

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

## FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

FOR THE FISCAL YEAR ENDED MARCH 31, 1997  
or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number ( 0-21767 )

VIASAT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

33-0174996  
(I.R.S. Employer  
Identification No.)

2290 COSMOS COURT, CARLSBAD, CALIFORNIA 92009  
(760) 438-8099  
(Address, including zip code, and telephone number, including area code,  
of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:  
NONE

Securities registered pursuant to Section 12(g) of the Act:  
COMMON STOCK, \$.0001 PAR VALUE

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, as of June 16, 1997 was approximately \$59,409,099 (based on the closing price for shares of the registrant's Common Stock as reported by the Nasdaq National Market for the last trading day prior to that date). Shares of Common Stock held by each officer, director and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes

The number of shares outstanding of the registrant's Common Stock, \$.0001 par value, as of June 16, 1997 was 7,745,041.

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 1997 Annual Meeting are incorporated herein by reference into Part III of this Report. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended March 31, 1997.

Certain Exhibits filed with the registrant's Registration Statement on Form S-1 (File No. 333-13183), as amended, are incorporated by reference into Part IV of this Report.

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VIASAT, INC.

FORM 10-K

FOR THE FISCAL YEAR ENDED MARCH 31, 1997

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PART I

ITEM 1. BUSINESS

Except for the historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties. ViaSat, Inc. ("ViaSat" or the "Company") future results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not specifically limited to, timely product development, variation of royalty, license and other revenues, failure to satisfy performance obligations, uncertainty regarding the Company's patents and property rights (including the risk that the Company may be forced to engage in costly litigation to protect such patents and rights and the material adverse consequences to the Company if there were unfavorable outcome of any such litigation), difficulties in obtaining components needed for the production of wireless equipment and changes in economic conditions of various markets the Company serves, as well as the other risks detailed in this section, in particular under the heading Risk Factors. See "Glossary of Selected Terms" for definitions of certain terms used in this Report.

INTRODUCTION

ViaSat designs, produces and markets advanced digital satellite telecommunications and wireless signal processing equipment. The Company has achieved eleven consecutive years of internally generated revenue growth and ten consecutive years of profitability, primarily through defense-related applications. More recently, the Company has been developing and marketing its technology through strategic alliances for emerging commercial markets, such as rural telephony, alternative carrier access and Internet/Intranet access by satellite to multiple servers. ViaSat is a leading provider of Demand Assigned Multiple Access ("DAMA") technology, which allows a large number of Very Small Aperture Terminal ("VSAT") subscribers to economically share common satellite transponders for high-performance voice, fax or data communications.

The Company believes that DAMA satellite technology is superior to other existing VSAT networking technologies for many important applications. The existing Time Division Multiplex/Time Division Multiple Access ("TDM/TDMA") networking technology features a "hub and spoke" architecture which requires all transmissions to be routed through a central terrestrial hub. Unlike TDM/TDMA systems, DAMA provides direct, on-demand switched networking capabilities which do not require a terrestrial hub and allow faster and more efficient use of expensive satellite transponder resources. In addition, the Company believes that its DAMA products, commercially marketed under the tradename StarWire(TM), offer greater network flexibility and permit up to 50% greater satellite capacity than competing DAMA systems. See "-- The ViaSat Advantage" and "-- Technology."

ViaSat's DAMA products include satellite modems, networking processors and network control systems for managing large numbers of network subscribers. The Company's DAMA technology consists of proprietary real-time firmware and software designed to run on industry-standard digital signal processors. The Company also has developed DAMA network control software that operates on IBM-compatible personal computers running Windows NT(TM) operating systems. The Company's DAMA technology operates on satellites in the military UHF and SHF frequency bands, and commercial C and Ku bands. In addition to DAMA products, the Company offers network information security products, communications simulation and test equipment, and spread spectrum digital radios for satellite and terrestrial data networks.

#### RECENT DEVELOPMENTS

During the past year the Company has continued to demonstrate its leadership in DAMA satellite networking. Communications products for the U.S. Department of Defense and its prime contractors (collectively, the "DOD") continue to lead the Company's growth, as they have for 11 years. In addition, StarWire(TM) commercial network installations have reached India, Indonesia, several locations in the Caribbean and Central America, Colombia, Hong Kong, Brunei, Thailand, Bosnia, and Nigeria. Some specific highlights follow:

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- Installation, certification and commissioning of the DOD's 5 kHz DAMA network controllers at Norfolk and Hawaii is complete, with installations in Guam and Naples, Italy continuing in fiscal 1998.
- The EMUT UHF DAMA modem module received important government certifications. More than 2,000 of these units have been delivered, and the Company received a \$20.9 million follow on order for additional units, moving it into a dominant position in the government DAMA equipment market.
- The Company won a \$20 million, 3-year contract for two Joint Communication Simulators.
- Hutchison Telecommunications' first equipment installations are operational, with a network control site in Hong Kong and the first network traffic terminal in Brunei. Two more traffic sites in Kuala Lumpur, Malaysia and Pakistan, and a backup network control station in Singapore are due to be installed in the summer of 1997. This application offers cost-effective long distance telephone access across Asia via single-hop thin-route connections among public network carriers.

- StarWire(TM) distributor SCSI has inaugurated a network serving the International Civil Aviation Organization (ICAO), an agency of the United Nations that is responsible for worldwide air traffic control. This network is using StarWire(TM) terminals to establish voice, data, and radar communications among air traffic control sites in the Caribbean and Central America.
- In May 1997 the Company and Nortel ("Northern Telecom") signed a teaming agreement to jointly pursue fixed site and direct-to-home rural satellite telephony network opportunities, initially in the Asia-Pacific region. Nortel will contribute to this effort its considerable expertise in design and deployment of large-scale digital wireless and wireline networks. ViaSat will provide its advanced DAMA satellite networking technology.

#### INDUSTRY BACKGROUND

A broad array of new consumer, business and government markets, as well as the development of new technologies, have driven the significant expansion of the wireless communications industry. In addition to common consumer applications such as paging, cellular telephony and new Personal Communications Services ("PCS"), there is a wide range of other specialized terrestrial- and space-based wireless applications. Such wireless applications include government fixed and mobile wireless networking and commercial fixed-site, switched satellite services, ViaSat's principal lines of business. The growth in software-intensive wireless equipment markets stems from, among other things, increasing dependence on voice and data networks of all types, regulatory reform, advances in technology, decreasing costs of equipment and services, economic growth in developing nations, the increasing importance of communications infrastructure as a catalyst of economic growth, and increasing user acceptance of and confidence in wireless solutions. This growth in wireless equipment markets corresponds to a transition away from mere point to point radio links connecting remote or mobile users towards offering more comprehensive wireless network services. Market demands for wireless services are being addressed by both terrestrial- and satellite-based systems.

GOVERNMENT APPLICATIONS. Historically, the military has driven development of many new wireless technologies -- pioneering applications of satellite communications, digital radios, spread spectrum and mobile wireless networks to connect widely dispersed operations. In many cases these technologies have been extended and increased in scale for broader non-defense use. Defense applications of wireless technologies also have evolved over the same time period. The break-up of the Soviet Union has caused a de-emphasis on strategic missions and a shift towards more localized tactical roles such as peace-keeping, counter-terrorism, counter-insurgency and drug enforcement. These missions create new demands for rapidly deployable, mobile connectivity. Overall reductions in the defense budget have led to a numerically smaller, more technologically-advanced force structure. As a result, defense networks increasingly build

around real-time transmission of digital tactical data. Defense systems also are adopting and extending low cost commercial technologies to meet their needs.

There has been a constantly shifting flow of technology between government and commercial network applications. Both government and commercial users developed fixed-site, long-haul applications. The government pioneered mobile satellite terminals, as well as non-geosynchronous, high power and extremely high frequency satellites. Commercial users adopted elements of these technologies for Low Earth Orbit ("LEO") mobile telephony and high-powered Direct Broadcast Satellite ("DBS") television systems. Now government agencies are planning to integrate these technologies into still more advanced military networks. Often, companies with both government and commercial expertise have facilitated such technology transitions.

COMMERCIAL APPLICATIONS. The recent worldwide trend toward privatization of public telephone operators and deregulation of local telephone ("local loop") services has resulted in increased competition in the delivery of telephone services from alternative access providers. Many of these new access providers,

such as long-distance telephone carriers, must install or upgrade infrastructure to support basic and enhanced services. In addition, worldwide demand for basic telephone service has grown, especially in developing countries. As new infrastructure is established to deliver local telephone service, the technology exists to provide cost-effective, satellite-based wireless transmission systems, instead of a traditional wired approach, to connect subscribers to the public telephone network.

A growing segment of the wireless communications industry involves VSATs, which are communications systems utilizing fixed-site satellite terminals. Historically, these systems were primarily designed for certain specific data applications. But recent improvements in VSAT technology for satellite-based wireless voice and data networks have led to their increasing use in a variety of broader, higher system throughput commercial applications such as mobile and rural telephony and more complicated data transmissions. Satellite telephony systems are being utilized by developing countries that lack a terrestrial-based telecommunication infrastructure, and which seek to provide telephone service for large areas fairly rapidly and on a cost-effective basis. Additionally, even where terrestrial systems exist, satellite systems are used to fill in coverage for remote areas.

EVOLUTION OF VSAT TECHNOLOGY. The commercial VSAT business began with U.S. customers who operated large, sophisticated private terrestrial networks using TDM/TDMA technology. Customers such as chain retailers, hotels and auto dealers operated private data networks with hundreds or thousands of sites and a high flow of transactions from remote terminals to host mainframe computers for credit card validations, point-of-sale data collection, reservations or similar applications. Customers who used VSATs for data networking still relied on terrestrial providers for telephone service and possibly other telecommunication needs for their sites. Sales of such VSAT systems are often quite sensitive to prices from telephone carriers for equivalent packet transaction services. Users with large networks generally are the only ones who can justify the significant one-time cost of a VSAT network management hub.

TDM/TDMA technology, while more established than DAMA technology, features a "hub and spoke" architecture which requires all transmissions to be routed through a central hub and is most useful for remote to mainframe network connections. Remote-to-remote TDM/TDMA connections require two satellite hops. DAMA is better suited for remote-to-remote connections than TDM/TDMA because the voice quality is better and DAMA networks use expensive satellite transponders more efficiently. DAMA satellite technology allows individual subscribers to request links on demand directly to any other subscriber with a single satellite hop. DAMA allows users to make exactly the connections needed, lasting only for the duration of a voice call, fax, electronic mail or digital file transfer. DAMA technology has been under development for many years by the DOD to serve large networks of fixed and mobile subscribers sharing a limited amount of satellite capacity, but is only recently being deployed in significant quantities by the DOD.

The Company believes the opportunities for government and commercial ground station equipment sales are increasing. The government is planning over \$1.0 billion in total UHF space segment expenditures for tactical communications. DAMA is applicable to several different satellite bands, including government

UHF and SHF and commercial C, Ku and Ka bands. DAMA is also being used by commercial customers who believe that it is better suited for their applications than the earlier VSAT technologies.

#### THE VIASAT ADVANTAGE

In light of the limitations of the TDM/TDMA architecture, and the magnitude of the potential market for primary telecommunications services compared to the more limited market for data transaction services, ViaSat believes that DAMA networks will better serve the emerging international market for VSAT, voice and data services. Virtually all of the VSAT equipment makers are now adding DAMA products to their line of products. This represents a discontinuity in the VSAT market. VSAT vendors are now developing new

transmission waveforms, multiple access techniques, DAMA protocols, DAMA control software, subscriber terminals and interface protocols to support the targeted applications (voice, fax, dial-up data, video conferencing or others), which creates an opportunity for new equipment suppliers such as the Company.

The Company believes that its DAMA-based products have technological advantages over competing DAMA products in offering practical solutions for telecommunications applications through several means:

#### FLEXIBILITY

Since communications networks are evolving so quickly, a system such as the Company's that can be easily extended and configured has a competitive advantage.

- REAL-TIME DIGITAL SIGNAL PROCESSING FIRMWARE. The Company's technology involves extensive use of real-time digital signal processing firmware to implement both signal processing and DAMA networking protocol functions. This approach was developed and proven under several government programs, especially UHF DAMA. The Company believes that digital signal processing firmware offers great flexibility in adding new features, because it allows modification without more expensive hardware changes, and that product costs should decrease if prices of Texas Instruments digital signal processing chips and associated peripherals continue to decline. The Company's digital signal processing design allows common hardware to be applied to both government and commercial markets.
- WINDOWS NT(TM)-BASED NETWORK CONTROL. ViaSat believes that it is a leader in using an Intel PC/Windows NT(TM) computer platform for its network control system. Most vendors still use Unix platforms. ViaSat developed and proved Windows NT(TM) as a viable network control platform under government funded UHF and SHF DAMA programs. Windows NT(TM) has several advantages which the Company believes support its technical leadership position:
  - True real-time multi-tasking, allowing many functions to be moved from specialized VSAT hardware into an industry-standard personal computer. Such functions can be developed more quickly and are more easily modified to support new communication applications and interfaces.
  - Lower overall costs and faster time to market in terms of development hardware and software tools, a more readily available pool of experienced software engineers, lower recurring cost of network control computer platforms, less expensive networking and communications interfaces and lower operator training costs than Unix-based systems.
  - DOD approved access-control is built directly into the network-controller computer operating system. This includes secure remote-access via many built-in communication paths. The Company believes computer security is essential technology for mission critical telecommunication tasks such as billing.

- STANDARD VSAT PLATFORM. ViaSat believes that it is the only company building on a standard "open systems" VSAT platform for commercial and SHF DAMA products. Open systems enable mix and match of satellite equipment and baseband terrestrial interfaces on a circuit by circuit basis. The architecture supports third party interface cards for faster time to market for specialized terrestrial interfaces. While open systems architecture does not offer the lowest possible manufacturing cost for any single fixed terminal configuration, it is consistent with two other strategic objectives: (i) rapid time to market by building on industry standard third-party hardware and software and (ii) flexibility to support a broad array of services and applications consistent with the Company's target distribution channels of service providers.

- INTERNALLY-DEVELOPED TECHNOLOGY. Many competing VSAT providers are primarily systems integrators with little internally-developed technology, particularly in the software and firmware areas. The Company believes its extensive internal technology development capability gives it an advantage in flexibility, time-to-market and product quality.

#### CAPACITY

ViaSat's narrow-spacing technology, developed during the course of its government DAMA contracts, results in less unused bandwidth between voice channels than other DAMA systems, and this, along with more precise power-usage control software, allows ViaSat's DAMA products to achieve up to 50% greater satellite capacity than competing DAMA systems.

#### CERTIFICATION

ViaSat believes it is currently the only provider of DAMA products which has received full certification from the U.S. government. The rigorous military certification process may take up to several months to complete.

#### STRATEGY

ViaSat's objective is to become a leading developer and supplier of DAMA-based products to commercial markets and to retain a leadership position in developing and supplying DAMA-based products to the government market. The Company's strategy incorporates the following key elements:

MAINTAIN AND ENHANCE TECHNOLOGY LEADERSHIP POSITION. The Company's strategy is to maintain and enhance its leadership position in DAMA-based satellite technology by continuing its participation in selected DOD programs involving networking technology and other related real-time signal processing and networking software. The Company is also investing in proprietary research for commercial applications. The Company's objective is to continue to offer high-performance, software-oriented products which provide the most effective use of satellite power and bandwidth as well as offering the most flexible platform for continued growth.

LEVERAGE TECHNOLOGICAL EXPERTISE INTO COMMERCIAL MARKETS. The Company's strategy is to continue using its technological expertise developed in defense applications to develop and market products to respond to the increasing demand for DAMA-based VSAT solutions for commercial voice and data applications. The Company is targeting commercial markets which it believes will offer high growth potential and where it believes ViaSat's technology will have competitive advantages, such as rural telephony, alternative carrier access and Internet/Intranet access by satellite to multiple servers. The Company believes its products are competitive largely because of their technological advantages over competing products. The Company's strategy is to capitalize on these technological advantages by utilizing a "cost of ownership" marketing approach that emphasizes the overall lower cost to customers over the operating life of the Company's products because of the products' adaptability and more efficient use of limited satellite capacity.

DEVELOP BROAD BASE OF INNOVATIVE PROPRIETARY PRODUCTS. The Company's strategy is to continue to develop and market to both defense and commercial customers a broad variety of signal processing and

networking software products. The Company has over 150 research engineers on staff and emphasizes offering technologically-superior products. The Company generally retains certain proprietary rights from the government-funded research and development of its defense products and is also devoting a significant amount of its own resources to independent product development.

DEVELOP STRATEGIC ALLIANCES. The Company's strategy is to develop strategic alliances with leading prime defense contractors and major international telecommunications companies and equipment suppliers. The Company targets those companies whose financial and technological resources and established customer bases allow them to jointly introduce new technologies and

penetrate new markets sooner and at a lower cost than the Company could alone. The Company has entered into strategic alliances with defense companies, such as Hughes Defense Communications, formerly Magnavox Electronic Systems Co. ("Hughes Defense Communications") and Lockheed Martin Corporation ("Lockheed Martin"), and commercial telecommunications companies, such as Hutchison Corporate Access (HK) Limited ("Hutchison Telecommunications"), HCL Comnet Systems and Services Limited ("HCL Comnet"), and Northern Telecom.

ESTABLISH GLOBAL PRESENCE. The Company's strategy is to develop its products so that they may be marketed and used throughout the world. The Company is a market leader in DAMA-based defense products for the United States and its allies. The Company believes that the commercial market opportunities for the Company's products are greater internationally. The Company believes its focus on meeting applicable international communication standards and establishing key international strategic alliances will enable it to effectively penetrate foreign markets.

ADDRESS RURAL TELEPHONY MARKET. The Company believes there is a substantial unmet demand for rural telephony services, especially in developing countries. The Company's strategy is to capitalize on its networking software expertise to develop technology for establishing regional rural telephony network infrastructures of strategically located VSAT terminals capable of handling multiple satellite telephone calls ("Point-of-Entry Terminals"). The Company believes such an infrastructure would have a competitive advantage over a single Point-of-Entry system by minimizing the ground transmission cost of each satellite telephone call by permitting such calls to enter the Public Switched Telephone Network (PSTN) through the Point-of-Entry Terminal closest to the call's destination. The Company's strategy also includes seeking partnerships with regional and local service providers to create distribution channels for rural telephony infrastructures and to provide related retail distribution services, including sales of Company-designed subscriber terminals, installation and maintenance, as well as customer service, billing and revenue collection. To this end, the Company has entered into a contract with Hutchison Telecommunications for satellite telephony equipment which can serve as rural telephony infrastructure.

#### TECHNOLOGY

The Company's VSAT technology is focused on DAMA which allows individual subscribers to request links on demand to any other subscriber through one satellite hop. TDM/TDMA technology, while more established than DAMA technology, features a "hub and spoke" architecture which requires all transmissions to be routed through a central hub and is most useful for remote to mainframe network connections. Remote-to-remote TDM/TDMA connections require two satellite hops. DAMA is better suited for remote-to-remote connections than TDM/TDMA because the voice quality is better and DAMA networks use expensive satellite transponders more efficiently.

DAMA technology has been under development for many years by the DOD, but is only recently being deployed in significant quantities. DAMA is applicable to several different satellite bands, including government UHF and SHF and commercial C, Ku and Ka bands. A major objective for the DOD is to improve capacity of extremely expensive government-owned satellite transponders. The government expects DAMA to increase capacity for UHF tactical users by as much as a factor of ten, depending on the application and traffic usage, compared to dedicated non-DAMA links.

A DAMA system consists of (i) a set of subscribers with DAMA-capable terminals, (ii) a network management terminal which orchestrates access to a shared satellite resource, and (iii) satellite transponder

capacity managed by the network controller and shared by subscribers. DAMA subscribers use networking protocols to interact with the controller and each other. The essence of DAMA is that the network controller allocates a shared satellite resource to a particular combination of subscribers only when they request it, and then terminates the connection when they are finished.

