and bad debt expense were not significant and we expect that this trend will continue in the near term. During the first quarter of 2013, we incurred approximately $12.0 million in one-time professional fees associated with the Business Combination. For the second half of 2013, we experienced increased personnel costs and professional fees related to merger and acquisition activities, including the acquisitions of PMG and IFES in July and October 2013, respectively, our efforts to support public company compliance and efforts to create synergies between our businesses. As we continue to expand our business, we anticipate general and administrative expenses will increase at a higher rate than our projected revenue growth in the near term when compared to historical periods.

Amortization of Intangibles

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The Company determines the appropriate useful life of intangible assets by performing an analysis of expected cash flows based on its historical experience of intangible assets of similar quality and value. We expect amortization expense to fluctuate in the near term as we increase identifiable intangible assets acquired in the PMG and IFES acquisitions in the second half of 2013. Amortization as a percentage of revenue will depend upon a variety of factors, such as the amounts and mix of our identifiable intangible assets acquired in business combinations.

Stock-based Compensation

Included in our operating expenses are expenses associated with stock-based compensation, which are allocated and included in costs of sales, sales and marketing, product development and general and administrative expenses as necessary. Stock-based compensation expense is largely comprised of costs associated with stock options granted to employees and certain non-employees. We record the fair value of these equity-based awards and expense at their cost ratably over related vesting periods. In addition, stock-based compensation expense includes the cost of warrants to purchase common and preferred stock issued to certain non-employees.

As of December 31, 2013, we had approximately $19.7 million of unrecognized employee related stock-based compensation, net of estimated forfeitures, which we expect to recognize over a weighted average period of approximately 3.03 years. Stock-based compensation expense is expected to increase throughout 2014 as compared to 2013 as a result of our existing unrecognized stock-based compensation and as we issue additional stock-based awards to continue to attract and retain employees and non-employee directors.

Other Income (Expense)

Other income (expense) principally consists of changes in the fair value of our derivative financial instruments, interest on outstanding debt associated with our foreign notes payable and interest income on interest earned on cash balances and short-term investments and certain unrealized transaction gains and losses on foreign currency denominated assets and liabilities. We typically invest our available cash balances in money market funds and short-term United States Treasury obligations. We expect our transaction gains and losses will vary depending upon movements in underlying currency exchange rates, and could become more significant with the acquisitions of AIA and IFES in 2013.

Provision for Income Taxes

Since our inception, we have been subject to income taxes principally in the United States, and more recently with the acquisition of AIA in January 2013, PMG in July 2013, and IFES in October 2013, in other countries where we have a legal presence, including Germany, the United Kingdom, the Netherlands, Canada, China, India, Hong Kong and the United Arab Emirates. We anticipate that as we continue to expand our operations outside the United States, we will become subject to taxation based on the foreign statutory rates and our effective tax rate could fluctuate accordingly.

Income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

We currently believe that based on the available information, it is more likely than not that some of our deferred tax assets will not be realized, and accordingly we have recorded a valuation allowance against certain of our federal, state and foreign deferred tax assets. As of December 31, 2013 and 2012, we had approximately $102.2 million and $81.0 million of federal and $58.9 million and $54.2 million, respectively, of state operating loss carry-forwards available to offset future taxable income which expire in varying amounts beginning in 2026 for federal and 2014 for state purposes if unused. Federal and state laws impose substantial restrictions on the utilization of net operating loss and tax credit carry-forwards in the event of an "ownership change," as defined in Section 382 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Currently, we expect the utilization of our net operating loss and tax credit carry-forwards in the near term to be affected by certain limitations placed on these carry-forwards as a result of our previous ownership changes with PAR Capital.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with our revenue recognition, accounts receivable and allowance for doubtful accounts, capitalization and useful lives associated with our intangible assets, including our internal software and website development and content costs, income taxes, derivative financial instruments, stock-based compensation and the recoverability of our goodwill and long-lived assets, have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Revenue Recognition

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

We have determined, among other criteria, that we are the primary obligor in the fulfillment of our Connectivity and Content services. As a result, we report revenue on a gross basis in our consolidated statements of operations for both segments.