DAMA protocols may be either "open" or "proprietary." Open standards are

published so that multiple manufacturers can develop equipment that works together. The DOD has designated two different open DAMA standards defining over-the-air interfaces for narrowband UHF satellite communications channels. MIL-STD 188-182 defines an interoperable waveform for channels with 5 kHz bandwidth, and MIL-STD 188-183 defines the 25 kHz channel waveform. The DOD is currently defining open standards for SHF channels and for government DAMA use of commercial C and Ku band transponders. There are no widely accepted commercial open DAMA standards, and no open standards have evolved for TDM/TDMA VSATs.

DAMA VS. TDM/TDMA. DAMA is being sought by customers who see that it is a better fit than TDM/TDMA VSATs for non-transaction applications such as voice and fax. The principal limitations of TDM/TDMA for non-transaction applications are:

#### CAPACITY LIMITATIONS AND COSTS

- The TDM/TDMA hub and spoke architecture is primarily designed for rapid service for sporadic, short, burst transactions between a remote site and a mainframe computer. The hubs typically only support a maximum instantaneous aggregate data rate of 256 kbps to approximately 1 Mbps divided among the entire subscriber population (often several thousand terminals). This is a severe bottleneck for sustained circuit-type services like telephony, fax or peer-to-peer file transfers, which often dominate when the VSAT becomes the primary communication means for a site, as in telephony uses. In contrast, a comparable DAMA system has a much higher aggregate capacity. For small networks the TDM/TDMA hub performance is not a capacity bottleneck, but the typical hub price of approximately \$1.0 million, amortized over a small number of subscribers, is usually prohibitively expensive. The equipment cost for a comparable DAMA system for voice use, in contrast, would be significantly less.

#### TRANSMISSION TIME

- The hub and spoke architecture requires all calls (voice or data) between two remote nodes to be routed through the hub. This causes each call to traverse two separate satellite hops in each direction (remote A-to-satellite-to-hub and then hub-to-satellite-to-remote B, with the return path from remote B to remote A also traversing two satellite hops). The additional time delay due to the extra satellite hops is striking for voice communications and is unacceptable to many users. Plus, the two satellite hops consume more expensive transponder resources per call than a single hop DAMA connection.

DAMA VS. DEDICATED SCPC. In contrast to DAMA, which allows individual subscribers to request links to other subscribers on demand, dedicated Single Channel Per Carrier ("SCPC")-based systems maintain dedicated, unswitched links between subscribers, such as for long distance trunk lines. Dedicated links provide high quality transmissions, but only between particular subscriber sets. In order to provide connections among many sites, a SCPC-based system would require a dedicated link between each subscriber and each other subscriber, which would be prohibitively expensive. As a result, DAMA is a much more attractive solution for managing large numbers of network subscribers, as DAMA provides transmissions of equally high quality, without restricting the subscribers' ability to establish links on demand to any other subscriber.

MOBILE SATELLITE VS. FIXED-SITE DAMA. The obvious advantage of commercial mobile satellite systems, such as Iridium(TM) and GlobalStar(TM), is that they allow subscribers to be mobile. A mobile satellite terminal can be used by either a mobile or a fixed subscriber, while a fixed terminal cannot be used by a mobile subscriber. However, in order to gain mobility, mobile terminals employ an omni-directional

antenna which operates at lower frequencies and provides less bandwidth than is available in the fixed-site DAMA satellite bands. Less bandwidth corresponds to less capacity and fewer voice circuits. Also, mobile satellite systems typically require a greater investment in unique space-based satellite resources than

fixed-site DAMA systems which use existing capacity on general purpose communication satellites. The combination of lower capacity plus higher capital investments means that mobile service providers are projecting per-minute service costs that are five to ten times higher than that possible through fixed-site DAMA-based systems. Therefore, the Company believes that customers who require satellite telephony services at fixed locations will find fixed-site DAMA services to be much more economical than using mobile satellite phones -- even if they already own mobile satellite phones for mobile use.

NON-DAMA TECHNOLOGY. The Company offers products outside of DAMA and satellite communications that benefit from the Company's wireless networking software and related technology. Important non-DAMA applications include:

- Spread spectrum digital radios for real-time tactical data networks among ground and airborne users. The JTIDS (Joint Tactical Information Distribution System) radio builds on the Company's software, firmware and hardware technology. The government is investing in "digitized battlefield" communications in an effort to obtain greater effectiveness from expensive tactical aircraft.
- Information security modules that encrypt classified information that can be broadcasted and routed across unclassified wired or wireless networks. This technology allows the government to make better use of commercial networks for securely transmitting classified information.
- Equipment that tests wireless receivers in the presence of complex, simulated radio wave environments. This technology allows the government to thoroughly test sophisticated airborne radio equipment without expensive flight exercises.

#### GOVERNMENT MARKETS, PRODUCTS AND CUSTOMERS

GOVERNMENT MARKETS. The Company believes it has an opportunity to build on its government DAMA technology, software, hardware design and manufacturing base to capture significant revenues in the government markets.

UHF DAMA MARKETS. The Company is considered a leader in the UHF DAMA market. The Company believes its DAMA manpack subcontract is the largest outstanding DAMA contract in terms of quantity of units sold. The Company also believes that it was the first to develop and market a stand-alone airborne DAMA modem. The DOD requires all UHF satellite communications terminals to meet open DAMA standards. This mandate has helped stimulate the UHF DAMA market. ViaSat is active in the following business segments:

- UHF DAMA NETWORK CONTROL INFRASTRUCTURE. Viasat has several contracts with the U.S. Air Force for development, production, installation and support for four global network control system sites. Each site serves as a primary controller for seven channels and as an alternate for seven channels. Each satellite has 38 channels, offering a potential market for additional production, installation and support services.
- MANPACK TERMINALS. ViaSat has a contract with Hughes Defense Communications for over 7,000 DAMA modems for manpacks. The contract has options which allows Hughes Defense Communications, in its discretion, to purchase up to an additional 4,000 of such modems. As of March 31, 1997, the funded contract value was \$37.7 million, of which \$14.2 million had been delivered.

- AIRBORNE DAMA TERMINALS. The 5 kHz channel DAMA protocols were designed to support U.S. Air Force aircraft. The U.S. Navy is also a major user of airborne UHF terminals. ViaSat equipment has been designed into a number of platforms, including P-3, S-3, Air Force One, EP-3, ES-3, Tomahawk cruise missiles and others.
- INTERNATIONAL UHF DAMA MARKET. Cooperative efforts among multiple nations, such as in the Gulf War and Bosnia, require that allies have a standard communications platform. There are requirements for some units of NATO and other allies to have UHF DAMA capable

satellite terminals.

The Company's strategy includes actively working to expand the UHF DAMA market as a whole, while sustaining its leading market share. Increasing the market means extending UHF satellite communications capability to new users. UHF satellite communications access and market size is limited in the following ways:

- AVAILABILITY OF SATELLITE CAPACITY. Without DAMA, many users are denied access because higher priorities consume all channels. DAMA expands capacity. The Company anticipates increases in the UHF market, versus pre-DAMA levels, over the next seven years due to pent-up demand for service.
- EQUIPMENT SIZE AND WEIGHT. Most users are mobile and thus size and weight sensitive. They carry equipment in back-packs, or airframes where communication gear displaces weapons or mission critical payloads. Easier to carry, smaller, lighter equipment may expand the market beyond a core group who require DAMA to complete their mission.
- EQUIPMENT PRICE. The Company believes that the UHF DAMA market can expand by reducing the price of DAMA equipment. Embedded DAMA radios are less expensive than stand-alone models, and offer reduced size and weight.
- IMPROVED DAMA SUBSCRIBER SERVICES. The current DAMA system is a data "pipe." The Company anticipates that demand for DAMA can grow by increasing the value of the content sent over the pipes. Several areas are being explored, including improved secure voice quality, increased message routing capability, higher data rates and improved service set-up times.
- DAMA SIGNAL PROCESSING. Airborne DAMA is currently limited to large, slow aircraft for surveillance, airlift, command and control, or similar missions. High performance aircraft are excluded because current satellite communications antennas degrade mission performance or safety. A promising solution is to use low profile, conformal antennas with active antenna combiners. The Company has a contract for such active antenna combiners with Lockheed Martin which, if successful, opens the possibility of extending the UHF DAMA market to high performance aircraft, potentially resulting in an increase of up to 100% in the airborne DAMA market.

ViaSat is also applying the market expansion strategy to its Advanced Data Controller ("ADC") products. ADC conforms to MIL-STD 188-184 for packet processing. It provides error-free data transmission over noisy channels. ADC works for terrestrial and satellite communications wireless links. The Company is working to reduce size, weight and price for ADC products, and potentially licensing other manufacturers to embed ViaSat's ADC digital signal processing firmware directly into their radios.

TRI-BAND DAMA MARKETS. The U.S. government is a major consumer of leased commercial satellite capacity in the C and Ku bands. Since satellite availability is limited, the government has specified the purchase of "tri-band" terminals (i.e., terminals which can operate on any of three bands, SHF (X band), C or Ku band). This makes it easier for subscribers to use available capacity in any band, as a function of time and location. The government established the Commercial Satellite Communications Initiative program to manage:

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- Long term leases for commercial satellite transponders.
- Contracts to purchase tri-band satellite terminals.
- Bandwidth Management Centers to act as network controllers for the tri-band terminals.

The DOD is defining an "open" standard for DAMA in SHF and commercial satellite bands. The government owns and operates the Defense Satellite Communication System constellation at SHF. Bandwidth at SHF is much greater than at UHF -- over 200 MHz per satellite compared to less than 2 MHz at UHF. Still, SHF capacity is insufficient and could be improved via DAMA. More effective SHF use should reduce the government's monthly lease on commercial satellites used for overflow. The potential market for SHF DAMA capable terminals may be as large as that for UHF DAMA terminals.

Extending DAMA to commercial satellites vastly increases the bandwidth available for government users. Increased bandwidth should support many more terminals, increasing the potential DAMA user equipment market.

In 1994, ViaSat was awarded a \$2.0 million contract by the U.S. Air Force for prototype demonstration of a draft SHF DAMA standard. In February 1996, the Company delivered and installed equipment which performs many, but not all, of the protocols in the draft. The DOD has not yet designated a final version of SHF DAMA, nor has the DOD yet issued a mandate for DAMA in SHF terminals.

The government tri-band DAMA market is very immature. This market will likely not grow substantially until the DOD adopts a final standard and mandates its use. However, there can be no assurance that the Company's products will be procured by the government or prime contractors, even if a final standard similar to the draft version is adopted. The Company is working to position its SHF DAMA products through participation in government-industry standards working groups. ViaSat also has been working with terminal manufacturers to help ensure that its DAMA equipment integrates easily into their products. Finally, the Company is working to maintain a prudent level of commonality between the government and commercial DAMA modem platforms. The benefit of commonality is that the larger commercial market offers economies of scale that reduce manufacturing costs for the smaller government market. There is a potential disadvantage if unique government product requirements increase the cost of commercial products. The Company considers issues arising from this trade-off on a case-by-case basis.

#### GOVERNMENT PRODUCTS

ViaSat's DAMA products for the government market include:

- EMUT (ENHANCED MANPACK UHF TERMINAL) is a battery-operated UHF satellite radio which Hughes Defense Communications builds for the U.S. Army. ViaSat provides a DAMA modem to Hughes under subcontract. EMUT is used to send encrypted voice, electronic mail, fax or other data via satellite. The DAMA modem allows the operator to automatically request a portion of a satellite channel to a selected destination whenever the operator asks to send a message or make a call. The EMUT radio, combined with a portable satellite antenna, can be used to make a secure voice or data call almost anywhere in the world.
- INCS (INITIAL NETWORK CONTROL SYSTEM) is the DAMA network management system for the U.S. Air Force. There are four sites worldwide (Guam, Hawaii, Naples and Virginia) that manage automatic DAMA access to 5 kHz band with UHF satellite channels. The network control computer automatically allocates satellite resources to subscriber terminals (such as EMUT) whenever a subscriber requests a voice or data service. The INCS also keeps track of which satellite terminals are active, how much capacity is used and how much is available. ViaSat designs, installs and supports the whole system at each site.

- VM-200 (Also CALLED MD-1324) is ViaSat's stand-alone UHF DAMA modem product. The modem can be used with many UHF satellite radios having an industry standard 70 MHz interface. The VM-200 enables a satellite radio to connect to a DAMA network. VM-200 modems also are used in the INCS to communicate with subscribers. The modems connect to external voice coders, computers or encryption equipment and provide network access for those devices.

ViaSat's other government wireless networking products include:

- JTIDS (JOINT TACTICAL INFORMATION DISTRIBUTION SYSTEM) is an anti-jam radio and message protocol standard for communicating real-time data among aircraft and ground units. It connects to sensors (like radar), computers, and targeting systems and provides information used for navigation, target identification, tracking and fire control. JTIDS is currently used as the wireless communication system for "digital battlefields." For example, it allows individual fighter planes to obtain a broad view of the battlefield that is synthesized based on many different views from many different participants.
- CES/JCS (COMMUNICATION ENVIRONMENT SIMULATOR/JOINT COMMUNICATION SIMULATOR) is used to simulate a realistic radio environment which can be used to test how well surveillance or other radio systems work in the presence of various and changing signals. It can simulate friendly military signals, neutral signals, commercial signals and enemy signals. The government uses the simulated total environment to verify that a system under test can correctly analyze specific target signals within a complicated and cluttered composite signal.
- EIP (EMBEDDABLE INFOSEC PRODUCT) is a plug-in module that encrypts classified information so that it can be broadcast over wireless systems (terrestrial or satellite) or sent over unclassified wirelines. EIP is unique because it can work for packet data systems instead of on circuits. For instance, EIP can encrypt information for the Internet (or government equivalents). EIP also can separate the addressing and routing information from a packet and allow such information to remain unencrypted so that the network can correctly route the packet to its destination.
- ADC (ADVANCED DATA CONTROLLER) is a packet processing system which provides error-free data transmission over noisy channels. ADC works for terrestrial and satellite communications wireless lines.

#### GOVERNMENT CUSTOMERS

The Company's major customers in the government DAMA market include:

- Hughes Defense Communications is the customer for the EMUT DAMA modem. Approximately 23.9% of the Company's fiscal 1997 revenues were derived from this contract. Hughes is also a customer for the Tomahawk Baseline Improvement Program which includes adding a UHF DAMA satellite link to Tomahawk cruise missiles.
- The U.S. Air Force Electronics System Center ("ESC") is the customer for the 5 kHz UHF DAMA Global Initial Network Control System. ESC also procures stand-alone DAMA modems and Control/Indicators for various Air Force user agencies.
- Lockheed Martin is the customer for the VM-200 under the Communications Improvement Program.
- Lockheed Martin is the customer for the airborne DAMA-capable UHF satellite communications antenna combiner.

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- The Company also has entered into a number of smaller contracts with the DOD for UHF DAMA and ADC satellite equipment.

The Company's major government customers for other wireless networking products include:

- The U.S. Air Force and Logicon Tactical Systems Division are the customers for JTIDS.
- The U.S. Navy and U.S. Air Force are the customers for CES/JCS.

- The U.S. Navy is the customer for EIP.

## COMMERCIAL MARKETS, PRODUCTS AND CUSTOMERS

### COMMERCIAL MARKETS

DAMA technology is increasingly being used in emerging commercial telecommunications markets. In contrast to "pre-assigned" or "hub and spoke" satellite networks, DAMA is well suited to primary "circuit-oriented" telecommunication because it routes connections in real-time on a call-by-call basis from any subscriber to any other subscriber with only one satellite hop. See "-- Industry Background" and "--- Technology." DAMA commercial markets can be segmented as follows:

- TURN-KEY PRIVATE NETWORK EQUIPMENT SALES for corporations and government agencies in developing nations. These customers require voice and/or data services. Users manage their own networks and/or contract for management services. They lease satellite capacity in bulk. DAMA equipment is selected based primarily on purchase and operating costs for specific needs. Customers typically need to operate ten or more sites for a turn-key private network to be economical.
- "SHARED HUB" PRIVATE NETWORK SERVICE PROVIDERS. Customers with small networks may use a satellite service provider. The provider purchases a DAMA network and obtains transponder capacity at wholesale rates. The provider manages small "virtual" nets for its customers. Customers buy capacity from the provider at retail daily, hourly or minute rates. Service providers have different priorities than turn-key operators. Breadth and depth of service offerings are more important to providers since they must attract a broad base of customers. DAMA terminals must support a range of telephone and data equipment. Providers generally prefer flexible user terminal configurations to meet varying customer needs. They profit from the spread between wholesale transponder lease costs and retail minute prices, so DAMA performance is important. Efficiency advantages (measured, for example, by voice circuits per unit bandwidth) can offset a higher initial terminal purchase price over the term of a service contract.
- PUBLIC NETWORK CARRIER SERVICE PROVIDERS. Many telecommunications carriers use satellite links as part of their long distance networks. However, the satellite segment usually consists of a pre-planned link establishing a particular geographic connection at a fixed capacity. A satellite DAMA network can reduce costs for independent carriers by bypassing transit switching charges through a telecommunications hub city. Satellite DAMA can serve as either a primary link or as a back-up when terrestrial links are congested. DAMA satellite technology provides an economical secondary connection because the satellite pool of trunk lines can be quickly applied to any of the primary terrestrial routes. The DAMA network's ability to reach many different destinations offers a competitive advantage to a DAMA operator whose business is selling wholesale minutes of long distance service to national or regional carriers.

- PUBLIC NETWORK "LOCAL LOOP" SUBSCRIBER SERVICE PROVIDERS. Subscriber services differ from the carrier services in that there is a local loop interface between the DAMA satellite switch and a subscriber telephone. This allows a subscriber with a small VSAT terminal to connect directly into the public switched telephone network by using a single dial-tone to call to other satellite subscribers or to terrestrial phones through national (and/or international) switches. While the Company believes the local loop subscriber service has, by far, the greatest potential market volume for equipment manufacturers and also represents the greatest opportunity for service providers, there are numerous technical, regulatory and business management hurdles to

implementing this service.

#### COMMERCIAL PRODUCTS

STARWIRE(TM) is a satellite networking system consisting of two major elements, a network control system and a subscriber terminal. The network control system sends and receives messages over the satellite, while the subscriber terminal switches all user interface ports (voice and data) individually and connects them call-by-call to an available satellite modem. StarWire(TM) provides toll-quality voice circuits on a demand basis, efficiently sharing satellite resources and thereby reducing costs to the end-user and the network service provider.

StarWire(TM) products include:

- AURORA TERMINAL is a ten slot rack mountable chassis configured with one VMM-101 and one TIM-201 (described below). The terminal is expandable to six user traffic channels by inserting additional VMM modems and TIM modules. Expansion beyond six channels is possible by using additional Aurora chassis with VMM modems and TIM modules installed.
- VMM-101 is a DAMA modem module designed for the Aurora. The VMM-101 is a single modem used for both user-data transmission and order-wire control channels.
- TIM-201 is a dual channel voice encoder/decoder module designed for the Aurora. The TIM-201 has a fax modem on board, along with an integrated echo canceller.
- TMC-101 is a terminal monitor and control card designed for the Aurora. The "EIP" version has an integrated LAN Ethernet port and supports multiple daughter-cards for data communications and additional external equipment control support.
- STARWIRE(TM) NETWORK CONTROL TERMINAL (NCT) is a ten slot rack mountable Aurora chassis with one Network Control Computer (NCC) interface card and two VMM-101 modems (operating as DAMA system control channel modems).
- STARWIRE(TM) DAMA NETWORK CONTROL SOFTWARE (NCS) provides the real-time network control and monitoring functions of the StarWire(TM) DAMA networking system. The NCS software acts as a switch to route calls through the network. In addition, the StarWire(TM) NCS monitors all aspects of system operation as well as collecting historical information about calls and maintaining detailed call records for billing purposes.
- STARWIRE(TM) NETWORK CONTROL COMPUTER (NCC) is computing and networking equipment designed to support the operation of the NCS software. The non-redundant configuration (NCC-100) provides for one operator workstation/server, Ethernet interface, Windows NT(TM) operating system and back-up media. The redundant configuration (NCC-200) provides two operator workstations/servers, Ethernet adapter cards, Windows NT(TM) operating system and back-up media.
- EXTERNAL DEVICE INTERFACE DRIVER (EDID) supports third party modem and RF terminal equipment.

#### COMMERCIAL CUSTOMERS

The Company is in the early stages of establishing sales for its StarWire(TM) commercial DAMA product. Activities to date have primarily focused on establishing distribution agreements with "in-country" service providers, distributors and original equipment manufacturers ("OEMs"). The Company also has delivered several test versions of the StarWire(TM) product for customer

evaluation and demonstration purposes. The Company's commercial sales accounted for approximately 3% of sales for the year ended March 31, 1997.

The Company's major customers in the commercial DAMA market include:

- HUTCHISON TELECOMMUNICATIONS -- ViaSat and Hutchison Telecommunications have entered into a contract for intranational and international carrier satellite telephony equipment. The contract also provides for advanced digital data capabilities for public and private networks. The contract was awarded after competition from many other DAMA vendors. Under the terms of the contract, Hutchison Telecommunications has the right to terminate the contract and, under certain circumstances, receive liquidated damages from the Company of up to approximately \$275,000, as well as other damages. See "Risk Factors -- Development Contracts."
- HCL COMNET -- HCL Comnet, located in India, operates the largest single VSAT network in India for the national stock exchange. HCL Comnet selected ViaSat's StarWire(TM) system for HCL Comnet's DAMA private network products and services. HCL Comnet has placed an order for initial production systems.
- SATELLITE COMMUNICATIONS SERVICES INCORPORATED ("SCSI") -- SCSI has inaugurated a network serving the International Civil Aviation Organization, an agency of the United Nations that is responsible for worldwide air traffic control. This network uses Starwire(TM) terminals to establish voice, data, and radar communications among air traffic control sites in the Caribbean and Central America.
- AT&T TRIDOM -- The Company believes AT&T Tridom has the third largest VSAT revenues (counting equipment and services) in the United States. AT&T Tridom selected ViaSat as the private label manufacturer of an AT&T Tridom "Clearlink"-labeled DAMA VSAT product through competitive bids. AT&T Tridom has taken delivery of two test systems, one of which is installed at a customer site in Indonesia.
- ViaSat also has executed distribution agreements and purchase contracts with companies operating VSAT networks in Mexico, the Caribbean, Africa, South America and other regions.

#### RESEARCH AND DEVELOPMENT

The Company believes that its future success depends on its ability to adapt to the rapidly changing satellite communications and related real-time signal processing and networking software environment, and to continue to meet its customers' needs. Therefore, the continued timely development and introduction of new products is essential in maintaining its competitive position. The Company develops most of its products in-house and currently has a research and development staff which includes over 160 engineers. A significant portion of the Company's research and development efforts in the defense industry have generally been conducted in direct response to the specific requirements of a customer's order and, accordingly, such amounts are included in the cost of sales when incurred and the related funding (which includes a profit component) is included in net revenues at such time. Revenues for funded research and development during the fiscal years ended March 31, 1997, 1996 and 1995 were approximately \$21.3 million, \$19.5 million, and \$20.7 million, respectively. In addition, the Company invested \$5.1 million, \$2.8 million and \$788,000, respectively, during the fiscal years ended March 31, 1997, 1996 and 1995 on independent research and development, which is not directly funded by a third party. Funded research and development contains a profit component and is therefore not directly comparable to independent research

and development. As a government contractor, the Company also is able to recover a portion of its independent research and development expenses, consisting primarily of salaries and other personnel-related expenses, supplies and prototype materials related to research and development programs, pursuant to its government contracts.

The Company has benefited and continues to benefit from the Small Business Innovation Research ("SBIR") program, through which the government provides research and development funding for companies with fewer than 500 employees. While the Company has already harvested significant benefits from the SBIR program throughout the initial developmental stages of its core technology base, the Company believes that its business, financial condition and results of operations would not be materially adversely affected if the Company were to lose its SBIR funding status. The Company plans to leverage from this technology base to further develop products for commercial applications.

#### MANUFACTURING

The Company's manufacturing objective is to produce products that conform to its specifications at the lowest possible manufacturing cost. The Company is engaged in an effort to increase the standardization of its manufacturing process in order to permit it to more fully utilize contract manufacturers. As part of its program to reduce the cost of its manufacturing and to support an increase in the volume of orders, the Company primarily utilizes contract manufacturers in its manufacturing process. The Company conducts extensive testing and quality control procedures for all products before they are delivered to customers.

The Company also relies on outside vendors to manufacture certain components and subassemblies used in the production of the Company's products. Certain components, subassemblies and services necessary for the manufacture of the Company's products are obtained from a sole supplier or a limited group of suppliers. In particular, Texas Instruments is a sole source supplier of digital signal processing chips, which are critical components used by the Company in substantially all of its products. The Company intends to reserve its limited internal manufacturing capacity for new products and products manufactured in accordance with a customer's custom specifications or expected delivery schedule. Therefore, the Company's internal manufacturing capability for standard products has been, and is expected to continue to be, very limited, and the Company intends to rely on contract manufacturers for large scale manufacturing. There can be no assurance that the Company's internal manufacturing capacity and that of its contract manufacturers and suppliers will be sufficient to fulfill the Company's orders in a timely manner. Failure to manufacture, assemble and deliver products and meet customer demands on a timely and cost effective basis could damage relationships with customers and have a material adverse effect on the Company's business, financial condition and operating results.

#### SALES AND MARKETING

The Company markets its products to the DOD and to commercial customers worldwide primarily through the Company's internal sales and marketing staff of nine people. After the Company has identified key potential customers in its market segments, the Company makes sales calls with its sales, management and engineering personnel. Many of the companies entering the wireless communications markets possess expertise in digital processing and wired systems but relatively little experience in DAMA wireless transmission. In order to promote widespread acceptance of its products and provide customers with support for their wireless transmission needs, the Company's sales and engineering teams work closely with its customers to develop tailored solutions to their wireless transmission needs. The Company believes that its customer engineering support provides it with a key competitive advantage.

During the fiscal year ended March 31, 1997 ViaSat sold products to approximately 50 customers of which DOD contracts accounted for approximately 97.0% of total revenues.

#### BACKLOG

At March 31, 1997, the Company had firm backlog of \$78.4 million, of which \$67.6 million was funded, not including options of \$24.9 million. Of the \$78.4 million in firm backlog, approximately \$46.7

\$13.2 million is expected to be delivered in the fiscal year ending March 31, 1999 and the balance is expected to be delivered in the fiscal year ending March 31, 2000 and thereafter. The Company had firm backlog of \$28.7 million, not including options of \$28.0 million, at March 31, 1996, compared to firm backlog of \$31.7 million, not including options of \$27.3 million, at March 31, 1995. The Company includes in its backlog only those orders for which it has accepted purchase orders. However, backlog is not necessarily indicative of future sales. A majority of the Company's backlog scheduled for delivery can be terminated at the convenience of the government since orders are often made substantially in advance of delivery, and the Company's contracts typically provide that orders may be terminated with limited or no penalties. In addition, purchase orders may set forth product specifications that would require the Company to complete additional product development. A failure to develop products meeting such specifications could lead to a termination of the related purchase order.

The backlog amounts as presented are comprised of funded and unfunded components. Funded backlog represents the sum of contract amounts for which funds have been specifically obligated by customers to contracts. Unfunded backlog represents future contract or option amounts that customers may obligate over the specified contract performance periods. The Company's customers allocate funds for expenditures on long-term contracts on a periodic basis. The Company is committed to produce products under its contracts to the extent funds are provided. The funded component of the Company's backlog at March 31, 1997 was approximately \$67.6 million, and the funded components of the Company's backlog at March 31, 1996 and 1995 were \$26.3 million and \$29.6 million, respectively. The ability of the Company to realize revenues from government contracts in backlog is dependent upon adequate funding for such contracts. Although funding of its government contracts is not within the Company's control, the Company's experience indicates that actual contract fundings have ultimately been approximately equal to the aggregate amounts of the contracts.

#### GOVERNMENT CONTRACTS

A substantial portion of the Company's revenues are derived from contracts and subcontracts with the DOD and other federal government agencies. Many of the Company's contracts are competitively bid and awarded on the basis of technical merit, personnel qualifications, experience and price. The Company also receives some contract awards involving special technical capabilities on a negotiated, noncompetitive basis due to the Company's unique technical capabilities in special areas. Future revenues and income of the Company could be materially affected by changes in procurement policies, a reduction in expenditures for the products and services provided by the Company, and other risks generally associated with federal government contracts. See "Risk Factors -- Dependence on Defense Market" and "--Government Regulations."

The Company provides products under federal government contracts that usually require performance over a period of one to five years. Long-term contracts may be conditioned upon continued availability of Congressional appropriations. Variances between anticipated budget and Congressional appropriations may result in a delay, reduction or termination of such contracts. Contractors often experience revenue uncertainties with respect to available contract funding during the first quarter of the government's fiscal year beginning October 1, until differences between budget requests and appropriations are resolved.

The Company's federal government contracts are performed under cost-reimbursement contracts, time-and-materials contracts and fixed-price contracts. Cost-reimbursement contracts provide for reimbursement of costs (to the extent allowable, allocable and reasonable under Federal Acquisition Regulations) and for payment of a fee. The fee may be either fixed by the contract (cost-plus-fixed fee) or variable, based upon cost control, quality, delivery and the customer's subjective evaluation of the work (cost-plus-award fee). Under time-and-materials contracts, the Company receives a fixed amount by labor category for services performed and is reimbursed (without fee) for the cost of materials purchased to perform the contract. Under a fixed-price contract, the Company agrees to perform certain work for a fixed price and, accordingly, realizes the benefit or detriment to the extent that the actual cost of performing the work differs from the contract price. Contract revenues for the fiscal year ended March 31, 1997 were approximately

30.7% from cost-reimbursement contracts, approximately 6.0% from time-and-materials contracts and approximately 63.3% from fixed-price contracts. See "Risk Factors -- Contract Profit Exposure."

The Company's allowable federal government contract costs and fees are subject to audit by the Defense Contract Audit Agency. Audits may result in non-reimbursement of some contract costs and fees. While the government reserves the right to conduct further audits, audits conducted for periods through fiscal 1994 have resulted in no material cost recovery disallowances for the Company.

The Company's federal government contracts may be terminated, in whole or in part, at the convenience of the government. If a termination for convenience occurs, the government generally is obligated to pay the cost incurred by the Company under the contract plus a pro rata fee based upon the work completed. When the Company participates as a subcontractor, the Company is at risk if the prime contractor does not perform its contract. Similarly, when the Company as a prime contractor employs subcontractors, the Company is at risk if a subcontractor does not perform its subcontract.

Some of the Company's federal government contracts contain options which are exercisable at the discretion of the customer. An option may extend the period of performance for one or more years for additional consideration on terms and conditions similar to those contained in the original contract. An option may also increase the level of effort and assign new tasks to the Company. In the Company's experience, options are usually exercised.

The Company's eligibility to perform under its federal government contracts requires the Company to maintain adequate security measures. The Company has implemented security procedures which it believes are adequate to satisfy the requirements of its federal government contracts.

#### GOVERNMENT REGULATIONS

Certain of the Company's products are incorporated into wireless telecommunications systems that are subject to regulation domestically by the Federal Communications Commission and internationally by other government agencies. Although the equipment operators and not the Company are responsible for compliance with such regulations, regulatory changes, including changes in the allocation of available frequency spectrum and in the military standards which define the current networking environment, could materially adversely affect the Company's operations by restricting development efforts by the Company's customers, making current products obsolete or increasing the opportunity for additional competition. Changes in, or the failure by the Company to manufacture products in compliance with, applicable domestic and international regulations could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the increasing demand for wireless telecommunications has exerted pressure on regulatory bodies worldwide to adopt new standards for such products, generally following extensive investigation and deliberation over competing technologies. The delays inherent in this governmental approval process have in the past caused and may in the future cause the cancellation, postponement or rescheduling of the installation of communication systems by the Company's customers, which in turn may have a material adverse effect on the sale of products by the Company to such customers.

The Company is also subject to a variety of local, state and federal governmental regulations relating to the storage, discharge, handling, emission, generation, manufacture and disposal of toxic or other hazardous substances used to manufacture the Company's products. The failure to comply with current or future regulations could result in the imposition of substantial fines on the Company, suspension of production, alteration of its manufacturing processes or cessation of operations. To date, these regulations have not had a material effect on the Company, as the Company has neither incurred significant costs to maintain compliance nor to remedy past noncompliance.

The Company believes that it operates its business in material compliance with applicable government regulations. The Company is not aware of any pending legislation which if enacted could have a material adverse effect on the Company's business, financial condition and results of operations.

## COMPETITION

The markets for the Company's products and services are extremely competitive, and the Company expects that competition will increase in such markets. See "Risk Factors -- Competition." The Company faces intense competition in both government and commercial wireless networking markets.

Government DAMA Competition. Competition in the government DAMA market consists primarily of other companies offering DAMA capable modem, radio or network control equipment that is compatible with the open MIL-STD protocols. The government DAMA competitors are significantly larger companies than ViaSat and include Titan Corporation, Rockwell International, Raytheon Corporation and GEC (UK). The Company believes that it is well-positioned among these competitors because of its significant backlog of DAMA modem orders, its market lead time with respect to DAMA product certification and its participation in both the network control and subscriber terminal markets.

Government Non-DAMA Competition. There is also intense competition in other wireless networking markets. The JTIDS market, in particular, is dominated by two very large competitors (Rockwell and GEC- Marconi).

The Company's simulation and test equipment and information security products represent relatively new technologies in markets that are still small. Most of the Company's competition in these markets stems from alternative technologies that may or may not be applicable to any particular customer.

Commercial DAMA Competition. There is intense competition in the commercial DAMA market from companies that have strong positions in the TDM/TDMA VSAT business, as well as from other companies that seek to enter the VSAT market using DAMA technology. Most of the leading TDM/TDMA VSAT companies are offering DAMA products, including Hughes Network Systems, an affiliate of Hughes Defense Communications (see "Risk Factors -- Dependence on Defense Market"), Scientific Atlanta Inc., Gilat Satellite Networks Ltd., STM Wireless Inc. and NEC. In addition, there are also other types of competing DAMA technologies being developed.

AT&T Tridom, which is one of the largest VSAT equipment and service providers and which offers TDM/TDMA products, has entered into a strategic alliance with the Company to sell the Company's products under an OEM agreement. The Company believes that this may allow it to compete for customers seeking hybrid TDM/TDMA and DAMA VSAT solutions.

In different situations, DAMA products may be evaluated in comparison with either TDM/TDMA technology, DAMA technology from other companies, dedicated SCPC technology, mobile satellite technology or possibly terrestrial wireless solutions. The Company believes that it has a good understanding of those situations where DAMA systems in general, and its technology in particular, offer the best overall value to its customers, and tends to focus its marketing and selling efforts on those applications. DAMA technology is most attractive for customers with telephone, fax or other circuit-oriented applications. DAMA technology also allows networks to achieve much higher total capacity, with better voice quality than TDM/TDMA networks.

The Company seeks to establish strategic alliances with satellite service providers which would most benefit from its particular technological advantages. The Company has established such relationships with a few key companies, including HCL Comnet in India. The Company believes that its products offer the lowest total cost of ownership for service providers considering the flexibility of its equipment, its transponder capacity advantages and the breadth of its service offerings.

## INTELLECTUAL PROPERTY

The Company relies on a combination of trade secrets, copyrights, trademarks, service marks and contractual rights to protect its intellectual property. The Company attempts to protect its trade secrets and other proprietary information through agreements with its customers, suppliers, employees and consultants, and through other security measures. Although the Company intends to protect its rights vigorously, there

can be no assurance that these measures will be successful. In addition, the laws of certain countries in which the Company's products are or may be developed, manufactured or sold may not protect the Company's products and intellectual property rights to the same extent as the laws of the United States.

While the Company's ability to compete may be affected by its ability to protect its intellectual property, the Company believes that, because of the rapid pace of technological change in the wireless personal communications industry, its technical expertise and ability to introduce new products on a timely basis will be more important in maintaining its competitive position than protection of its intellectual property and that patent, trade secret and copyright protections are important but must be supported by other factors such as the expanding knowledge, ability and experience of the Company's personnel, new product introductions and frequent product enhancements. Although the Company continues to implement protective measures and intends to defend vigorously its intellectual property rights, there can be no assurance that these measures will be successful. See "Risk Factors -- Limited Protection of the Company's Intellectual Property."

There can be no assurance that third parties will not assert claims against the Company with respect to existing and future products. In the event of litigation to determine the validity of any third party's claims, such litigation could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel, whether or not such litigation is determined in favor of the Company. The wireless communications industry has been subject to frequent litigation regarding patent and other intellectual property rights. Leading companies and organizations in the industry have numerous patents that protect their intellectual property rights in these areas. In the event of an adverse result of any such litigation, the Company could be required to expend significant resources to develop non-infringing technology or to obtain licenses to the technology which is the subject of the litigation. There can be no assurance that the Company would be successful in such development or that any such license would be available on commercially reasonable terms.

#### EMPLOYEES

As of March 31, 1997, the Company had 275 employees (12 of which were temporary employees), including over 160 in research and development, nine in marketing and sales, 42 in production, and 60 in corporate, administration and production coordination. The Company believes that its future prospects will depend, in part, on its ability to continue to attract and retain skilled engineering, marketing and management personnel, who are in great demand. In particular, there is a limited supply of highly qualified engineers with appropriate experience. See "Risk Factors -- Dependence on Key Personnel." Each of the Company's employees is required to sign an Invention and Confidential Disclosure Agreement upon joining the Company. Under such agreement, each employee agrees that any inventions developed by such employee during the term of employment are the exclusive property of the Company and that such employee will not disclose or use in any way information related to the Company's business or products, either during the term of such employee's employment or at any time thereafter. The Company currently employs over 160 engineers, including 71 engineers who have masters degrees and seven engineers who have doctorate degrees. None of the Company's employees are covered by a collective bargaining agreement and the Company has never experienced any strike or work stoppage. The Company believes that its relations with its employees are good.

#### RISK FACTORS

##### DEPENDENCE ON DEFENSE MARKET

Over 95% of the Company's revenues for the fiscal year ended March 31, 1997 were derived from U.S. government defense applications. Although the Company has invested heavily in developing commercial satellite products, there can be no assurance that the percentage of the Company's commercial business will increase. In addition, there can be no assurance that the Company's revenues from its government business will continue to increase at historical rates or at all. U.S. government business is subject to various risks including (i) unpredictable contract or project terminations, reductions in funds available for the Company's projects due to government policy changes, budget

adjustments and penalties arising from post-award contract audits, and incurred cost audits in which the value of the contract may be reduced, (ii) risks of underestimating ultimate costs, particularly with respect to software and hardware development, for work performed pursuant to fixed-price contracts where the Company commits to achieve specified deliveries for a predetermined fixed price, (iii) limited profitability from cost-reimbursement contracts under which the amount of profit attainable is limited to a specified negotiated amount and (iv) unpredictable timing of cash collections of certain unbilled receivables as they may be subject to acceptance of contract deliverables by the customer and contract close-out procedures, including government approval of final indirect rates. See "Business -- Government Contracts." In addition, substantially all of the Company's backlog scheduled for delivery can be terminated at the convenience of the government since orders are often made well in advance of delivery, and the Company's contracts typically provide that orders may be terminated with limited or no penalties. See "Business -- Backlog."