Connectivity Equipment Revenue

Connectivity equipment revenue is generated as title and risk of our equipment sales pass to our customers, which is generally upon shipment or arrival at destination depending on the contractual arrangement with the customer. In determining whether an arrangement exists, we ensure that a binding arrangement is in place, such as a standard purchase order or a fully executed customer-specific agreement. In cases where a customer has the contractual ability to accept or return equipment within a specific time frame, we will provide for return reserves when and if necessary, based upon historical experience.

Connectivity Service Revenue

Our Connectivity service revenue includes in-flight Wi-Fi Internet services, live television, on-demand content, shopping and travel-related information. Service revenue is recognized after it has been rendered and the customer can use the service, which is in the form of (i) enplanement for boarded passengers, (ii) usage by passengers, depending upon the specific contract, and (iii) other revenue such as advertising sponsorship.

Content Licensing Revenue

Content licensing revenue is principally generated through the sale or license of media content, video and music programming, applications, and video games to airlines, and to a lesser extent, through various services such as encoding and editing of media content. Revenue from the sale or license of content is recognized when the content has been delivered and the contractual performance obligations have been fulfilled, generally at the time a customer's license period begins.

Content Services Revenue

Content services revenue, such as technical services or the provision of materials, is billed and recognized as services are performed.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consist of amounts due from airlines or third parties who we provide services to, including our Connectivity and Content related services, advertising services through our platform and sales of our equipment. Accounts receivable from these providers are recorded when we earn the underlying revenue, and are generally due within 30 to 45 days from the month-end in which the invoice is generated.

We maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivables from our customers based on our best estimate of the amount of probable losses from existing accounts receivable. We determine the allowance based on analysis of historical bad debts, advertiser concentrations, advertiser credit-worthiness and current economic trends. In addition, past due balances over 90 days and specific other balances are reviewed individually for collectability on at least a quarterly basis.

Goodwill

Goodwill represents the excess of the cost of an acquired entity over the fair value of the acquired net assets. Beginning in 2013, and in conjunction with the acquisitions of AIA in January 2013, PMG in July 2013, and IFES in October 2013, we perform our annual impairment test of goodwill on October 1st of our fiscal year or when events or circumstances change that would indicate that goodwill might be impaired, including, but not limited to, a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends or significant under-performance relative to expected historical or projected future results of operations.

Goodwill is tested for impairment at the reporting unit level, which is one level below or the same as an operating segment. In accordance with amended FASB guidance for goodwill impairment testing, we performed a qualitative assessment for our reporting units which management estimates each have fair values that significantly exceed their respective carrying values. For each reporting unit, we weighed the relative impact of factors that are specific to the reporting unit as well as industry and macroeconomic factors. The reporting unit specific factors that we considered included financial performance and changes to the reporting units' carrying amounts. For each reporting unit, we considered assumptions about sales, operating margins, and growth rates which are based on our forecasts, business plans, economic projections, anticipated future cash flows and marketplace data. We also assessed the impact of macroeconomic factors on the discount rates and growth rates used for the most recent impairment tests, and determine if they would significantly affect the fair value of our reporting units. As of December 31, 2013, the Company concluded that for each of its reporting units, it is more likely than not that the fair value of each reporting unit exceeds its carrying amount and that it was therefore unnecessary to perform any additional impairment tests as of such date.

Useful Lives Associated with our Intangible Assets, including Internal Software and Website Development Costs

We have capitalized certain identifiable intangible assets acquired in connection with business combinations and we use valuation techniques to value these intangibles assets, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires us to make various judgmental assumptions and estimates including projected revenues, operating costs, growth rates, useful lives and discount rates. Beginning in the first half of 2013, we also began capitalizing our internally developed software and platform development costs during their development phase.