Certain of the Company's contracts individually contribute a significant percentage of the Company's revenues. For the fiscal year ended March 31, 1997, the Company's largest contracts (by revenues) were contracts related to the Company's UHF DAMA technology, which generated approximately 68.8% of the Company's total revenues, including a contract with Hughes Defense Communications which generated approximately 23.9% of the Company's total revenues. In March 1997 the Company was awarded an option under this contract valued at \$20.9 million. Scheduled deliveries pursuant to firm purchase orders under this contract are scheduled to be completed during the fiscal year ending March 31, 2000. Hughes Defense Communications is an affiliate of Hughes Network Systems (HNS), which is the Company's principal competitor in the commercial DAMA market. See "Business -- Competition." The Company's five largest contracts (by revenues) generated approximately 57.6% of the Company's total revenues for the fiscal year ended March 31, 1997. The Company expects revenues to continue to be concentrated in a relatively small number of large U.S. government contracts. Termination or disruption of such contracts, especially the Company's largest contract, or the Company's inability to renew or replace such contracts when they expire, could have a material adverse effect on the Company's business, financial condition and results of operations.

#### PENETRATION OF COMMERCIAL MARKETS; NEW PRODUCT INTRODUCTIONS

The Company's ability to grow will depend substantially on its and its customers' ability to apply its expertise and technologies to existing and emerging commercial wireless communications markets. The Company's efforts to penetrate commercial markets has resulted, and the Company anticipates that it will continue to result, in increased sales and marketing and research and development expenses. If the Company's net revenues do not correspondingly increase, the Company's business, financial condition and results of operations could be materially adversely affected. The Company's success in penetrating commercial markets also depends upon the success of new product introductions by the Company, which will be dependent upon several factors, including timely completion and introduction of new product designs, achievement of acceptable product costs, establishment of close working relationships with major customers for the design of their new wireless communications systems incorporating the Company's products and market acceptance. Sales of the Company's commercial StarWire(TM) products (see "Business -- Commercial Markets, Products and Customers -- Commercial Products") have not yet achieved profitability. The Company believes that as the market expands for the StarWire(TM) products, average production costs for such products should decrease and sales of such products should become profitable. However, there can be no assurance that the market for such products will expand or that average production costs will decrease. If the Company is unable to design, manufacture and market profitable new products for existing or emerging commercial markets, its business, financial condition and results of operations will be adversely affected. No assurance can be given that the Company's product development efforts for commercial products will be successful or that any new commercial products it develops will achieve market acceptance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business -- Commercial Markets, Products and Customers."

## DEVELOPMENT CONTRACTS

The telecommunications industry is characterized by rapid technological change. As a result, many companies involved in the telecommunications industry, including the Company, are often parties to

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governmental and commercial contracts which involve development of various products. Pursuant to such contracts, the company performing the development services typically must agree to meet strict performance covenants and project milestones which there is a risk it may not be able to satisfy. Under the terms of such contracts, the failure by a company to meet such performance covenants and milestones permit the other party to terminate the contract and, under certain circumstances, recover liquidated damages or other penalties from the breaching party. The Company is currently a party to a number of such contracts with a number of customers including, but not limited to, Hutchison Telecommunications, HCL Comnet, Hughes Defense Communications and the DOD. See "Business -- Commercial Markets, Products and Customers -- Commercial Customers" and " -- Government Markets, Products and Customers -- Government Customers." In substantially all of these contracts, the Company is not currently or in the past has not been in compliance with every outstanding performance covenant and project milestone. While the Company's past experience has been that in situations where the Company has not met all performance covenants and project milestones generally the other party has not elected to terminate such contracts or seek liquidated damages from the Company, there can be no assurance that this will not occur in the future with respect to current or future contracts and that such termination or damages would not have a material adverse effect on the Company.

## FLUCTUATIONS IN RESULTS OF OPERATIONS

The Company has experienced and expects to continue to experience significant fluctuations in quarterly and annual revenues, gross margins and operating results. The procurement process for most of the Company's current and potential customers is complex and lengthy, and the timing and amount of revenues is difficult to predict reliably. The Company recognizes a majority of its revenues under the percentage of completion method which requires estimates regarding costs that will be incurred over the life of a specific contract. Actual results may differ from those estimates. In such event, the Company has been and may in the future be required to adjust revenues in subsequent periods relating to revisions of prior period estimates, resulting in fluctuations in the Company's results of operations from period to period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, a single customer's order scheduled for delivery in a quarter can represent a significant portion of the Company's potential revenues for such quarter. The Company has at times failed to receive expected orders, and delivery schedules have been deferred as a result of, among other factors, changes in customer requirements or parts shortages. In fiscal 1997, approximately 23.9% of the Company's revenues were derived from one contract. Any disruption with respect to this contract could have a material adverse effect on the Company in any period where such a disruption occurs. See "Business -- Government Markets, Products and Customers -- Government Customers." As a result of the foregoing and other factors, the Company's operating results for particular periods have in the past been and may in the future be materially adversely affected by a delay, rescheduling or cancellation of even one purchase order. Moreover, purchase orders are often received and accepted substantially in advance of delivery, and the failure to reduce actual costs to the extent anticipated or an increase in anticipated costs before delivery could materially adversely affect the gross margins for such orders, and as a result, the Company's results of operations. There can be no assurance that the Company will continue to realize positive gross margins or operating results in the future, and even if so realized, there can be no assurance as to the level of such gross margins and operating results.

A large portion of the Company's expenses are fixed and difficult to reduce should revenues not meet the Company's expectations, thus magnifying the material adverse effect of any revenue shortfall. Furthermore, announcements by the Company or its competitors of new products and technologies could cause

customers to defer or cancel purchases of the Company's products and services, which could materially adversely affect the Company's business, financial condition and results of operations or result in fluctuations in the Company's results of operations from period to period. Additional factors that may cause the Company's revenues, gross margins and results of operations to vary significantly from period to period include mix of products and services sold; manufacturing efficiencies, costs and capacity; price discounts; market acceptance and the timing of availability of new products by the Company or its customers; usage of different distribution and sales channels; warranty and customer support expenses; customization of products and services; and general economic and political conditions. In addition, the Company's results of operations are influenced by competitive factors, including the pricing and availability of, and demand for,

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competitive products. All of the above factors are difficult for the Company to forecast, and these and other factors could materially adversely affect the Company's business, financial condition and results of operations or result in fluctuations in the Company's results of operations from period to period. As a result, the Company believes that period-to-period comparisons are not necessarily meaningful and should not be relied upon as indications of future performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### CONTRACT PROFIT EXPOSURE

The Company's products and services are provided primarily through three types of contracts: fixed-price, time-and-materials and cost-reimbursement contracts. Approximately 63.3% of the Company's total revenues for the fiscal year ended March 31, 1997, were derived from fixed-price contracts which require the Company to provide products and services under a contract at a stipulated price. The Company derived approximately 6.0% of its revenues during the year from time-and-materials contracts which reimburse the Company for the number of labor hours expended at an established hourly rate negotiated in the contract, plus the cost of materials utilized in providing such products or services. The remaining 30.7% of the Company's revenues for the fiscal year ended March 31, 1997 were derived from cost-reimbursement contracts under which the Company is reimbursed for actual costs incurred in performing the contract to the extent that such costs are within the contract ceiling and allowable, allocable and reasonable under the terms of the contract, plus a fee or profit. See "Business - -- Government Contracts."

The Company assumes greater financial risk on fixed-price contracts than on either time-and-materials or cost-reimbursement contracts. As the Company increases its manufacturing business, it believes that an increasing percentage of its contracts will be fixed-priced. Failure to anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract may reduce the Company's profit or cause a loss. In addition, greater risks are involved under time-and-materials contracts than under cost-reimbursement contracts because the Company assumes the responsibility for the delivery of specified products or services at a fixed hourly rate. Although management believes that it adequately estimates costs for fixed-price and time-and-materials contracts, no assurance can be given that such estimates are adequate or that losses on fixed-price and time-and-materials contracts will not occur in the future.

To compete successfully for business, the Company must satisfy client requirements at competitive rates. Although the Company continually attempts to lower its costs, there are other companies that may provide the same or similar products or services at comparable or lower prices than the Company. There can be no assurance that the Company will be able to compete effectively on pricing or other requirements, and as a result, the Company could lose clients or be unable to maintain historic gross margin levels or to operate profitably. See "Business -- Competition."

#### DECLINING AVERAGE SELLING PRICES; FLUCTUATIONS IN GROSS MARGINS

Average selling prices for the Company's products may fluctuate from period to period due to a number of factors, including product mix, competition

and unit volumes. In particular, the average selling prices of a specific product tend to decrease over that product's life. To offset such decreases, the Company intends to rely primarily on obtaining yield improvements and corresponding cost reductions in the manufacture of existing products and on introducing new products that incorporate advanced features and therefore can be sold at higher average selling prices. However, there can be no assurance that the Company will be able to obtain any such yield improvements or cost reductions or introduce any such new products in the future. To the extent that such cost reductions and new product introductions do not occur in a timely manner or the Company's or its customers' products do not achieve market acceptance, the Company's business, financial condition and results of operations could be materially adversely affected. See "Business -- Manufacturing."

The Company's gross margins in any period are affected by a number of different factors. Because of the different gross margins on various products, changes in product mix can impact gross margins in any particular period. In addition, in the event that the Company is not able to adequately respond to pricing pressures, the Company's current customers may decrease, postpone or cancel current or planned orders,

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and the Company may not be able to secure new customers or orders. As a result, the Company may not be able to achieve desired production volumes or gross margins.

#### GOVERNMENT REGULATIONS

The Company's products are incorporated into wireless communications systems that are subject to various government regulations. Regulatory changes, including changes in the allocation of available frequency spectrum and in the military standards and specifications which define the current satellite networking environment, could significantly impact the Company's operations by restricting development efforts by the Company's customers, making current products obsolete or increasing the opportunity for additional competition. There can be no assurance that regulatory bodies will not promulgate new regulations that could have a material adverse effect on the Company's business, financial condition and results of operations. Changes in, or the failure by the Company to comply with, applicable domestic and international regulations could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the increasing demand for wireless communications has exerted pressure on regulatory bodies worldwide to adopt new standards for such products and services, generally following extensive investigation of and deliberation over competing technologies. The delays inherent in this governmental approval process have caused and may continue to cause the cancellation, postponement or rescheduling of the installation of communications systems by the Company's customers, which in turn may have a material adverse effect on the sale of products by the Company to such customers. See "Business -- Government Regulations."

The Company has benefitted and continues to benefit from the SBIR program, through which the government provides research and development funding for companies with fewer than 500 employees. While the Company has already harvested significant benefits from the SBIR program throughout the initial developmental stages of its core technology base, the Company believes that its business, financial condition and results of operations would not be materially adversely affected if the Company were to lose its SBIR funding status. See "Business -- Research and Development."

#### EMERGING MARKETS IN WIRELESS COMMUNICATIONS

A number of the commercial markets for the Company's products in the wireless communications area, including its DAMA products, have only recently begun to develop. Because these markets are relatively new, it is difficult to predict the rate at which these markets will grow, if at all. If the markets for the Company's products in the commercial wireless communications area fail to grow, or grow more slowly than anticipated, the Company's business, financial condition and results of operations could be materially adversely affected. Conversely, to the extent that growth in these markets results in capacity

limitations in the wireless communications area, the Company's business, financial condition and results of operations could also be materially adversely affected. See "Business -- Commercial Markets, Products and Customers."

#### RURAL TELEPHONY MARKET

The Company's strategy includes focusing on establishing rural telephony networking infrastructure for developing countries through strategic alliances with regional and local service providers (see "Business -- Strategy -- Address Rural Telephony Market"). There can be no assurance that a substantial market for rural telephony equipment in developing countries will ever develop, or if such a market does develop that fixed-site DAMA VSAT-based equipment will capture a significant portion of that market. The Company's ability to penetrate such markets will be dependent upon its ability to develop equipment and software which can be utilized by the regional and local service providers to develop and implement such infrastructure and for such service providers to market and sell the use of such systems. Furthermore, there can be no assurance that the regional and local service providers will be able to successfully market subscriber terminals to rural subscribers. The development and implementation of such rural telephony systems will be dependent upon, among other things, the continued development of the necessary hardware and software technologies (including the necessary expenditures of a large amount of funds and resources), the implementation of cost-effective systems, market acceptance for such systems and approval by the appropriate regulatory agencies. There can be no assurance that the Company will be able to develop

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equipment and software which can be utilized in such rural telephony systems and accepted by regional and local service providers or that any regional or local service providers will be able to develop, implement and market rural telephony systems. Furthermore, if the Company successfully introduces such products and the regional and local service providers successfully develop and implement such systems, there is no assurance that the Company will generate enough revenues to cover the Company expenditures in the development and marketing of such products. Even if the Company is able to realize sales of such products, the Company believes it is not likely that the Company will realize any significant revenues from rural telephony applications any time in the foreseeable future, including at least the next two years.

#### DEPENDENCE ON CONTRACT MANUFACTURERS; RELIANCE ON SOLE OR LIMITED SOURCES OF SUPPLY

The Company's internal manufacturing capacity is limited. The Company has recently begun to utilize contract manufacturers to produce its products and expects to rely increasingly on such manufacturers in the future. The Company also relies on outside vendors to manufacture certain components and subassemblies, including printed wiring boards. Certain components, subassemblies and services necessary for the manufacture of the Company's products are obtained from a sole supplier or a limited group of suppliers. In particular, Texas Instruments is a sole source supplier of digital signal processing chips, which are critical components used by the Company in substantially all of its products. There can be no assurance that the Company's internal manufacturing capacity and that of its contract manufacturers and suppliers will be sufficient to timely fulfill the Company's orders. See "Business -- Manufacturing."

The Company's reliance on contract manufacturers and on sole suppliers or a limited group of suppliers involves several risks, including a potential inability to obtain an adequate supply of required components, and reduced control over the price, timely delivery, reliability and quality of finished products. From time to time, the Company enters into long-term supply agreements with its manufacturers and suppliers. Manufacture of the Company's products and certain of its components and subassemblies is an extremely complex process, and the Company has from time to time experienced and may in the future experience delays in the delivery of and quality problems with products and certain components and subassemblies from vendors. Certain of the Company's suppliers have relatively limited financial and other resources. Any inability to obtain timely deliveries of components and subassemblies of acceptable quality or any

other circumstance that would require the Company to seek alternative sources of supply, or to manufacture its finished products or such components and subassemblies internally, could delay or prevent the Company from timely delivery of its systems or raise issues regarding quality, which could damage relationships with current or prospective customers and have a material adverse effect on the Company's business, financial condition and results of operations.

#### COMPETITION

The markets for the Company's products and services are extremely competitive, and the Company expects that competition will increase in such markets. Many of the Company's competitors have entrenched market positions, established patents, copyrights, tradenames, trademarks, service marks and intellectual property rights and substantial technological capabilities. The Company's existing and potential competitors include large and emerging domestic and international companies, many of which have significantly greater financial, technical, manufacturing, marketing, sales and distribution resources and management expertise than the Company. The Company believes that its ability to compete successfully in the markets for its products and services depends upon a number of factors within and outside its control, including price, quality, availability, product performance and features, timing of new product introductions by the Company, its customers and competitors, and customer service and technical support. The Company's customers continuously evaluate whether to develop and manufacture their own products and could elect to compete with the Company at any time. Price competition in the markets in which the Company currently competes is likely to increase, which could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Competition."

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#### LIMITED PROTECTION OF THE COMPANY'S INTELLECTUAL PROPERTY

The Company's ability to compete may depend, in part, on its ability to obtain and enforce intellectual property protection for its technology in the United States and internationally. The Company relies on a combination of trade secrets, copyrights, trademarks, service marks and contractual rights to protect its intellectual property. There can be no assurance that the steps taken by the Company will be adequate to deter misappropriation or impede third party development of the Company's technology. In addition, the laws of certain foreign countries in which the Company's products are or may be sold do not protect the Company's intellectual property rights to the same extent as do the laws of the United States. The failure of the Company to protect its proprietary information could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Intellectual Property."

Litigation may be necessary to protect the Company's intellectual property rights and trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that infringement, invalidity, right to use or ownership claims by third parties or claims for indemnification resulting from infringement claims will not be asserted against the Company in the future. If any claims or actions are asserted against the Company, the Company may seek to obtain a license under a third party's intellectual property rights. There can be no assurance, however, that a license will be available under reasonable terms or at all. In addition, should the Company decide to litigate such claims, such litigation could be extremely expensive and time consuming and could materially adversely affect the Company's business, financial condition and results of operations, regardless of the outcome of the litigation. If the Company's products are found to infringe upon the rights of third parties, the Company may be forced to incur substantial costs to develop alternative products. There can be no assurance that the Company would be able to develop such alternative products or that if such alternative products were developed, they would perform as required or be accepted in the applicable markets.

#### REQUIREMENT FOR RESPONSE TO RAPID TECHNOLOGICAL CHANGE AND REQUIREMENT FOR FREQUENT NEW PRODUCT INTRODUCTIONS

The wireless communications market is subject to rapid technological change, frequent new product introductions and enhancements, product obsolescence and changes in end-user requirements. The Company's ability to be competitive in this market will depend in significant part upon its ability to successfully develop, introduce and sell new products and enhancements on a timely and cost-effective basis that respond to changing customer requirements. Any success of the Company in developing new and enhanced products will depend upon a variety of factors, including new product selection, integration of the various elements of its complex technology, timely and efficient completion of product design, timely and efficient implementation of manufacturing and assembly processes and its cost reduction efforts, development and completion of related software tools, product performance, quality and reliability and development of competitive products by competitors. The Company may experience delays from time to time in completing development and introduction of new products. Moreover, there can be no assurance that the Company will be successful in selecting, developing, manufacturing and marketing new products or enhancements. There can be no assurance that errors will not be found in the Company's products after commencement of deliveries, which could result in the loss of or delay in market acceptance. The inability of the Company to introduce in a timely manner new products that achieve market acceptance and thereby contribute to revenues could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Research and Development."

#### INTERNATIONAL OPERATIONS; RISKS OF DOING BUSINESS IN DEVELOPING COUNTRIES

The Company anticipates that international sales will account for an increasing percentage of its revenues for the foreseeable future. The Company's international sales may be denominated in foreign or U.S. currencies. The Company does not currently engage in foreign currency hedging transactions. As a result, a decrease in the value of foreign currencies relative to the U.S. dollar could result in losses from transactions denominated in foreign currencies. With respect to the Company's international sales that are

U.S. dollar-denominated, such a decrease could make the Company's products less price-competitive. Additional risks inherent in the Company's international business activities include various and changing regulatory requirements, cost and risks of localizing systems in foreign countries, increased sales and marketing and research and development expenses, availability of suitable export financing, timing and availability of export licenses, tariffs and other trade barriers, political and economic instability, difficulties in staffing and managing foreign operations, difficulties in managing distributors, potentially adverse taxes, complex foreign laws and treaties and the possibility of difficulty in accounts receivable collections. Certain of the Company's customer purchase agreements are governed by foreign laws, which may differ significantly from U.S. laws. Therefore, the Company may be limited in its ability to enforce its rights under such agreements and to collect damages, if awarded. There can be no assurance that any of these factors will not have a material adverse effect on the Company's business, financial condition and results of operations.

#### VIABLE PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

The Company's Common Stock has traded on a public market for a relatively short period of time, and there can be no assurance that a viable public market for the Common Stock will be sustained. The Company believes that factors such as announcements of developments related to the Company's business, announcements of technological innovations or new products or enhancements by the Company or its competitors, developments in the Company's relationships with its customers, partners, distributors and suppliers, changes in analysts' estimates, regulatory developments, fluctuations in results of operations and general conditions in the Company's market or the markets served by the Company's customers or the economy could cause the price of the Common Stock to fluctuate, perhaps substantially. In addition, in recent years the stock market in general, and technology companies in particular have been subject to significant price fluctuations, which have often been unrelated to the operating performance of affected companies. Such fluctuations could adversely affect the market price of the Common Stock. There can be no assurance that the market

price of the Common Stock will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Company's performance.

#### CONTROL BY EXISTING STOCKHOLDERS

As of March 31, 1997, members of the Board of Directors and the executive officers of the Company, together with members of their families and entities that may be deemed affiliates of or related to such persons or entities, beneficially owned approximately 36.7% of the outstanding shares of the Company's Common Stock. Accordingly, these stockholders may be able to elect all members of the Company's Board of Directors and determine the outcome of corporate actions requiring stockholder approval, such as mergers and acquisitions. This level of ownership may have a significant effect in delaying, deferring preventing a change in control of the Company and may adversely affect the voting and other rights of other holders of the Common Stock.

#### ANTI-TAKEOVER EFFECTS OF CERTAIN CHARTER PROVISIONS

Certain provisions of the Company's Amended and Restated Certificate of Incorporation and Bylaws could discourage potential acquisition proposals, could delay or prevent a change in control of the Company and could make removal of management more difficult. Such provisions could diminish the opportunities for a stockholder to participate in tender offers, including tender offers that are priced above the then current market value of the Company's Common Stock. The provisions also may inhibit increases in the market price of the Common Stock that could result from takeover attempts. Additionally, the Board of Directors of the Company, without further stockholder approval, may issue up to 5,000,000 shares of Preferred Stock, in one or more series, with such terms as the Board of Directors may determine, including rights such as voting, dividend and conversion rights which could adversely affect the voting power and other rights of the holders of Common Stock. Preferred Stock may be issued quickly with terms which delay or prevent the change in control of the Company or make removal of management more difficult. Also, the issuance of Preferred Stock may have the effect of decreasing the market price of the Common Stock.

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#### DEPENDENCE ON KEY PERSONNEL

The Company's future success depends in large part on the continued service of its key technical, marketing and management personnel and on its ability to continue to attract and retain qualified employees, particularly its Chief Executive Officer, Mark D. Dankberg, and those highly skilled design, process and test engineers involved in the manufacture of existing products and the development of new products and processes. The competition for such personnel is intense, and the loss of key employees could have a material adverse effect on the Company's business, financial condition and results of operations. The Company does not have employment agreements with any of its officers or employees. The Company has obtained, however, a key man insurance policy on the life of Mr. Dankberg in the amount of \$500,000, of which the Company is the sole beneficiary. See "Business -- Employees."

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#### ITEM 2. PROPERTIES

The Company's headquarters are located in an approximately 37,000 square foot leased facility in Carlsbad, California. This facility houses the Company's management, marketing and sales personnel. The lease for this facility terminates in November 1998. The Company also leases another facility in Carlsbad, California containing approximately 49,000 square feet for research and development, application engineering and manufacturing coordination activities. This lease terminates in July 1999 with options to renew for two additional periods of two years each. In addition, the Company leases two

smaller sales facilities aggregating approximately 2,600 square feet located in Boston, Massachusetts, and Melbourne, Florida. The Boston lease terminates in May 1998 with an option to renew for one additional period of two years. The Melbourne lease terminated in March 1997 and is currently being rented on a monthly basis. Annual leasing costs of the Company totaled \$781,000, \$608,000 and \$493,000 for the fiscal years ended March 31, 1997, 1996 and 1995, respectively. The Company is seeking additional facilities to meet its current requirements and believes that suitable additional space will be located on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of its business which, in the opinion of the Company's management, are not individually or in the aggregate material to its business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended March 31, 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Common Stock of the Company is traded on the Nasdaq National Market under the symbol "VSAT." The Common Stock was initially offered to the public on December 3, 1996 at \$9.00 per share. The following table sets forth the range of high and low sales prices on the Nasdaq National Market of the Company's Common Stock for the periods indicated, as reported by Nasdaq. Such quotations represent inter-dealer prices without retail markup, markdown or commission and may not necessarily represent actual transactions.

FISCAL 1997	HIGH	LOW
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Third Quarter (a)	\$ 9.63	\$8.38
Fourth Quarter	\$12.25	\$8.75

As of June 16, 1997, there were 179 holders of record of the Common stock.

To date, the Company has neither declared nor paid any dividends on the Common Stock. The Company currently intends to retain all future earnings, if any, for use in the operation and development of its business and, therefore, does not expect to declare or pay any cash dividends on the Common Stock in the foreseeable future. In addition, an equipment financing agreement of the Company prohibits the payment of any cash dividends on the Company's capital stock.

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(a) Subsequent to December 3, 1996.

ITEM 6. SELECTED FINANCIAL DATA

The following data has been derived from the Company's audited

financial statements. The balance sheet at March 31, 1997 and 1996 and the related statements of income and of cash flows of the Company for the three years ended March 31, 1997 and notes thereto appear elsewhere herein. The data should be read in conjunction with the annual financial statements, related notes and other financial information appearing elsewhere herein. All amounts shown are in thousands, except per share data.

	YEARS ENDED MARCH 31,				
	1997	1996	1995	1994	1993
STATEMENT OF INCOME DATA:					
Revenues	\$ 47,715	\$ 29,017	\$ 22,341	\$ 11,579	\$ 5,072
Cost of revenues	33,102	20,983	16,855	9,033	3,939
Gross profit	14,613	8,034	5,486	2,546	1,133
Operating expenses:					
Selling, general and administrative	4,752	3,400	2,416	1,554	740
Independent research and development	5,087	2,820	788	134	59
Income from operations	4,774	1,814	2,282	858	334
Net interest income (expense)	100	(231)	(87)	(45)	(17)
Income before income taxes	4,874	1,583	2,195	813	317
Provision (benefit) for income taxes	1,702	(50)	888	328	93
Net income	\$ 3,172	\$ 1,633	\$ 1,307	\$ 485	\$ 224
Pro forma net income per share(1)	\$ 0.47	\$ 0.28			
Shares used in per share calculations(1)	6,702	5,876			

	MARCH 31,				
	1997	1996	1995	1994	1993
BALANCE SHEET DATA:					
Cash and cash equivalents	\$12,673	\$ 2,297	\$ 2,731	\$ 9	\$ 75
Working capital	20,406	4,651	2,808	1,486	964
Total assets	35,674	13,262	9,377	4,986	2,550
Long-term debt, less current portion	1,428	1,747	1,220	297	124
Total stockholders' equity	23,619	5,217	3,413	1,956	1,465

(1) For an explanation of the determination of the number of shares used in computing pro forma net income per share, see Note 1 of the Notes to Financial Statements.

Historically, the Company's revenues have been principally derived from contracts with the DOD. The Company's DOD revenues have continued to grow significantly despite government budgetary constraints. Since 1992, such revenues have grown at a compounded annual growth rate of approximately 63%. DOD revenues amounted to \$46.3 million, \$28.3 million and \$21.2 million for the fiscal years ended March 31, 1997, 1996 and 1995, respectively. The Company has achieved this growth rate entirely through internal growth, and not through acquisitions. See "Risk Factors -- Fluctuations in Results of Operations."

The Company's products and services are provided primarily through three types of contracts: fixed-price, time-and-materials and cost-reimbursement contracts. Approximately 63.3% and 56.3% of the Company's total revenues for the fiscal years ended March 31, 1997 and 1996, respectively, were derived from fixed-price contracts which require the Company to provide products and services under a contract at a stipulated price. The Company derived approximately 6.0% and 5.0% of its revenues during such periods from time-and-materials contracts which reimburse the Company for the number of labor hours expended at an established hourly rate negotiated in the contract, plus the cost of materials utilized in providing such products or services. The remaining 30.7% and 38.7% of the Company's revenues for the fiscal years ended March 31, 1997 and 1996, respectively, were derived from cost-reimbursement contracts under which the Company is reimbursed for all actual costs incurred in performing the contract to the extent that such costs are within the contract ceiling and allowable under the terms of the contract, plus a fee or profit. See "Risk Factors -- Contract Profit Exposure."

As of March 31, 1997, the Company had firm backlog of \$78.4 million, of which \$67.6 million was funded. Of the \$78.4 million in firm backlog, approximately \$46.7 million is expected to be delivered in the fiscal year ending March 31, 1998, approximately \$13.2 million is expected to be delivered in the fiscal year ending March 31, 1999 and the balance is expected to be delivered in the fiscal years ending March 31, 2000 and thereafter. The Company received \$100.0 million in awards during the year ended March 31, 1997, consisting of \$62.0 million in UHF DAMA satellite communications awards, \$25.2 million in awards for the defense simulator business, \$9.5 million in other defense awards and \$3.3 million in commercial satellite communications awards. The Company's \$78.4 million in firm backlog at March 31, 1997 excludes an additional \$24.9 million of customer options. See "Business -- Backlog."

Historically, a significant portion of the Company's revenue has been derived from research and development contracts with the DOD. The research and development efforts are conducted in direct response to the specific requirements of a customer's order and, accordingly, expenditures related to such efforts are included in cost of sales when incurred and the related funding (which includes a profit component) is included in net revenues at such time. Revenues are recognized using the percentage of completion method on these long-term development contracts. Revenues for funded research and development during the fiscal years ended March 31, 1997, 1996 and 1995 were approximately \$21.3 million, \$19.5 million and \$20.7 million, respectively. See "Business -- Research and Development."

Beginning in fiscal 1995, production contracts for delivery of previously developed equipment became a more significant percentage of total revenues. Production contracts amounted to approximately 35.3%, 19.4%, and 6.5% of fiscal 1997, 1996, and 1995 total revenues, respectively.

The Company invests in independent research and development ("IR&D"), which is not directly funded by a third party. The Company expenses IR&D costs as they are incurred. IR&D expenses consist primarily of salaries and other personnel-related expenses, supplies and prototype materials related to research and development programs. IR&D expenses for governmental and commercial applications were minimal prior to fiscal 1995. In the fourth quarter of fiscal 1995, the Company began investing a significant amount of IR&D funds primarily in the development of satellite telephony and other satellite DAMA products. The Company expended 10.6% and 9.7% of revenues in IR&D during the fiscal years ended March 31, 1997 and 1996, respectively. The Company expects that IR&D expenditures will continue to

increase in order to fund growth in government and commercial applications. As a government contractor, the Company is able to recover a portion of its IR&D expenses pursuant to its government contracts.

#### RESULTS OF OPERATIONS

The following table sets forth, as a percentage of total revenues, certain income data for the periods indicated.

	FISCAL YEARS ENDED		
	MARCH 31,		
	1997	1996	1995
Revenues	100.0%	100.0%	100.0%
Cost of revenues	69.4	72.3	75.4
Gross profit	30.6	27.7	24.6
Operating expenses:			
Selling, general and administrative	10.0	11.7	10.8
Independent research and development	10.6	9.7	3.5
Income from operations	10.0	6.3	10.3
Income before income taxes	10.2	5.5	9.9
Net income	6.6	5.6	5.9

#### FISCAL YEAR ENDED MARCH 31, 1997 VS. FISCAL YEAR ENDED MARCH 31, 1996

**Revenues.** The Company's revenues increased 64.4% from \$29.0 million in fiscal 1996 to \$47.7 million in fiscal 1997. This increase was primarily due to a \$13.0 million increase in revenues generated by contracts with the U.S. Air Force for UHF DAMA network control stations, and a revenue increase of \$8.7 million generated by Enhanced Manpack UHF Terminal ("EMUT") DAMA modem production, offset in part by reduced activity in other product lines and the completion of certain contracts. UHF DAMA business area revenues grew from \$12.4 million (42.8% of revenues) in fiscal 1996 to \$32.8 million (68.8% of revenues) in fiscal 1997.

**Gross Profit.** Gross profit increased 81.9% from \$8.0 million (27.7% of revenues) in fiscal 1996 to \$14.6 million (30.6% of revenues) in fiscal 1997. This increase primarily reflects improved contract profitability and higher prices related to the recovery of allowable IR&D costs under certain government contracts.

**Selling, General and Administrative Expenses.** Selling, general and administrative ("SG&A") expenses increased 39.8% from \$3.4 million (11.7% of revenues) in fiscal 1996 to \$4.8 million (10.0% of revenues) in fiscal 1997. The Company continued to increase administrative staff to support IR&D related to its StarWire(TM) DAMA product, increased its business development staff for defense programs, and added to finance and administrative staffing. Bid and proposal efforts increased from \$1.0 million in fiscal 1996 to \$1.2 million in fiscal 1997.

**Independent Research and Development.** IR&D expenses increased 80.4% from \$2.8 million (9.7% of revenues) in fiscal 1996 to \$5.1 million (10.6% of revenues) in fiscal 1997. Expenditures on the development of the Company's StarWire(TM) DAMA product began in the last quarter of fiscal 1995 and have been steadily increasing.

**Interest Expense.** Interest expense decreased 2.3% from \$260,000 in fiscal 1996 to \$254,000 in fiscal 1997. Total outstanding equipment loans were \$2.5 million at the end of fiscal 1996 and \$2.6 million at the end of fiscal 1997. There were no outstanding borrowings under the Company's line of credit at the end of each fiscal year.

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Interest Income. Interest income increased from \$29,000 in fiscal 1996 to \$354,000 in fiscal 1997. Interest income relates to interest earned on short-term deposits of cash.

Provision (Benefit) for Income Taxes. The income tax benefit in fiscal 1996 was primarily attributable to the utilization of research and development credits generated during the current period and the impact of a United States Federal judicial decision which clarified the tax law related to the utilization of research and development credits generated from funded research and development. The income tax provision in fiscal 1997 was less than the combined federal and state statutory rate due to the utilization of research and development credits.

FISCAL YEAR ENDED MARCH 31, 1996 VS. FISCAL YEAR ENDED MARCH 31, 1995

Revenues. The Company's revenues increased 29.9% from \$22.3 million in fiscal 1995 to \$29.0 million in fiscal 1996. This increase reflects the growth in defense related production contracts, primarily associated with the Company's EMUT DAMA modem products, which experienced a \$5.3 million increase, and Advanced Data Controller ("ADC") products, which experienced a \$1.5 million increase. Revenues from production orders (compared to funded research and development) increased from \$1.4 million (6.5% of revenues) in fiscal 1995 to \$5.6 million (19.4% of revenues) in fiscal 1996.

Revenues from UHF DAMA satellite communications products increased to 42.8% of revenues in fiscal 1996. This increase was due to the first EMUT DAMA modem production deliveries in the fourth quarter of 1996. UHF DAMA business area revenues grew from \$7.1 million (31.7% of revenues) in fiscal 1995 to \$12.4 million (42.8% of revenues) in fiscal 1996.

Gross Profit. Gross profit increased 46.4% from \$5.5 million (24.6% of revenues) in fiscal 1995 to \$8.0 million (27.7% of revenues) in fiscal 1996. This increase primarily reflects higher prices related to the recovery of allowable IR&D costs under certain government contracts and improved contract profitability under certain production contracts.

Selling, General and Administrative Expenses. SG&A expenses increased 40.7% from \$2.4 million (10.8% of revenues) in fiscal 1995 to \$3.4 million (11.7% of revenues) in fiscal 1996. Increased SG&A expenses were offset somewhat by the continuing revenue growth. The Company continued to increase administrative staff to support IR&D related to its StarWire(TM) DAMA product, increased its business development staff for defense programs, and added to finance and administrative staffing. Bid and proposal efforts increased from \$321,000 in fiscal 1995 to \$1.0 million in fiscal 1996.

Independent Research and Development. IR&D expenses increased 257.9% from \$788,000 (3.5% of revenues) in fiscal 1995 to \$2.8 million (9.7% of revenues) in fiscal 1996. Expenditures on the development of the Company's StarWire(TM) DAMA product began in the last quarter of fiscal 1995 and have been steadily increasing.

Interest Expense. Interest expense increased 128.1% from \$114,000 in fiscal 1995 to \$260,000 in fiscal 1996. Total outstanding equipment loans were \$1.7 million at the end of fiscal 1995 and \$2.5 million at the end of fiscal 1996. There were no outstanding borrowings under the Company's line of credit at the end of each fiscal year.

Interest Income. Interest income increased 7.4% from \$27,000 in fiscal 1995 to \$29,000 in fiscal 1996. Interest income relates to interest earned on short-term deposits of cash.

Provision (Benefit) for Income Taxes. The income tax provision in fiscal 1995 approximated the combined federal and state statutory rate of 40.0%. The income tax benefit in fiscal 1996 was primarily attributable to the utilization of research and development credits generated during the current period and the impact of a United States Federal judicial decision which clarified the tax law related to the utilization of research and development credits generated from funded research and development.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date primarily from cash flow from operations, bank line of credit financing, equity financing and loans for the purchase of capital equipment. Cash (used)/provided by operating activities for the fiscal years ended March 31, 1997 and 1996 was (\$1.2) million and \$456,000, respectively. The relative increase in cash used for operating activities for the year ended March 31, 1997 compared to the prior year was primarily due to higher levels of accounts receivable and inventory, which was partially offset by a \$1.5 million increase in net income and higher levels of accounts payable and accrued liabilities. The increase in accounts receivable, accounts payable, and accrued liabilities resulted from an increase in the Company's revenues. The growing share of revenues from production contracts led to the need to build inventory levels to support production demands. The Company anticipates that in future periods the level of inventory will be higher than historical levels.

Cash used in investing activities for the fiscal years ended March 31, 1997 and 1996 was \$3.7 million and \$1.9 million, respectively. The increase was the result of purchases of property and equipment, primarily consisting of test equipment and computers.

Cash provided by financing activities for the fiscal years ended March 31, 1997 and 1996 was \$15.3 million and \$1.0 million, respectively. This increase was primarily the result of \$14.8 million of capital raised in the Company's initial public offering which closed in December 1996. This relative increase was offset by lower net financing provided by the Company's equipment line of credit.

At March 31, 1997, the Company had \$12.7 million in cash and cash equivalents, \$20.4 million in working capital and \$1.4 million in long-term debt which consists of equipment financing. The Company had a zero balance under its line of credit at March 31, 1997 and 1996.

The Company's credit facility with Union Bank includes a \$6.0 million line of credit and \$4.5 million in commitments for equipment financing. The line of credit allows the Company to borrow, for general working capital purposes, the greater of \$2.0 million or 80% of eligible accounts receivable plus 50% of the Company's eligible inventory. At the Company's option interest accrues either at the bank's prime rate (8.5% at March 31, 1997) or at the banks LIBOR rate plus 1.75% (7.69% at March 31, 1997). The credit facility expires on September 15, 1998. The Company is required to pay a fee equal to 0.09% of the unused portion of the line of credit on a quarterly basis.

The equipment line consists of three loans, each of which limits borrowings to an 80.0% advance against the purchase price, net of sales tax, delivery and insurance. The first loan has been converted into a fully amortizing loan which matures on September 15, 1999. All borrowings under the second loan, which may not exceed \$2.0 million, must be made before September 15, 1997, at which time all unpaid principal under such loan will be converted into a fully amortizing loan for a period of 36 months with a maturity date of September 15, 2000. All borrowings under the third loan, which may not exceed \$2.5 million, must be made before September 15, 1998, at which time all unpaid principal under such loan will be converted into a fully amortizing loan for a period of 36 months with a maturity date of September 15, 2001.

The Company's future capital requirements, which management anticipates will not exceed \$10.0 million over the next 12 months, will depend upon many factors, including the progress of the Company's research and development efforts, expansion of the Company's marketing efforts, and the nature and timing of commercial orders. The Company believes that its current cash balances, amounts available under its credit facilities and net cash expected to be provided by operating activities, will be sufficient to meet its working capital and capital expenditure requirements for at least the next 12 months. Management intends to invest the Company's cash in excess of current operating requirements in short-term, interest-bearing, investment-grade securities.

## SUMMARIZED QUARTERLY DATA (UNAUDITED)

The following financial information reflects all normal recurring adjustments which are, in the opinion of management, necessary for the fair statement of the results of the interim periods. Summarized quarterly data for fiscal 1997 and 1996 is as follows (in thousands, except per share data):

	1st Quarter -----	2nd Quarter -----	3rd Quarter -----	4th Quarter -----
1997				
Revenues	\$9,732	\$11,850	\$12,079	\$14,054
Gross profit	2,870	3,379	3,832	4,532
Income from operations	772	947	1,288	1,767
Net income	478	604	853	1,237
Pro forma net income per share (1)	\$ .08	\$ .10	\$ .13	
Net income per share (1)				\$ .15
1996				
Revenues	\$6,768	\$ 7,388	\$ 5,755	\$ 9,106
Gross profit	1,938	2,108	1,713	2,275
Income from operations	553	545	129	587
Net income	541	503	70	519
Pro forma net income per share (1)	\$ .09	\$ .09	\$ .01	\$ .09

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- (1) Pro forma net income per share and net income per share computations for each quarter are independent and may not add up to the pro forma net income per share computation for the respective year. See Note 1 of Notes to the Financial Statements for an explanation of the determination of pro forma net income per share.