We amortize our intangible assets acquired through business combinations on a straight-line basis over the period in which the underlying economic benefits are expected to be realized. Internally developed software and website development costs are depreciated on a straight-line basis over their estimated useful life, which is generally no greater than three years.

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Recoverability of Long-lived Assets

We evaluate the recoverability of our intangible assets, and other long-lived assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. These trigger events or changes in circumstances include, but are not limited to a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used, significant adverse changes in legal factors, including changes that could result from our inability to renew or replace material agreements with certain of our partners such as Southwest on favorable terms, significant adverse changes in the business climate including changes which may result from adverse shifts in technology in our industry and the impact of competition, a significant adverse deterioration in the amount of revenue or cash flows we expect to generate from an asset group, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of our long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. We perform impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In making this determination, we consider the specific operating characteristics of the relevant long-lived assets, including (i) the nature of the direct and any indirect revenues generated by the assets; (ii) the interdependency of the revenues generated by the assets; and (iii) the nature and extent of any shared costs necessary to operate the assets in their intended use. An impairment test would be performed when the estimated undiscounted future cash flows expected to result from the use of the asset group is less than its carrying amount. Impairment is measured by assessing the usefulness of an asset by comparing its carrying value to its fair value. If an asset is considered impaired, the impairment loss is measured as the amount by which the carrying value of the asset group exceeds its estimated fair value. Fair value is determined based upon estimated discounted future cash flows. The key estimates applied when preparing cash flow projections relate to revenue, operating margins, economic lives of assets, overheads, taxation and discount rates. To date, we have not recognized any such impairment loss associated with our long-lived assets.

Income Taxes

We account for our income taxes using the liability and asset method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or in our tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Deferred income taxes are recognized for differences between financial reporting and tax bases of assets and liabilities at the enacted statutory tax rates in effect for the years in which the temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. We evaluate the realizability of our deferred tax assets and valuation allowances are provided when necessary to reduce deferred tax assets to the amounts expected to be realized.

We operate in various tax jurisdictions and are subject to audit by various tax authorities. We provide tax contingencies whenever it is deemed probable that a tax asset has been impaired or a tax liability has been incurred for events such as tax claims or changes in tax laws. Tax contingencies are based upon their technical merits, and relevant tax law and the specific facts and circumstances as of each reporting period. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax contingencies.

We recognize a 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 consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. We recognize interest and penalties accrued related to unrecognized tax benefits in our income tax (benefit) provision in our statements of operations.

We calculate our current and deferred tax provisions based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified. The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities. Our estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made.

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Derivative Financial Instruments

Derivative financial instruments include certain warrants to purchase shares of our stock that are accounted for on a fair value basis. Embedded derivative instruments subject to bifurcation are also accounted for on a fair value basis. The period to period change in fair value of derivatives is recorded through earnings. Cash flows from embedded derivatives subject to bifurcation are reported consistently with the host contracts within the statements of cash flows. Cash flows from other derivatives are reported in cash flows from investing activities within the statements of cash flows.

The Company sometimes uses derivative financial instruments such as interest rate swaps to hedge interest rate risks. These derivatives are recognized at fair value on the transaction date and subsequently remeasured at fair value. Derivatives are measured as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Gains or losses on changes in the fair value of derivatives are recognized immediately in the statement of operations as a component of other income (expense).

Stock-based Compensation

We measure and recognize compensation expense for all share-based payment awards made to employees and directors based on the grant date fair values of the awards. For stock option awards to employees with service and/or performance based vesting conditions, the fair value is estimated using the Black-Scholes option pricing model. The value of an award that is ultimately expected to vest is recognized as expense over the requisite service periods in our consolidated statements of operations. We elected to treat share-based payment awards, other than performance awards, with graded vesting schedules and time-based service conditions as a single award and recognize stock-based compensation expense on a straight-line basis (net of estimated forfeitures) over the requisite service period. Stock-based compensation expenses are classified in the statement of operations based on the department to which the related employee reports. Our stock-based awards are comprised principally of stock options.