## ITEM 8. FINANCIAL STATEMENTS

The Company's financial statements at March 31, 1997 and 1996, and for each of the three years in the period ended March 31, 1997, and the Report of Price Waterhouse LLP, Independent Accountants, are included in this Report on pages F-1 through F-14.

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

None.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item will be set forth under the captions "Election of Directors" and "Executive Officers" in the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 1997 Annual Meeting of Stockholders (the "Proxy Statement"), which is incorporated by reference herein.

## ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Certain Transactions."

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

	PAGE NUMBER -----
(a) Documents filed as part of the report:	
(1) Report of Independent Accountants	F-1
Balance Sheets at March 31, 1997 and 1996	F-2
Statements of Income for Fiscal 1997, 1996 and 1995	F-3
Statements of Cash Flow for Fiscal 1997, 1996 and 1995	F-4
Statements of Stockholders' Equity for Fiscal 1997, 1996 and 1995	F-5
Notes to Financial Statements	F-6

Financial statement schedules other than those listed above have been omitted because they are either not required, not applicable or the information is otherwise included.

(2) Exhibits

EXHIBIT NUMBERS -----	DESCRIPTION OF EXHIBIT -----
3.1	Amended and Restated Certificate of Incorporation.(1)
3.2	Bylaws.(1)
4.1	Form of Common Stock Certificate.(1)
10.1	Preferred Stock Purchase Agreement, dated as of June 11, 1986, by and among the Company, Southern California Ventures, Robert W. Johnson and Thomas A. Tisch.(1)
10.2	Shareholders' Agreement, dated June 11, 1986, by and among Southern California Ventures, Robert W. Johnson, Thomas A. Tisch, the Company, Mark D. Dankberg, Steven R. Hart and Mark J. Miller.(1)
10.3	Form of Stock Restriction Agreement by and between the Company and each stockholder of the Company.(1)
10.4	Form of Invention and Confidential Disclosure Agreement by and between the Company and each employee of the Company.(1)
10.5	ViaSat, Inc. 1993 Stock Option Plan (the "1993 Stock Option

- Plan").(1)
- 10.6 First Amendment to the 1993 Stock Option Plan.(2)
- 10.7 Form of Incentive Stock Option Agreement under the 1993 Stock Option Plan.(1)
- 10.8 Form of Nonqualified Stock Option Agreement under the 1993 Stock Option Plan.(1)
- 10.9 The 1996 Equity Participation Plan of ViaSat, Inc. (the "1996 Equity Participation Plan").(1)
- 10.10 Form of Incentive Stock Option Agreement under the 1996 Equity Participation Plan.(1)
- 10.11 Form of Nonqualified Stock Option Agreement under the 1996 Equity Participation Plan.(1)
- 10.12 The ViaSat, Inc. Employee Stock Purchase Plan.(1)
- 10.13 ViaSat, Inc. 401(k) Profit Sharing Plan.(1)
- 10.14 Loan Agreement, dated as of September 15, 1995, by and between the Company and Union Bank.(1)
- 10.15 Waiver and First Amendment to Loan Agreement, dated as of March 31, 1997, by and between the Company and Union Bank.(2)
- 10.16 Business Loan Agreement, dated as of April 5, 1994, as amended, by and between the Company and Scripps Bank.(1)
- 10.17 Equipment Financing Agreement, dated April 28, 1994, by and between the Company and Heritage Leasing Capital.(1)
- 10.18 Equipment Financing Agreement, dated May 13, 1994, by and between the Company and Heritage Leasing Capital.(1)

EXHIBIT NUMBERS -----	DESCRIPTION OF EXHIBIT -----
10.19	Equipment Financing Agreement, dated September 19, 1994, by and between the Company and Heritage Leasing Capital.(1)
10.20	Equipment Financing Agreement, dated December 6, 1994, by and between the Company and Heritage Leasing Capital.(1)
10.21	Sublease, dated as of August 20, 1993, by and between Whittaker Corporation and the Company (2290 Cosmos Court, Carlsbad, California).(1)
10.22	Lease Agreement, dated December 8, 1994, by and between The Campus, LLC and the Company (The Campus, Carlsbad, California).(1)
10.23	Lease, dated March 21, 1995, by and between Nagog Development Co. and the Company (125 Nagog Park, Acton, Massachusetts).(1)
10.24	Lease, dated March 8, 1996, by and between Harry and Wendy Brandon and the Company(1900 S. Harbor City Blvd., Melbourne, Florida).(1)
10.25	Basic Ordering Agreement, dated November 8, 1994, as

- amended, by and between the Company and AT&T acting through its Tridom division.(1)
- 10.26 Supply & Services Contract, dated June 2, 1996, by and between HCL Comnet Systems and Services Limited and the Company.(1)
- 10.27 Basic Ordering Agreement Subcontract, dated March 4, 1994, by and between Magnavox Electronic Systems Company and the Company.(1)
- 10.28 Purchase Order Change to Basic Ordering Agreement Subcontract, dated February 25, 1997, by and between Hughes Defense Communications (formerly Magnavox Electronic Systems Company) and the Company.(2)
- 10.29 Award/Contract, effective March 29, 1996, as amended, issued by Electronic Systems Center/MCK Air Force Materiel Command, USAF to the Company.(1)
- 10.30 Amendment of Award/Contract, effective February 24, 1997, issued by Electronic Systems Center/MCK Air Force Materiel Command, USAF to the Company.(2)
- 10.31 Award/Contract, effective October 2, 1995, issued by Electronic Systems Center/MCK Air Force Materiel Command, USAF to the Company.(1)
- 10.32 Award/Contract, effective September 29, 1993, as amended, issued by Information Technology Acquisition Center to the Company.(1)
- 10.33 Turnkey Agreement, dated August 9, 1996, by and between Hutchison Corporate Access (HK) Limited and the Company.(1)
- 10.34 Award/Contract, effective July 30, 1991, issued by Electronic Systems Division Air Force Systems Command, USAF to the Company.(1)
- 10.35 Award/Contract, effective September 27, 1993, as amended, issued by Contracting Officer Naval Research Laboratory to the Company.(1)
- 10.36 Award Contract, effective September 21, 1994, as amended, issued by Technical Contract Management Office to the Company.(1)
- 10.37 Fixed Price Contract, dated as of October 18, 1995, by and between the Company and Spectragraphics.(1)
- 11.1 Statement re: Computation of per share earnings.(2)
- 21.1 Subsidiaries.(1)
- 23.1 Consent of Independent Accountants.(2)
- 27.1 Financial Data Schedule.(2)

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(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission (the "Commission") on October 1, 1996 (File No. 333-13183), as amended by Amendment No 1 filed with the Commission on November 5, 1996, Amendment No. 2 filed with the Commission on November 20, 1996, and Amendment No. 3 filed with the Commission on November 22, 1996.

(2) Filed herewith.

(b) REPORTS ON FORM 8-K

There were no reports on Form 8-K filed by the registrant during the fourth quarter of the fiscal year ended March 31, 1997.

(c) EXHIBITS

The exhibits required by this Item are listed under Item 14(a)(2).

GLOSSARY OF SELECTED TERMS

- DAMA.....Demand Assigned Multiple Access. A protocol for assigning a communication channel to a user only upon request.
- DOD.....Department of Defense.
- Downlink.....A radio transmission from a satellite back down toward the earth.
- EMUT.....Enhanced Manpack UHF Terminal. A small, portable satellite terminal for DOD that operates in the UHF frequency band.
- FDMA.....Frequency Division Multiple Access. A protocol that assigns each communication channel to a different transmission frequency.
- GHz.....Giga Hertz. One billion cycles per second. A measure of frequency or bandwidth.
- LEO.....Low Earth Orbit.
- Local Loop Services.....Local telephony service.
- MHz.....Mega Hertz. One million cycles per second. A measure of frequency or bandwidth.
- MIL-STD.....Military standard.
- NCS.....Network Control System. The satellite terminal and computer that manages channel assignments in a DAMA network.
- Network.....A collection of user terminals linked together by a satellite.
- PSTN.....Public Switched Telephone Network.
- RF.....Radio Frequency.
- SCPC.....Single Channel Per Carrier. A signalling technique that transmits one voice or data circuit per radio channel.
- SHF.....Super High Frequency radio transmissions.
- TDM.....Time Division Multiplexing. A protocol for combining several different circuits into a single, continuous transmission.
- TDMA.....Time Division Multiple Access. A protocol for time sharing a single communication channel among a number of different users.
- Transponder.....A receiving and transmitting device on board a satellite that relays an uplink transmission from a satellite terminal back down to earth.

UHF.....Ultra High Frequency radio transmissions.

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Uplink.....A radio transmission from a satellite terminal that is sent up to a satellite.

VSAT.....Very Small Aperture Terminal. A satellite terminal with a very small antenna. A VSAT antenna is typically considered to be less than 3.7 meters in diameter.

Wireless Local Loop .....Wireless switched local telephony service.

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SIGNATURES

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

Date: June 16, 1997.

ViaSat, Inc.

By: /s/ MARK D. DANKBERG

-----  
Mark D. Dankberg  
Chairman, President and Chief  
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ MARK D. DANKBERG ----- Mark D. Dankberg	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	June 16, 1997
/s/ GREGORY D. MONAHAN ----- Gregory D. Monahan	Vice President, Chief Financial Officer and General Counsel (Principal Financial Officer and Principal Accounting Officer)	June 16, 1997
/s/ ROBERT W. JOHNSON ----- Robert W. Johnson	Director	June 16, 1997
/s/ JEFFREY M. NASH ----- Jeffrey M. Nash	Director	June 16, 1997
/s/ B. ALLEN LAY	Director	June 16, 1997

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B. Allen Lay

/s/ JAMES F. BUNKER                      Director

June 16, 1997

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James F. Bunker

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of ViaSat, Inc.

In our opinion, the financial statements listed in the index appearing under item 14(a)(1) on page 37 present fairly, in all material respects, the financial position of ViaSat, Inc. at March 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

San Diego, California  
May 12, 1997

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VIASAT, INC.

BALANCE SHEET

	MARCH 31, 1997	MARCH 31, 1996
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,673,000	\$ 2,297,000
Accounts receivable	10,315,000	6,171,000
Inventory	4,478,000	1,223,000
Deferred income taxes	863,000	484,000
Other current assets	1,825,000	170,000
	-----	-----
Total current assets	30,154,000	10,345,000
Property and equipment, net	5,085,000	2,789,000
Other assets	435,000	128,000
	-----	-----
Total assets	\$ 35,674,000	\$ 13,262,000
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 4,844,000	\$ 2,774,000
Accrued liabilities	3,769,000	2,157,000
Current portion of notes payable	1,135,000	763,000
	-----	-----
Total current liabilities	9,748,000	5,694,000
	-----	-----
Notes payable	1,428,000	1,747,000
	-----	-----
Other liabilities	879,000	604,000
	-----	-----
Total long-term liabilities	2,307,000	2,351,000
	-----	-----
Commitments and contingencies (Notes 10 & 11)		
Stockholders' equity:		
Series A, convertible preferred stock, \$.0001 par value; 5,000,000, and 3,225,000 shares authorized; no shares and 3,225,000 shares issued and outstanding at March 31, 1997 and March 31, 1996, respectively		32,000
Common stock, \$.0001 par value, 25,000,000 and 7,335,000 shares authorized; 7,742,274 and 3,342,101 issued and outstanding at March 31, 1997 and March 31, 1996, respectively	81,000	46,000
Paid in capital	16,044,000	737,000
Stockholders' notes receivable	(80,000)	
Retained earnings	7,574,000	4,402,000
	-----	-----
Total stockholders' equity	23,619,000	5,217,000
	-----	-----
Total liabilities and stockholders' equity	\$ 35,674,000	\$ 13,262,000
	=====	=====

See accompanying notes to financial statements

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VIASAT, INC.

STATEMENT OF INCOME

	YEAR ENDED MARCH 31,		
	1997	1996	1995
	-----	-----	-----
Revenues	\$47,715,000	\$29,017,000	\$22,341,000
Cost of revenues	33,102,000	20,983,000	16,855,000
	-----	-----	-----
Gross profit	14,613,000	8,034,000	5,486,000
Operating expenses:			
Selling, general and administrative	4,752,000	3,400,000	2,416,000
Independent research and development	5,087,000	2,820,000	788,000
	-----	-----	-----
Income from operations	4,774,000	1,814,000	2,282,000
Other income (expense):			
Interest income	354,000	29,000	27,000
Interest expense	(254,000)	(260,000)	(114,000)
	-----	-----	-----
Income before income taxes .	4,874,000	1,583,000	2,195,000
Provision (benefit) for income taxes	1,702,000	(50,000)	888,000
	-----	-----	-----
Net income	\$ 3,172,000	\$ 1,633,000	\$ 1,307,000
	=====	=====	=====
Pro forma net income per share	\$ 0.47	\$ 0.28	
	=====	=====	

Shares used in computing pro  
forma net income per share

6,702,414  
=====

5,875,729  
=====

See accompanying notes to financial statements.

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VIASAT, INC.

STATEMENT OF CASH FLOWS

	YEAR ENDED MARCH 31,		
	1997	1996	1995
	-----	-----	-----
Cash flows from operating activities:			
Net income	\$ 3,172,000	\$ 1,633,000	\$ 1,307,000
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation	1,389,000	982,000	542,000
Deferred income taxes	(721,000)	(350,000)	(13,000)
Increase (decrease) in cash resulting from changes in:			
Accounts receivable	(4,144,000)	(1,871,000)	(265,000)
Inventory	(3,255,000)	(1,019,000)	(189,000)
Other assets	(1,620,000)	(186,000)	(43,000)
Accounts payable	2,070,000	1,294,000	530,000
Accrued liabilities	1,612,000	(512,000)	1,331,000
Other liabilities	275,000	485,000	119,000
	-----	-----	-----
Net cash (used in) provided by operating activities	(1,222,000)	456,000	3,319,000
	-----	-----	-----
Cash flows from investing activities:			
Purchases of property and equipment	(3,685,000)	(1,875,000)	(1,701,000)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from short-term bank borrowings	2,600,000	1,400,000	--
Repayment of short-term bank borrowings	(2,600,000)	(1,400,000)	(350,000)
Proceeds from issuance of notes payable	889,000	2,778,000	1,650,000
Repayment of notes payable	(836,000)	(1,964,000)	(346,000)
Proceeds from issuance of common stock	15,230,000	171,000	150,000
	-----	-----	-----
Net cash provided by financing activities	15,283,000	985,000	1,104,000
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	10,376,000	(434,000)	2,722,000
Cash and cash equivalents at beginning of period	2,297,000	2,731,000	9,000
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 12,673,000	\$ 2,297,000	\$ 2,731,000
	=====	=====	=====
Supplemental information:			
Cash paid for interest	\$ 254,000	\$ 260,000	\$ 116,000
	=====	=====	=====
Cash paid for income taxes	\$ 2,293,000	\$ 468,000	\$ 642,000
	=====	=====	=====

See accompanying notes to financial statements.

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VIASAT, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

	PREFERRED STOCK		COMMON STOCK		PAID IN CAPITAL	STOCKHOLDERS' NOTES RECEIVABLE	RETAINED EARNINGS
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT			
Balance at March 31, 1994	3,225,000	\$ 32,000	2,967,008	\$ 40,000	\$ 422,000		\$1,462,000
Issuance of common stock			240,331	4,000	146,000		
Net income							1,307,000
Balance at March 31, 1995	3,225,000	32,000	3,207,339	44,000	568,000		2,769,000
Issuance of common stock			134,762	2,000	169,000		
Net income							1,633,000
Balance at March 31, 1996	3,225,000	32,000	3,342,101	46,000	737,000		4,402,000
Issuance of common stock			2,034,635	3,000	15,307,000		
Conversion of preferred stock to common stock	(3,225,000)	(32,000)	2,365,538	32,000			
Shares subscribed						\$ (80,000)	
Net income							3,172,000
Balance at March 31, 1997	--	\$ --	7,742,274	\$ 81,000	\$16,044,000	\$ (80,000)	\$7,574,000

See accompanying notes to financial statements.

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VIASAT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

ViaSat, Inc. (the "Company") designs, produces and markets advanced digital satellite telecommunications and wireless signal processing equipment.

Management Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of 90 days or less.

Investments

At March 31, 1997, the Company held investments in investment grade

securities with maturities of three months or less. Management determines the appropriate classification of its investments in debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. The Company has included these securities, net of amortization, in cash and cash equivalents and has designated them as held to maturity.

#### Revenue Recognition

The majority of the Company's revenues are derived from services performed for the United States Government and its prime contractors under a variety of contracts including cost-plus-fixed fee, fixed-price, and time and materials type contracts. Such sales amounted to \$46,292,000, \$28,305,000, and \$21,226,000 for the years ended March 31, 1997, 1996 and 1995, respectively. Included in these revenues are sales to a significant customer under various subcontracts totaling \$12,830,000, \$5,269,000 and \$4,166,000 during the years ended March 31, 1997, 1996 and 1995, respectively. The Company's five largest contracts (by revenues) generated approximately 57.6% and 36.5% of the Company's total revenues for the fiscal year ended March 31, 1997 and 1996, respectively. Generally, revenues are recognized as services are performed using the percentage of completion method, measured primarily by costs incurred to date compared with total estimated costs at completion or based on the number of units delivered. The Company provides for anticipated losses on contracts by a charge to income during the period in which they are first identified.

Contract costs, including indirect costs, are subject to audit and negotiations with Government representatives. These audits have been completed and agreed upon through fiscal year 1994. Contract revenues and accounts receivable are stated at amounts which are expected to be realized upon final settlement.

#### Unbilled Accounts Receivable

Unbilled receivables consist of costs and fees earned and billable on contract completion or other specified events. The majority of unbilled receivables is expected to be collected within one year.

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#### Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and trade accounts receivable which are generally not collateralized. The Company limits its exposure to credit loss by placing its cash equivalents with high credit quality financial institutions. Concentrations of credit risk with respect to receivables are limited because the Company's primary customers are various agencies of the United States Government and its prime contractors.

#### Inventory

Inventories are valued at the lower of cost or market, cost being determined by the first-in, first-out method.

#### Software Costs

Software product development costs incurred from the time technological feasibility is reached until the product is available for general release to customers are capitalized and reported at the lower of cost or net realizable value. Through March 31, 1997, no significant amounts were expended subsequent to reaching technological feasibility.

#### Property and Equipment

Equipment, computers, and furniture and fixtures are recorded at cost, and depreciated over estimated useful lives of 3 to 7 years under the straight-line method. Additions to property and equipment together with major renewals and betterments are capitalized. Maintenance, repairs and minor renewals and betterments are charged to expense. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized.

## Long-lived Assets

The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future net cash flows is less than the carrying amount of the asset. No such impairment losses have been identified by the Company.

## Warranty Reserves

The Company provides limited warranties on certain of its products for periods of up to three years. The Company recognizes warranty reserves based upon an estimate of total warranty costs, with amounts expected to be incurred within twelve months classified as a current liability.

## Income Taxes

Income taxes are provided utilizing the liability method. The liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Additionally, under the liability method, changes in tax rates and laws will be reflected in income in the period such changes are enacted.

## Fair Value of Financial Instruments

At March 31, 1997, the carrying amounts of the Company's financial instruments, including cash equivalents, trade receivables and accounts payable, approximated their fair values due to their short term maturities. At March 31, 1997, the estimated fair value of the Company's long-term debt approximated its carrying value.

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## Stock Based Compensation

The Company measures compensation expense for its stock-based employee compensation plans using the intrinsic value method and provides pro forma disclosures of net income and earnings per share as if the fair value-based method had been applied in measuring compensation expense (Note 7).

## Pro forma net income per share

Pro forma net income per share is computed based on the weighted average number of common shares and common stock equivalents, using the treasury stock method, outstanding during the respective periods after giving retroactive effect to the conversion, which occurred upon the closing of the Company's initial public offering, of all outstanding shares of preferred stock into 2,365,538 shares of common stock. Pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, all issuances of common stock and all stock options granted within one year prior to the Company's initial public offering have been included as outstanding for all periods using the treasury stock method. Historical earnings per share are not presented because such amounts are not deemed meaningful due to the significant change in the Company's capital structure that occurred in connection with the initial public offering.

## New Accounting Pronouncement

In March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." SFAS No. 128 will be adopted by the Company as required in the third quarter of fiscal 1998. Upon adoption of SFAS No. 128, the Company will present basic earnings per share as well as diluted earnings per share. Basic earnings per share will be computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share will be computed based on the weighted average number of shares of common stock outstanding during the period increased by the effect of dilutive stock options using the treasury stock method. Pro forma basic earnings per share for the years ended March 31, 1997 and 1996 are \$0.49 and \$0.28, respectively. Pro forma diluted earnings per share for the years ended March 31, 1997 and 1996 are \$0.47 and \$0.28, respectively.

## Recapitalization

In November 1996, the Company filed an Amended and Restated Certificate of Incorporation to effect a .7335 for 1 reverse stock split of all outstanding shares of common stock and stock options. All shares and per share data in the accompanying financial statements have been adjusted retroactively to give effect to the reverse stock split. The Amended and Restated Certificate of Incorporation increases the authorized stock of the Company such that the Company is authorized to issue 5,000,000 shares of \$0.0001 par value preferred stock, and 25,000,000 shares of \$0.0001 par value common stock. Concurrently, the conversion ratio of the Company's preferred stock was changed to .7335 for 1.

### NOTE 2 - COMPLETION OF INITIAL PUBLIC OFFERING

On December 3, 1996, the Company completed its initial public offering for the sale of 2,400,000 shares of common stock (of which 1,850,000 shares were sold by the Company and 550,000 shares were sold by certain stockholders) at a price to the public of \$9 per share, which resulted in net proceeds to the Company of \$15,485,000 after payment of the underwriters' commissions but before deduction of offering expenses.

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### NOTE 3 - COMPOSITION OF CERTAIN BALANCE SHEET CAPTIONS

	MARCH 31,	
	1997	1996
	-----	-----
Cash and cash equivalents:		
Investments	\$ 8,979,000	
Certificates of deposit	1,500,000	
Cash	2,194,000	2,297,000
	-----	-----
	\$ 12,673,000	\$ 2,297,000
	=====	=====
Accounts receivable:		
Billed	\$ 6,860,000	\$ 5,653,000
Unbilled	3,455,000	518,000
	-----	-----
	\$ 10,315,000	\$ 6,171,000
	=====	=====
Inventory:		
Raw materials	\$ 1,418,000	\$ 753,000
Work in process	2,662,000	402,000
Finished goods	398,000	68,000
	-----	-----
	\$ 4,478,000	\$ 1,223,000
	=====	=====
Property and equipment:		
Machinery and equipment	\$ 5,320,000	\$ 2,313,000
Computer equipment	3,012,000	2,213,000
Furniture and fixtures	256,000	380,000
	-----	-----
	8,588,000	4,906,000
Less accumulated depreciation	(3,503,000)	(2,117,000)
	-----	-----
	\$ 5,085,000	\$ 2,789,000
	=====	=====
Accrued liabilities:		
Accrued vacation	\$ 821,000	\$ 591,000
Current portion of warranty reserve	806,000	413,000
Accrued bonus	762,000	347,000

Accrued 401(k) matching contribution	553,000	444,000
Collections in excess of revenues	355,000	237,000
Income taxes payable	252,000	40,000
Other	220,000	85,000
	-----	-----
	\$ 3,769,000	\$ 2,157,000
	=====	=====

NOTE 4 - SHORT-TERM BANK BORROWINGS

The Company has a \$6,000,000 line of credit with a bank which allows it to borrow the greater of \$2,000,000 or 80% of eligible accounts receivable plus 50% of the Company's eligible inventory. At the Company's option interest accrues either at the bank's prime rate (8.5% at March 31, 1997) or at the banks LIBOR rate plus 1.75% (7.69% at March 31, 1997). There were no borrowings outstanding as of March 31, 1997 and 1996. The Company is required to pay a fee equal to 0.09% of the unused portion of the line of credit on a quarterly basis. The credit agreement includes covenants which, among other things, require the Company to maintain stated net worth amounts plus specific liquidity and long-term solvency ratios as well as a minimum net income level. The line of credit expires on September 15, 1998. Amounts borrowed are secured by substantially all of the Company's assets.

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NOTE 5 - NOTES PAYABLE

	MARCH 31,	
	1997	1996
	-----	-----
Bank installment loans, with various expiration dates through September 1999, total monthly payments of \$87,000 with interest rates ranging between 8% and 12%, collateralized by equipment	\$ 2,232,000	\$ 1,989,000
Finance company installment loans, with various expiration dates through April 1999, total monthly payments of \$20,000 with interest rates ranging between 10.23% and 11.81%, collateralized by equipment	331,000	521,000
	-----	-----
	2,563,000	2,510,000
Less current portion	(1,135,000)	(763,000)
	-----	-----
	\$ 1,428,000	\$ 1,747,000
	=====	=====

Principal maturities of notes payable as of March 31, 1997 are summarized as follows:

YEAR ENDING MARCH 31,	
-----	
1998	1,135,000
1999	907,000
2000	417,000
2001	104,000
	-----
	\$2,563,000

NOTE 6 - CONVERTIBLE PREFERRED STOCK

At March 31, 1996, the Company had 3,225,000 shares of its convertible \$.01 par value Series A preferred stock outstanding with a liquidation preference of \$.10 per share. Holders of the preferred stock have votes per share equivalent to the number of shares of common stock to which the preferred stock may be converted. On December 3, 1996, the Company completed its initial public offering which resulted in the conversion of all outstanding shares of the preferred stock into 2,365,538 shares of common stock.

NOTE 7 - COMMON STOCK AND OPTIONS

In July 1993, the Company adopted the 1993 Stock Option Plan (the "Plan") which authorizes 733,500 shares to be granted no later than July 2003. The Plan provides for the grant of both incentive stock options and non-qualified stock options which are subject to a three year vesting period. The exercise prices of the options represent the estimated fair market value of the Company's common stock as determined by the Company's Board of Directors. In November 1996, the Plan was terminated and replaced by the 1996 Equity Participation Plan. No options were issued under the Plan since July 1996.

In November 1996, the Company adopted the ViaSat, Inc. 1996 Equity Participation Plan (the "1996 Equity Participation Plan") designed to update and replace the 1993 Stock Option Plan. The 1996 Equity Participation Plan provides for the grant to executive officers, other key employees, consultants and non-employee directors of the Company a broad variety of stock-based compensation alternatives such as nonqualified stock options, incentive stock options, restricted stock and performance awards. A maximum of 750,000 shares are reserved for issuance under the 1996 Equity Participation Plan. As of March 31, 1997, the Company has granted 175,000 options to purchase shares of common stock under this plan with vesting terms of 3 to 5 years.

In November 1996, the Company adopted the ViaSat, Inc. Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") to assist employees of the Company in acquiring a stock ownership interest in the Company and to encourage them to remain in the employment of the Company. The Employee Stock

Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code. A maximum of 250,000 shares of common stock are reserved for issuance under the Employee Stock Purchase Plan. The Employee Stock Purchase Plan permits eligible employees to purchase common stock at a discount through payroll deductions during specified six-month offering periods. No employee may purchase more than \$25,000 worth of stock in any calendar year. The price of shares purchased under the Employee Stock Purchase Plan is equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower.

Transactions under the Company's stock option plans are summarized as follows:

	NUMBER OF SHARES	EXERCISE PRICE PER SHARE
	-----	-----
Outstanding at March 31, 1994	54,829	\$ .34
Options granted	135,587	\$ .48 - .82
	-----	
Outstanding at March 31, 1995	190,416	\$ .34 - .82
Options granted	128,033	\$ 1.36
Options canceled	(147)	\$ .82
Options exercised	(8,215)	\$ .34 - .82
	-----	
Outstanding at March 31, 1996	310,087	\$ .34 - 1.36

Options granted	295,673	\$4.09 -10.75
Options canceled	(5,284)	\$ .82 - 4.09
Options exercised	(73,458)	\$ .34 - 1.36
	-----	
Outstanding at March 31, 1997	527,018	\$ .34 -10.75
	=====	

The Company also granted certain officers and employees the opportunity to purchase at fair market value 118,607, 124,805 and 254,855, shares of the Company's common stock in fiscal 1997, 1996 and 1995, respectively.

The following table summarizes all options outstanding and exercisable by price range as of March 31, 1997:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE-YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
\$ 0.34 - 1.50	235,380	7.80	\$1.00	112,349	\$0.84
\$ 4.09 - 4.50	116,638	9.25	\$4.15	--	--
\$ 9.00 - 10.75	175,000	9.86	\$9.84	--	--
-----	-----				
\$ 0.34 - 10.75	527,018				
=====	=====				

#### Pro forma information

The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees," to account for its employee stock options because, as discussed below, the alternative fair value based accounting provided for under SFAS No. 123 "Accounting for Stock-Based Compensation," requires the use of option valuation models that were not developed for use in valuing employee stock options. These valuation models were developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Under APB No. 25, when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized in the Company's financial statements.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123. Such information is determined as if the Company had accounted for its employee stock options and shares

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issued under the Employee Stock Purchase Plan (hereafter referred to as "options") granted subsequent to March 31, 1995 using the fair value methodology prescribed by that statement.

The fair values of options granted during the years ended March 31, 1997 and 1996 reported below were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

EMPLOYEE STOCK OPTIONS		EMPLOYEE STOCK PURCHASE PLAN
-----	-----	-----
1997	1996	1997
-----	-----	-----

Expected life (in years)	3.50 - 5.00	3.50	0.50
Risk-free interest rate	6.45%	5.93%	5.97%
Expected volatility	50.00%	50.00%	50.00%
Expected dividend yield	0.00%	0.00%	0.00%

The weighted average estimated fair value of employee stock options granted during 1997 and 1996 was \$3.55 and \$0.57 per share, respectively. The weighted average estimated fair value of shares granted under the Employee Stock Purchase Plan during fiscal 1997 was \$2.78 per share.

For purposes of pro forma disclosures, the estimated fair value of options is amortized to expense over the options' vesting period. Because SFAS No. 123 is applicable only to options granted subsequent to March 31, 1995, the pro forma effect will not be fully reflected until the options granted in fiscal 1996 are fully vested in fiscal 2000. The Company's pro forma information for the years ended March 31, 1997 and 1996 are as follows:

	1997 -----	1996 -----
Pro forma net income	\$3,016,000	\$1,615,000
Pro forma earnings per share	\$ 0.46	\$ 0.28

#### NOTE 8 - INCOME TAXES

The provision (benefit) for income taxes includes the following:

	YEAR ENDED MARCH 31, -----		
	1997 -----	1996 -----	1995 -----
Current tax provision			
Federal	\$ 1,954,000	\$ 344,000	\$ 708,000
State	469,000	9,000	193,000
	-----	-----	-----
	2,423,000	353,000	901,000
	-----	-----	-----
Deferred tax provision:			
Federal	(563,000)	(310,000)	(10,000)
State	(158,000)	(93,000)	(3,000)
	-----	-----	-----
	(721,000)	(403,000)	(13,000)
	-----	-----	-----
Total provision (benefit) for income taxes	\$ 1,702,000 =====	\$ (50,000) =====	\$ 888,000 =====

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Significant components of the Company's deferred tax assets and liabilities are as follows:

	MARCH 31, -----	
	1997 -----	1996 -----

Deferred tax assets:		
Warranty reserve	\$ 528,000	\$ 219,000
Inventory Reserve	280,000	
Accrued vacation	247,000	190,000
Other	260,000	142,000
	-----	-----
Total deferred tax assets	1,315,000	551,000
Deferred tax liabilities:		
Depreciation	(57,000)	(14,000)
	-----	-----
Net deferred tax assets	\$ 1,258,000	\$ 537,000
	=====	=====

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

	MARCH 31,		
	-----	-----	-----
	1997	1996	1995
	-----	-----	-----
Tax expense at statutory rate	\$ 1,657,000	\$ 538,000	\$ 746,000
State tax provision (benefit), net of federal benefit	205,000	(60,000)	153,000
Research tax credit	(181,000)	(480,000)	(18,000)
Other	21,000	(48,000)	7,000
	-----	-----	-----
	\$ 1,702,000	\$ (50,000)	\$ 888,000
	=====	=====	=====

The Company's income tax benefit for the fiscal year ended March 31, 1996 was primarily attributable to the utilization of research and development credits generated in the period and the impact of a favorable United States Federal judicial decision which clarified the tax law related to the utilization of research and development credits generated from the Company's funded research and development.

#### NOTE 9 - EMPLOYEE BENEFITS

The Company has a voluntary deferred compensation plan under Section 401(k) of the Internal Revenue Code. The Company may make discretionary contributions to the plan which vest equally over six years. Employees who have completed 90 days of service and are at least 21 years of age are eligible to participate in the plan. Participants are entitled, upon termination or retirement, to their vested portion of the plan assets which are held by an independent trustee. Discretionary contributions accrued by the Company during fiscal years 1997, 1996 and 1995 amounted to \$553,000, \$444,000 and \$275,000, respectively. The cost of administering the plan is not significant.

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#### NOTE 10 - COMMITMENTS

The Company leases office facilities under noncancelable operating leases with terms ranging from one to five years which expire between May 1998 and July 1999. Certain of the Company's facilities leases contain option provisions which allow for extension of the lease terms. Rent expense was \$793,000, \$608,000 and \$493,000 in fiscal years 1997, 1996 and 1995, respectively.

Future minimum lease payments are as follows:

YEAR ENDING MARCH 31,

1998	\$ 755,000
1999	649,000
2000	151,000
	-----
	\$1,555,000
	=====

Additionally, the Company enters into long term purchase commitments with certain of its vendors to purchase materials used to manufacture products delivered under long term contracts. At March 31, 1997, the Company had commitments to purchase \$1,280,000, \$1,181,000, \$1,181,000, and \$66,000 of materials in fiscal 1998, 1999, 2000, and 2001, respectively. Purchases under these contracts totaled \$2,098,000 during the year ended March 31, 1997.

NOTE 11 - CONTINGENCIES

The Company is currently a party to various government and commercial contracts which require the Company to meet performance covenants and project milestones. Under the terms of these contracts, failure by the Company to meet such performance covenants and milestones permit the other party to terminate the contract and, under certain circumstances, recover liquidated damages or other penalties. The Company is currently not in compliance (or in the past was not in compliance) with the performance or milestone requirements of certain of these contracts. Historically, the Company's customers have not elected to terminate such contracts or seek liquidated damages from the Company and management does not believe that its existing customers will do so; therefore, the Company has not accrued for any potential liquidated damages or penalties.

FIRST AMENDMENT  
TO  
VIASAT, INC. 1993 STOCK OPTION PLAN

Pursuant to the authority reserved to the Compensation Committee (the "Committee") of the Board of Directors of ViaSat, Inc. (the "Company") under Section 3.3 of the ViaSat, Inc. 1993 Stock Option Plan (the "Plan"), the Committee hereby amends the Plan as follows:

- 1. Section 3.1 of the Plan is amended to read, in its entirety, as follows:

The Company's Board of Directors ("Board") shall designate a committee ("Committee") to administer the Plan. In the absence of a Committee, the Plan shall be administered by the Board. The Committee shall consist solely of two or more directors appointed by and holding office at the pleasure of the Board, each of whom is both a "non-employee director" as defined by Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and an "outside director" for purposes of Section 162(m) of the Code. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may be filled by the Board.

- 2. Section 7.1 of the Plan is amended to read, in its entirety, as follows:

Subject to the provisions of Section 18, the period during which the right to exercise an Option in whole or in part vests in the holder of such Option ("Optionee") shall be set by the Committee and the Committee may determine that an Option may not be exercised in whole or in part for a specified period after it is granted; provided, however, that, unless the Committee otherwise provides in the term of an Option or otherwise, the Optionee may exercise such Option in accordance with a vesting schedule set forth hereafter:

Date	Percentage of Total Options Granted Which May be Exercised
----	-----
1st anniversary from date of grant	35%
2nd anniversary from date of grant	35%
3rd anniversary from date of grant	30%

The date after which the Option may no longer be exercisable ("Expiration Date") shall be five (5) years after the Grant Date.

- 3. In all other respects the Plan shall remain in full force and effect as originally adopted.

## COMMERCIAL PORTFOLIO ADMINISTRATION

[UNION BANK OF CALIFORNIA LETTERHEAD]

WAIVER AND FIRST AMENDMENT  
TO LOAN AGREEMENT

THIS WAIVER AND FIRST AMENDMENT TO LOAN AGREEMENT (this "First Amendment"), dated as of March 31, 1997, is made and entered into by and between ViaSat, Inc., a Delaware corporation formerly known as ViaSat, Inc., a California corporation ("Borrower"), and UNION BANK OF CALIFORNIA, N.A. (successor in interest to Union Bank), a national banking association ("Bank").

## RECITALS:

A. Borrower and Bank are parties to that certain Loan Agreement, dated September 15, 1995 (the "Agreement"), pursuant to which Bank agreed to extend credit to Borrower.

B. Borrower and Bank desire to amend the Agreement subject to the terms and conditions of this First Amendment.

## AGREEMENT:

In consideration of the above recitals and of the mutual covenants and conditions contained herein, Borrower and Bank agree as follows:

1. Defined Terms. Initially capitalized terms used herein which are not otherwise defined shall have the meanings assigned thereto in the Agreement.

2. Waivers to the Agreement.

(a) The Bank hereby waives Section 4.5 (a), for the calendar months ended July 1996 through February 1997, and only for such months, and agrees that such noncompliance shall not constitute an Event of Default under the Loan Agreement or under the Loan Agreement as amended by this First Amendment. The waiver here given is specific to the covenants, and for the calendar months referred to above and shall not operate as a waiver of compliance by the Company with any other covenants set forth by this First Amendment, or with the covenants referred to above for any other calendar month.

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(b) The Bank hereby waives Section 4.5(h), for the fiscal quarters ended September 1996 through December 1996, and only for such months, and agrees that such noncompliance shall not constitute an Event of Default under the Loan Agreement or under the Loan Agreement as amended by this First Amendment. The waiver here given is specific to the covenants, and for the fiscal quarters referred to above and shall not operate as a waiver of compliance by the Company with any other covenants set forth by this First Amendment, or with the covenants referred to above for any other fiscal quarter.

3. Amendments to the Agreement.

(a) Section 1 of the Agreement is hereby amended to read as follows:

## SECTION 1. THE LOAN

1.1.1 THE REVOLVING LOAN. Bank will loan to Borrower an amount not to exceed Six Million Dollars (\$6,000,000) outstanding in the aggregate at any one time (the "Revolving Loan"). Borrower may borrow, repay and reborrow all

or part of the Revolving Loan in amounts of not less than Ten Thousand Dollars (\$10,000) in accordance with the terms of the Revolving Note. All borrowings of the Revolving Loan must be made before September 15, 1998 at which time all unpaid principal and interest of the Revolving Loan shall be due and payable. The Revolving Loan shall be evidenced by a new promissory note (the "Revolving Note") on the standard form used by Bank for commercial loans, as modified by the Addendum attached thereto. Bank shall enter each amount borrowed and repaid in Bank's records and such entries shall be deemed to be the amount of the Revolving Loan outstanding. Omission of Bank to make any such entries shall not discharge Borrower of its obligation to repay in full with interest all amounts borrowed.