We account for stock options issued to non-employees in accordance with the guidance for equity-based payments to non-employees. Stock option awards to non-employees are accounted for at fair value using the Black-Scholes option pricing model. Our management believes that the fair value of stock options is more reliably measured than the fair value of the services received. The fair value of the unvested portion of the options granted to non-employees is re-measured each period. The resulting increase in value, if any, is recognized as expense during the period the related services are rendered.

The Black-Scholes option pricing model requires management to make assumptions and to apply judgment in determining the fair value of our awards. The most significant assumptions and judgments include estimating the fair value of our underlying stock, the expected volatility and the expected term of the award. In addition, the recognition of stock-based compensation expense is impacted by estimated forfeiture rates.

Because the accounting acquirer's common stock was not publicly traded prior to February 1, 2013, we estimated the expected volatility of our awards from the historical volatility of selected public companies within the technology and media industries with comparable characteristics to us, including similarity in size, lines of business, market capitalization, revenue and financial leverage. From our inception through December 31, 2013, the weighted average expected life of options was calculated using the simplified method as prescribed under guidance by the SEC. This decision was based on the lack of relevant historical data due to our limited experience and the lack of an active market for our common stock. The risk free interest rate is based on the implied yield currently available on U.S. Treasury issues with terms approximately equal to the expected life of the option. The expected dividend rate is zero based on the fact that we currently have no history or expectation of paying cash dividends on our common stock. The forfeiture rate is established based on the historical average period of time that options were outstanding and adjusted for expected changes in future exercise patterns.

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Results of Operations

The following tables set forth our results of operations for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results (in thousands):

	Year ended December 31,		
	2013	2012	2011
Revenue	$259,722	$69,210	$33,637
Operating expenses:			
Cost of sales	197,938	76,897	35,947
Sales and marketing expenses	10,330	3,935	3,129
Product development	9,068	2,646	3,392
General and administrative	70,629	14,534	9,552
Amortization of intangible assets	17,281	34	25
Total operating expenses	305,246	98,046	52,045
Loss from operations	(45,524)	(28,836)	(18,408)
Other income (expense):			
Interest income (expense), net	(2,417)	(10,368)	(233)
Change in value of derivative financial instruments	(63,961)	(3,576)	—
Other income (expense)	(1,000)	(23)	(60)
Total other income (expense)	(67,378)	(13,967)	(293)
Loss before income taxes	(112,902)	(42,803)	(18,701)
Income tax expense	(1,839)	—	—
Net loss	(114,741)	(42,803)	(18,701)
Net income attributable to non-controlling interests	(290)	—	—
Net loss attributable to common stockholders	$(115,031)	$(42,803)	$(18,701)
Net loss attributable to common stock per share - basic and diluted	$(2.17)	$(2.24)	$(1.35)
Weighted average number of common shares outstanding - basic and diluted	53,061	19,148	13,883

The following table provides the depreciation expense included in the above line items (in thousands):

	Year ended December 31,		
	2013	2012	2011
Cost of sales	$1,113	$—	$—
Sales and marketing	—	—	—
Product development	71	—	—
General and administrative	2,719	1,225	834
Total depreciation expense	$3,903	$1,225	$834

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The following table provides the stock-based compensation expense included in the above line items (in thousands):

	Year ended December 31,		
Stock-based compensation expense:	2013	2012	2011
Cost of sales	$—	$2	$7
Sales and marketing expenses	—	2	9
Product development	—	3	43
General and administrative	4,536	1,634	34
Total stock-based compensation expense	$4,536	$1,641	$93

The following table provides our results of operations, as a percentage of revenue, for the periods presented:

	Year ended December 31,					
	2013		2012		2011	
Revenue	100	%	100	%	100	%
Operating expenses:						
Cost of sales	76	%	111	%	107	%
Sales and marketing expenses	4	%	6	%	9	%
Product development	3	%	4	%	10	%
General and administrative	27	%	21	%	28	%
Amortization of intangible assets	7	%	—	%	—	%
Total operating expenses	118	%	142	%	155	%
Loss from operations	(18	)%	(42	)%	(55	)%
Other income (expense), net	(26	)%	(20	)%	(1	)%
Loss before income taxes	(43	)%	(62	)%	(56	)%
Income tax expense	(1	)%	—	%	—	%
Net loss	(44	)%	(62	)%	(56	)%
Preferred stock dividends, accretion on preferred stock & non-controlling interests	—	%	(13	)%	(16	)%
Net loss attributable to common stockholders	(44	)%	(62	)%	(56	)%

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Operating Segments

The following tables set forth our contribution profit for each operating segment in the periods presented (in thousands):

	Year ended December 31,						
	2013			2012		2011	
	Content	Connectivity	Consolidated	Content	Connectivity	Content	Connectivity
Revenue:							
Licensing	$153,966	—	$153,966	$—	$—	$—	$—
Service	27,912	51,350	79,262		11,365	—	3,182
Equipment	7	26,487	26,494	—	57,845	—	30,455
Total Revenue	181,885	77,837	259,722	—	69,210	—	33,637
Operating Expenses:							
Cost of Sales	134,207	63,731	197,938	—	76,897	—	35,947
Contribution Profit	47,678	14,106	61,784	—	(7,687)	—	(2,310)
Other Operating Expenses			107,308	—	21,149	—	16,098
Loss from Operations			$(45,524)	—	$(28,836)	—	$(18,408)

Revenue

Connectivity operating segment revenue was as follows (in thousands):

	Year ended December 31,			% Change	
	2013	2012	2011	2012 to 2013	2011 to 2012
Service revenue	$51,350	$11,365	$3,182	352%	257%
Equipment revenue	26,487	57,845	30,455	(54)%	90%
Total Revenue Connectivity Segment	$77,837	$69,210	$33,637	12%	106%

Connectivity Service Revenue

2013 compared to 2012. Connectivity service revenue increased $40.0 million, or 352%, to $51.4 million for the year ended December 31, 2013, as compared to $11.4 million for the year ended December 31, 2012. The increase was principally due to the growth in users of our Wi-Fi Internet services on Southwest Airlines, which was driven by a higher number of Southwest planes offering our Connectivity services in 2013 as compared to 2012, coupled with the commencement of the TV Flies Free service on Southwest Airlines in July 2013.

2012 compared to 2011. Connectivity service revenue increased $8.1 million or 257% to $11.4 million for the year ended December 31, 2012, as compared to $3.2 million for the year ended December 31, 2011. The increase was principally due to the growth in users of our Wi-Fi Internet services on Southwest Airlines, which was driven by a higher number of Southwest planes offering our Connectivity services in 2012 as compared to 2011.

Connectivity Equipment Revenue

2013 compared to 2012. Connectivity equipment revenue decreased by $31.4 million, or 54%, to $26.5 million for the year ended December 31, 2013, as compared to $57.8 million for the year ended December 31, 2012. The decrease was primarily due to the timing of equipment installations on the Southwest Airlines fleet, which was substantially complete prior 2013.

2012 compared to 2011. Connectivity equipment revenue increased $27.4 million, or 90%, to $57.8 million for the year ended December 31, 2012, as compared to $30.5 million for the year ended December 31, 2011. The increase was primarily due to increased equipment shipments for installations on the Southwest Airlines fleet in 2012 as compared to 2011.

Content operating segment revenue was as follows (in thousands):

	Year ended December 31,			% Change	
	2013	2012	2011	2012 to 2013	2011 to 2012
Licensing revenue	$153,966	$—	$—	—	—
Service revenue	27,912	—	—	N/A	N/A
Equipment revenue	7	—	—	N/A	N/A
Total Revenue Content Segment	$181,885	$—	$—	N/A	N/A

Content Licensing Revenue
2013 compared to 2012. Content licensing revenue increased to $154.0 million for the year ended December 31, 2013 compared to $0 for the year ended December 31, 2012. Content licensing revenue is generated from AIA, PMG and IFES, which we acquired on January 31, July 10, and October 18, 2013, respectively, and were not part of our operations in 2012.
Content Service Revenue
2013 compared to 2012. Content service revenue increased to $27.9 million for the year ended December 31, 2013 compared to $0 for the year ended December 31, 2012. Content service revenue is generated from AIA, PMG and IFES, which we acquired on January 31, July 10, and October 18, 2013, respectively, and were not part of our operations in 2012.

Cost of Sales

Connectivity operating segment cost of sales was as follows (in thousands):

	Year Ended December 31,			% Change			
	2013	2012	2011	2012 to 2013		2011 to 2012	
Service cost of sales	$42,590	$22,327	$8,089	91	%	176	%
Equipment cost of sales	21,141	54,570	27,858	(61	)%	96	%
Total Connectivity Cost of Sales	$63,731	$76,897	$35,947	(17	)%	114	%

2013 compared to 2012. Connectivity cost of sales decreased $13.2 million, or 17%, to $63.7 million for the year ended December 31, 2013 compared to $76.9 million for the year ended December 31, 2012 due to a $33.4 million decrease in Connectivity equipment cost of sales, offset by a $20.3 million increase in Connectivity service cost of sales. The decrease in equipment cost of sales was principally due to a decline in equipment revenue over the same period as a result of the timing of equipment installations on the Southwest Airlines fleet, which was substantially complete prior to 2013. The increase in service cost of sales was principally due to higher satellite bandwidth costs to support the growth in our Connectivity service revenue during the same period.

As a percentage of Connectivity equipment revenue, Connectivity equipment cost of sales was 79.8% during the year ended December 31, 2013 as compared to 94.3% for the year ended December 31, 2012, a decrease of 1,450 basis points. The period over period improvement in contribution margin was primarily due to a higher mix of equipment installations on the Southwest Airline fleet during 2012 as compared to 2013, which were sold at less favorable margins as compared to other airlines.

As a percentage of Connectivity service revenue, Connectivity service cost of sales was 82.9% during the year ended December 31, 2013 as compared to 196.5% for the year ended December 31, 2012, an improvement of 11.355 basis points. The period to period improvement in contribution margin was largely due to higher service revenue from

Southwest Airlines during the year ended December 31, 2013 versus the year ended December 31, 2012. When compared to 2012, the growth in Connectivity service revenue during 2013 exceeded the increase in certain fixed satellite bandwidth costs over the same period, coupled with the commencement of the TV Flies Free service on Southwest Airlines in 2013. The TV Flies Free service largely utilizes our existing bandwidth and satellite costs, and as a result is highly accretive to our operating results.

2012 compared to 2011. Connectivity cost of sales increased $41.0 million or 114% to $76.9 million for the year ended December 31, 2013 compared to $35.9 million for the year ended December 31, 2012. The increase was due to a $26.7

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million increase in Connectivity equipment cost of sales, coupled with a $14.2 million increase in Connectivity service cost of sales. The increase in Connectivity equipment cost of sales was associated with the corresponding increase in equipment revenue as a result of the timing of equipment installations in 2012 on the Southwest Airlines fleet as compared to 2011. The Connectivity service cost of sales increase was principally a result of higher satellite bandwidth costs to support the growth in our Connectivity service revenue during the same period.

As a percentage of Connectivity equipment revenue, Connectivity equipment cost of sales was 94.3% during 2012 as compared to 91.5% during 2011, an increase of 250 basis points. The period over period change in contribution margin was primarily due to higher mix of equipment installations on the Southwest Airline fleet in 2012, as compared to 2011, which were sold at less favorable margins as compared to other airlines.

As a percentage of Connectivity service revenue, Connectivity service cost of sales was 196.5% during the year ended December 31, 2012 as compared to 254.2% during the year ended December 31, 2011, a decrease of 5,770 basis points. The period to period improvement was largely due to increased passenger service revenue from Southwest, which exceeded certain fixed satellite bandwidth costs during 2012 as compared to 2011.

Content operating segment cost of sales was as follows (in thousands):

	Year Ended December 31,			% Change	
	2013	2012	2011	2012 to 2013	2011 to 2012
Content Cost of Sales	$134,207	—	—	N/A	N/A

2013 compared to 2012. Content licensing cost of sales increased to $134.2 million for the year ended December 31, 2013, as compared to $0.0 million for the year ended December 31, 2012. The increase was a result of the acquisitions of AIA, PMG and IFES in 2013.

Other Operating Expenses

Other operating expenses were as follows (in thousands):

	Year Ended December 31,			% Change			
	2013	2012	2011	2012 to 2013		2011 to 2012	
Sales and marketing expenses	$10,330	$3,935	$3,129	163	%	26	%
Product development	9,068	2,646	3,392	243	%	(22	)%
General and administrative	70,631	14,534	9,552	386	%	52	%
Amortization of intangible assets	$17,281	$34	$25	50,726	%	36	%

Sales and Marketing Expenses

2013 compared to 2012. Sales and marketing expenses increased $6.4 million, or 163%, to $10.3 million for the year ended December 31, 2013 as compared to $3.9 million for the year ended December 31, 2012. The increase was largely due to $5.1 million of sales and marketing expenses in the year ended December 31, 2013 associated with the acquisitions of AIA, PMG and IFES in 2013. The remaining increase of $1.2 million was largely due to increased consulting expenses to support the growth in our Connectivity business and the further development of our Wi-Fi Internet portal in 2013.

2012 compared to 2011.Sales and marketing expenses increased $0.8 million, or 26%, to $3.9 million for the year ended December 31, 2012 as compared to $3.1 million for the year ended December 31, 2011. The increase was largely due to increased sales travel in 2012 of $0.4 million to support increased sales efforts in territories such as

Russia and Iceland, and $0.4 million in increased sales tradeshow expenses in 2012.

Product Development

2013 compared to 2012. Product development expenses increased $6.4 million, or 243%, to $9.1 million for the year ended December 31, 2013 compared to $2.6 million for the year ended December 31, 2012. The increase was largely due to

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$5.7 million of product development expenses in the year ended December 31, 2013 associated with the acquisitions of AIA, PMG, and IFES in 2013. The remaining $0.7 million increase was due to product development consulting associated with new development efforts and increased consulting expenses associated with the deployment of our W-Fi Internet portal in 2013, coupled with increased research and development on new technologies in the Connectivity business in 2013. Offsetting these increases were approximately $1.4 million of internally developed software projects capitalized during 2013 compared to $0 in 2012, offset by certain development expenses reimbursed by clients in 2012 of approximately $0.5 compared to $0 in 2013.

2012 compared to 2011. Product development expenses decreased $0.7 million, or 22%, to $2.6 million for the year ended December 31, 2012 compared to $3.4 million for the year ended December 31, 2012. The decrease was largely due to $0.5 million of development expenses reimbursed by clients in 2012 as compared to $0 in 2011. The remaining decrease of $0.2 million in product development consulting was largely due to increased consulting expenses in 2011 associated with the deployments of STCs on commercial airlines.

General and Administrative

2013 compared to 2012. General and administrative costs increased $56.1 million, or 386%, to $70.6 million during the year ended December 31, 2013 compared to $14.5 million for the year ended December 31, 2012. The increase was due in part to $24.3 million of general and administrative expenses from AIA, PMG and IFES, which were acquired in 2013. The remaining increase of $31.8 million was principally due to a one-time backstop fee of $11.9 million paid to PAR Capital in the first quarter of 2013 in connection with Business Combination, an increase of approximately $10.0 million in professional fees principally to support the Business Combination and various public company initiatives in the period, $2.7 million in certain one-time expenses associated with the departures of two executives in the period, approximately $2.0 million increase in personnel-related expenses, and an increase of $5.3 million in stock-based compensation and depreciation expense.

2012 compared to 2011. General and administrative costs increased $4.9 million or 52% to $14.5 million during the year ended December 31, 2012 compared to $9.6 million for the year ended December 31, 2011. The increase was due to Row 44, which experienced increases of $2.4 million in hiring new personnel and related expenses in 2012 and $1.4 million in increased professional fees principally to support the then pending Business Combination and various company initiatives in 2012 as compared to 2011. The remaining increase of $1.1 million was largely due to increases in various corporate initiatives in 2012 as Row 44 began to invest in its infrastructure.

Amortization of Intangible Assets

2013 compared to 2012. Amortization expense increased to $17.3 million during the year ended December 31, 2013 as compared to less than $0.1 million for the year ended December 31, 2012. The increase is due to the amortization of acquired intangible assets acquired via the 2013 acquisitions of AIA, PMG and IFES. There were no acquisitions during the year ended December 31, 2012 and 2011, and as a result the year to date amounts in 2012 and 2011 are not comparable to 2013.

Total Other Income (Expense)

2013 compared to 2012. Total other income (expense) increased $53.4 million, or 382%, to $67.4 million during the year ended December 31, 2013 as compared to $14.0 million for the year ended December 31, 2012. The increase in the net expense of $60.3 million was principally due to the change in the fair value of the Company's public warrants in 2013, which did not exist until the Business Combination in January 2013, offset by a $7.9 million decrease in interest expense. Interest expense decreased $7.9 million principally due to a substantial reduction of Row 44's interest bearing debt in conjunction with the January 31, 2013 Business Combination, offset by an increase of $1.4 million in interest associated with upfront fees and accrued interest from the $19.0 million PAR note issued in the three months ended December 31, 2013. The remaining change of $1.0 million of other income (net) related to unrealized net losses and gains in foreign exchange rates during the year ended December 31, 2013, which did not exist until the Business Combination in January 2013.

2012 compared to 2011. Total other income (expense) increased $13.7 million, or 4,667%, to $14.0 million during the year ended December 31, 2012 as compared to $0.3 million for the year ended December 31, 2011. The increase was principally due to an increase in Row 44's interest bearing debt in conjunction with its financings in 2012 as compared to 2011.

Income Tax Expense

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2013 compared to 2012. Income tax expense was $1.8 million for the year ended December 31, 2013 compared to $0 for the year ended December 31, 2012. The income tax expense increase was largely due to foreign withholding taxes and income earned in the U.S., Germany, Canada and other foreign jurisdictions. Due to uncertainties in realizing future taxable income in certain U.S. and foreign jurisdictions, the Company had a valuation allowance of $ 50.8 million and $39.1 million at December 31, 2013 and 2012, respectively.

Selected Quarterly Financial Data (in thousands)

The following unaudited quarterly consolidated statements of operations data for the years ended December 31, 2013 and 2012, have been prepared on a basis consistent with our audited consolidated annual financial statements, and include, in the opinion of management, all normal recurring adjustments necessary for the fair statement of the financial information contained in those statements. The period-to-period comparison of financial results is not necessarily indicative of future results and should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

	Quarter ended,							
	March 31, 2012	June 30, 2012	September 30 2012	December 31, 2012	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Revenue	$18,507	$16,836	$19,305	$14,562	$42,513	$62,831	$74,518	$79,860