1.1.2 EQUIPMENT LOAN I. Bank previously extended to Borrower a certain fully amortizing term loan ("Equipment Loan I"), which matures on September 15, 1999. The current outstanding principal amount of Equipment Loan I is Nine Hundred Fifty Four Thousand Seven Hundred Twenty One Dollars (\$954,721). Equipment Loan I is evidenced by a promissory note ("Equipment Note I") on the standard form used by Bank for commercial loans, as modified by the Addendum attached thereto. In the event of a prepayment of principal and any resulting fees, any prepaid amounts shall be applied to the scheduled principal payments in the reverse order of their maturity.

1.1.3 EQUIPMENT LOAN II. Bank previously agreed to loan to Borrower an amount not to exceed Two Million Dollars (\$2,000,000) outstanding in the aggregate at any one time ("Equipment Loan II"). Borrower may continue to borrow all or part of Equipment Loan II in amounts of not less than Ten Thousand Dollars (\$10,000) in accordance with the terms of Equipment Note II. All borrowings will be limited to an Eighty percent (80%) advance against the purchase price, net of sales tax, delivery, and insurance. All borrowings of Equipment Loan II must be made before September 15, 1997, at which time all unpaid principal under Equipment Loan II shall be converted to a fully amortizing loan for a period of Thirty-six (36) months with a maturity date of September 15, 2000. In the event of a prepayment of principal after such conversion and payment of any resulting fees, any prepaid amounts shall be applied to the

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scheduled principal payments in the reverse order of their maturity. Equipment Loan II shall be evidenced by a new promissory note ("Equipment Note II") on the standard form used by Bank for commercial loans, as modified by the Addendum attached thereto. Bank shall enter each amount borrowed and repaid in Bank's records and such entries shall be deemed to be the amount of Equipment Loan II outstanding. Omission of Bank to make any such entries shall not discharge Borrower of its obligation to repay in full with interest all amounts borrowed.

1.1.4 EQUIPMENT LOAN III. Beginning September 16, 1997 Bank will loan to Borrower an amount not to exceed Two Million Five Hundred Thousand Dollars (\$2,500,000) outstanding in the aggregate at any one time ("Equipment Loan III"). Borrower may borrow all or part of Equipment Loan III in amounts of not less than Ten Thousand Dollars (\$10,000) in accordance with the terms of Equipment Note III. All borrowings will be limited to an Eighty percent (80%) advance against the purchase price, net of sales tax, delivery, and insurance. All borrowings of Equipment Loan III must be made before September 15, 1998, at which time all unpaid principal under Equipment Loan III shall be converted to a fully amortizing loan for a period of Thirty-six (36) months with a maturity date of September 15, 2001. In the event of a prepayment of principal after such conversion and payment of any resulting fees, any prepaid amounts shall be applied to the scheduled principal payments in the reverse order of their maturity. Equipment Loan III shall be evidenced by a promissory note ("Equipment Note III") on the standard form used by Bank for commercial loans, as modified by the Addendum attached thereto. Bank shall enter each amount borrowed and repaid in Bank's records and such entries shall be deemed to be the amount of Equipment Loan III outstanding. Omission of Bank to make any such entries shall not discharge Borrower of its obligation to repay in full with interest all amounts borrowed.

1.2 TERMINOLOGY.

As used herein the word "Loan" shall mean, collectively, all the credit facilities described above.

As used herein the word "Note" shall mean, collectively, all the promissory notes described above.

As used herein, the words "Loan Documents" shall mean all documents executed in connection with this Agreement.

1.3 BORROWING BASE. Borrower will not be subject to a borrowing base so long as the principal amount outstanding under the Revolving Loan does not exceed Two Million Dollars (\$2,000,000). Notwithstanding any other provision of this Agreement, Bank shall not be obligated to advance funds under the Revolving Loan in a principal amount in excess of Two Million Dollars (\$2,000,000) if the total outstanding principal amount of Borrower's obligations to Bank under the Revolving Loan exceeds, or after giving effect to the requested advance would exceed, the sum of (a) eighty percent (80%) of Borrower's Eligible Billed Accounts, and (b) fifty percent (50%) of Borrower's Eligible Inventory; provided, however, that loan availability based upon Eligible Inventory shall in no event exceed Two Million Dollars (\$2,000,000) at any one time. If at any time Borrower's obligations to Bank under the above facilities exceed the sum so permitted, Borrower shall immediately repay to Bank such excess.

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1.3.1 ELIGIBLE BILLED ACCOUNTS. The term "Billed Accounts" means all presently existing and hereafter arising accounts receivable, contract rights, chattel paper, and all other forms of obligations owing to Borrower, payable in United States Dollars, arising out of the sale or lease of goods, or the rendition of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's books and records relating to any of the foregoing.

The term "Eligible Billed Accounts" means those Billed Accounts, net of finance charges, which are due and payable within Ninety (90) days, or less, from the date of the invoice, have been validly assigned to Bank and strictly comply with all of Borrower's warranties and representations to Bank, but Eligible Billed Accounts shall not include the following:

(a) Any Billed Account with respect to which the account debtor is an officer, shareholder, director, employee or agent of Borrower;

(b) Any Billed Account with respect to which the account debtor is a subsidiary of, related to, or affiliated or has common officers or directors with Borrower;

(c) Any Billed Account relating to goods placed on consignment, guaranteed sale or other terms by reason of which the payment by the account debtor may be conditional;

(d) Any Billed Account with respect to which the account debtor is not a resident of the United States or Canada;

(e) Intentionally deleted;

(f) Any Billed Account with respect to which Borrower is or may become liable to the account debtor for goods sold or services rendered by the account debtor to Borrower;

(g) Any Billed Account with respect to which there is asserted a defense, counterclaim, discount or setoff, whether well-founded or otherwise, except for those discounts, allowances and returns arising in the ordinary course of Borrower's business;

(h) Any Billed Account with respect to which the account debtor becomes insolvent, fails to pay its debts as they mature or goes out of business or is owed by an account debtor which has become the subject of a

proceeding under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including, but not limited to, assignments for the benefit of creditors, formal or informal moratoriums, compositions or extensions with all or substantially all of its creditors;

(i) Any Account owed by any account debtor with respect to which twenty-five percent (25%) or more of the aggregate dollar amount of its Accounts are not paid within ninety (90) days from the due date of the invoice;

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(j) Any Billed Account that is not paid by the account debtor within ninety (90) days of date of invoice;

(k) Intentionally deleted; and

(l) Intentionally deleted.

1.3.2 ELIGIBLE INVENTORY. The term "Eligible Inventory" means that portion of Borrower's inventory of raw materials and finished goods consisting of Borrower's main lines of business products, which is (a) owned by Borrower, free and clear of all liens or encumbrances except those in favor of Bank, (b) held for sale or lease by Borrower and normally and currently saleable in the ordinary course of Borrower's business, (c) of good and merchantable quality, free from defects, (d) located only at locations of which Bank is notified in writing, and (e) as to which Bank has been able to perfect and maintain perfected a first priority security interest. Eligible inventory does not include any of the following: work in process, spare parts, returned items, damaged, defective or recalled items, items unfit for further processing, obsolete or unmerchantable items, items used as salesperson's samples or demonstrators, inventory held in stock more than twelve (12) months.

1.4 PURPOSE OF LOAN. The proceeds of the Revolving Loan shall be used for general working capital purposes and the proceeds of Equipment Loans I, II and III shall be used only for purchases of equipment, machinery, and software directly related to Borrower's main lines of business.

1.5.1 REVOLVING LOAN INTEREST. The unpaid principal balance of the Revolving Loan shall bear interest at the rate or rates provided in the Revolving Note and selected by Borrower. The Revolving Loan may be prepaid in full or in part only in accordance with the terms of the Revolving Note and any such prepayment shall be subject to the prepayment fee provided for therein.

1.5.2 EQUIPMENT LOANS I, II AND III INTEREST. The unpaid principal balance of Equipment Loans I, II and III shall bear interest at the rate or rates provided in Equipment Notes I, II and III respectively, and selected by Borrower. Equipment Loans I, II and III may be prepaid in full or in part only in accordance with the terms of Equipment Notes I, II, and III, respectively, and any such prepayment shall be subject to the prepayment fee provided for therein.

1.6 UNUSED COMMITMENT FEE. On the last calendar day of the third month following the execution of this Agreement and on the last calendar day of each three-month period thereafter until September 15, 1998, or the earlier termination of the Loan, Borrower shall pay to Bank a fee of nine one-hundredths percent (0.09%) per year on the average unused portion of the Revolving Loan for the preceding quarter computed on the basis of actual days elapsed of a year of 360 days.

1.7 EQUIPMENT LOAN I, II AND III COMMITMENT FEE. Borrower shall pay a commitment fee of Two Thousand Dollars (\$2,000) on September 15th of each year for so long

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as any portion of Equipment Loan I, II or III is outstanding. No portion of this fee shall be reimbursable.

1.8 BALANCES. Borrower shall maintain its major depository accounts with Bank until the Note and all sums payable pursuant to this Agreement have been paid in full.

1.9 DISBURSEMENT. Upon execution hereof, Bank shall disburse the proceeds of the Loan as provided in Bank's standard form Authorization executed by Borrower.

1.10 SECURITY. Prior to any disbursement of the Loan, Borrower shall have executed a security agreement, on Bank's standard form, and a financing statement, suitable for filing in the office of the Secretary of State of the State of California and any other state designated by Bank, granting to Bank a first priority security interest in such of Borrower's property as is described in said security agreement. Exceptions to Bank's first priority, if any, are permitted only as otherwise provided in this Agreement. At Bank's request, Borrower will also obtain executed landlord's and mortgagee's waivers on Bank's form covering all of Borrower's property located on leased or encumbered real property.

1.11 CONTROLLING DOCUMENT. In the event of any inconsistency between the terms of this Agreement and any Note or any of the other Loan Documents, the terms of such Note or other Loan Document will prevail over the terms of this Agreement.

(b) Section 2.6 of the Agreement is hereby amended to read as follows:

2.6 ACCOUNTS RECEIVABLE AND INVENTORY CERTIFICATION. Prior to any advance under the Revolving Loan which would cause the total amount of the Revolving Loan to exceed Two Million Dollars (\$2,000,000), the Borrower shall have delivered to the Bank its monthly accounts receivable aging schedule along with a Compliance Certificate and Borrowing Base Certificate in the form of Exhibit D and E, respectively, executed by Borrower's chief financial officer or other duly authorized officer of the Borrower. The Borrowing Base Certificate shall accurately report Borrower's accounts receivable, Eligible Billed Accounts, inventory and Eligible Inventory as of the end of the calendar month preceding the month most recently ended.

(c) Section 4.5 (a) of the Agreement is hereby deleted in its entirety.

(d) Section 4.5 (1), line 2 of the Agreement is hereby amended by deleting the amount "One Million Dollars (\$1,000,000)" and by substituting in lieu thereof the amount "Two Million Dollars (\$2,000,000)."

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(e) Section 4.6 of the Agreement is hereby amended to read as follows:

4.6 TANGIBLE NET WORTH. Beginning with the fiscal quarter of Borrower ended March 31, 1997, Borrower will at all times maintain Tangible Net Worth of not less than Twenty One Million Four Hundred Fifty-Nine Thousand Five Hundred Dollars (\$21,459,500). Thereafter, Borrower will at all times maintain a minimum Tangible Net Worth that increases from said amount as of the end of each fiscal quarter of Borrower by Seventy percent (70%) of Borrower's cumulative net profit after taxes (without reduction, however, for after tax net losses sustained by Borrower for any such fiscal quarter), plus One Hundred percent (100%) of any equity infusions made on or after March 31, 1997. "Tangible Net Worth" shall mean net worth increased by indebtedness of Borrower subordinated to Bank and decreased by patents, licenses, trademarks, trade names, goodwill and other similar intangible assets, organizational expenses, and monies due

from affiliates (including officers, shareholders and directors).

(f) Section 4.7 of the Agreement is hereby amended to read as follows:

4.7 DEBT TO TANGIBLE NET WORTH. Beginning with the fiscal quarter of Borrower ended December 31, 1996, Borrower will at all times maintain a ratio of Total Debt ("Total Debt" shall mean all of Borrower's liabilities with the exception of cash advances from customers) to Tangible Net Worth of not greater than 1.5:1.0.

(g) Section 4.8 of the Agreement is hereby amended to read as follows:

4.8 PROFITABILITY. Borrower will maintain a net profit, after provision for income taxes, of a positive amount as reported at fiscal year end.

4. EFFECTIVENESS OF THE FIRST AMENDMENT. This First Amendment shall become effective when, and only when, Bank shall have received all of the following, in form and substance satisfactory to Bank:

(a) This First Amendment, duly executed by Borrower;

(b) The replacement Revolving Note, and the replacement Equipment Note II, duly executed by Borrower; and,

(c) Such other documents, instruments or agreements as Bank may reasonably deem necessary.

5. RATIFICATION. Except as specifically amended hereinabove, the Agreement shall remain in full force and effect and is hereby ratified and confirmed.

6. REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants as follows:

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(a) Each of the representations and warranties contained in the Agreement, as the same have been amended hereby, is hereby reaffirmed as of the date hereof, each as if set forth herein;

(b) The execution, delivery and performance of the First Amendment and any other instruments or documents in connection herewith are within Borrower's power, have been duly authorized, are legal, valid and binding obligations of Borrower, and are not in conflict with the terms of any charter, bylaw, or other organizational papers of Borrower or with any law, indenture, agreement or undertaking to which Borrower is a party or by which Borrower is bound or affected;

(c) No event has occurred and is continuing or would result from this First Amendment which constitutes or would constitute an Event of Default under the Agreement.

7. GOVERNING LAW. This First Amendment and all other instruments or documents in connection herewith shall be governed by and construed according to the laws of the State of California.

8. COUNTERPARTS. This First Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

WITNESS the due execution hereof as of the date first above written.

VIASAT, INC.

UNION BANK OF CALIFORNIA, N.A.

By: /s/ [ILLEGIBLE]  
-----

By: /s/ [ILLEGIBLE]  
-----

Title: Vice President  
-----

Title: Vice President  
-----

By:  
-----

By: /s/ [ILLEGIBLE]  
-----

Title:  
-----

Title: Vice President  
-----

EXHIBIT "D"

COMPLIANCE CERTIFICATE

Enclosed please find ViaSat Inc. most recent financial statements for the period ending .

Enclosed is my calculation of the financial covenants agreed upon in the Loan and Security Agreement with Union Bank of California dated September 15, 1995 which may be amended from time to time thereafter.

SECTION 4.6 TANGIBLE NET WORTH

Beginning with the fiscal quarter of Borrower ended March 31, 1997, Borrower will at all times maintain Tangible Net Worth of not less than Twenty One Million Four Hundred Fifty-Nine Thousand Five Hundred Dollars (\$21,459,500). Thereafter, Borrower will at all times maintain a minimum Tangible Net Worth that increases from said amount as of the end of each fiscal quarter of Borrower by seventy percent (70%) of Borrower's cumulative net profit after taxes (without reduction, however, for after tax net losses sustained by Borrower for any such fiscal year), plus One Hundred percent (100%) of any equity infusions made on or after March 31, 1997. "Tangible Net Worth" shall mean net worth increased by indebtedness of Borrower subordinated to Bank and decreased by patents, licenses, trademarks, trade names, goodwill and other similar intangible assets, organizational expenses, and monies due from affiliates (including officers, shareholders and directors).

-----  
Equity per Balance Sheet  
-----

Plus: Subordinated Debt  
-----

Minus: Intangibles  
-----

Tangible Net Worth  
-----

Covenant  
-----

Compliance  
-----

TNW Covenant Calculation

-----  
03/31/97 06/30/97 09/30/97 12/31/97 03/31/98 06/30/98 09/30/98  
-----

Beginning TNW Covenant	\$21,459,500
-----	
Plus: 70% NPAT	
-----	
Plus: 100% Equity Infusions	
-----	
Ending TNW Covenant	\$21,459,500
-----	

SECTION 4.7 DEBT TO TANGIBLE NET WORTH (TNW)

Beginning with the fiscal quarter of Borrower ended December 31, 1996, Borrower will at all times maintain a ratio of Total Debt ("Total Debt" shall mean all of Borrower's liabilities with the exception of cash advances from customers) to Tangible Net Worth of not greater than 1.5:1.0.

Total Debt
-----
Minus: Subordinated Debt
-----
Minus: Cash Advances from Customers
-----
Subtotal
-----
Divided by: TNW
-----
Equals: Debt to TNW
-----
Covenant
-----
Compliance
-----

SECTION 4.8 PROFITABILITY

Borrower will maintain a ratio of Cash Flow to Debt Service of not less than 1.5:1.0. Compliance with this subsection shall be measured as of the end of each fiscal quarter. "Cash Flow" shall mean net profit after taxes to which depreciation, amortization, other non cash expenses, and interest expense are added for the twelve (12) month period immediately preceding the date of calculation. "Debt Service" shall mean the sum of that portion of long-term liabilities and capital leases coming due within twelve (12) months of the date of calculation plus interest expense and dividends for the twelve (12) month period immediately preceding the date of calculation.

-----
Net Profit After Taxes
-----
Plus: Taxes
-----
Plus: Interest
-----
Plus: Depreciation
-----
Plus: Amortization
-----
Equals: EBITDA
-----
Principal Payments Coming Due in the next 12 months
-----
Capital Lease Payments Coming Due in the next 12 months
-----
Plus: Interest
-----
Plus: Dividends
-----

Equals: Debt Service  
 -----  
 EBITDA to Debt Service Ratio  
 -----  
 Covenant  
 -----  
 Compliance  
 -----

5.9 Capital Expenditures

Covenant: \$4,000,000  
 Year to date actual: \_\_\_\_\_

Borrower hereby acknowledges and certifies that as of the date indicated on the last page hereof that no event or condition constituting an "Event of Default" or breach of covenant (matured or unmatured) exists unless specified herein.

Compliance: Yes      No  
 -----              -----

If no, please provide a detailed explanation in the form of an attachment.

Borrower hereby certifies that the statement and accompanying schedules are complete and accurate and prepared in accordance with generally accepted accounting principles. Borrower hereby reaffirms and restates each of the representations and warranties and covenants contained in the Agreement.

ViaSat, Inc.

\_\_\_\_\_  
 By  
 \_\_\_\_\_  
 Title  
 \_\_\_\_\_  
 Date

DATE: \_\_\_\_\_

EXHIBIT "E"  
 BORROWING BASE CERTIFICATE  
 FOR  
 VIASAT, INC. ("BORROWER")

As defined in and pursuant to that Loan Agreement by and between Borrower and Union Bank of California, N.A. dated September 15, 1995 ("LOAN AGREEMENT") which may be amended from time to time.

Date of aging: \_\_\_\_\_

1. Total Accounts (A/R)	\$ _____		
2. Less Ineligible A/R:			
a.) Over 90 Days	\$ _____		
b.) Cross Aged _____ %	\$ _____	6. Inventory:	
c.) Concentration _____ %	\$ _____	a.) Raw Materials	\$ _____
d.) Offcr/Emp/Inter-Co.	\$ _____	b.) Finished Goods	\$ _____
e.) Foreign/Gov't Accts	\$ _____	c.) Less Ineligible Inventory	\$ _____
f.) Contra Accts	\$ _____	d.) Eligible Inventory	\$ _____
g.) Insolvent Accts	\$ _____	e.) Inventory Advance Rate	_____ %

h.) Consignments/CODs	\$ _____	Inventory Availability	
i.) Retentions	\$ _____	Calculation [(a+b-c)*e]	\$ _____
j.) Credit Balances >90	\$ _____		
Total Ineligible A/R	\$ _____	g.) Inventory Sublimit	\$ _____
3. Total Eligible A/R (1-2)	\$ _____		
4. Advance Rate on A/R	_____ %	h.) Funds Available on	
5. Funds Available on A/R (3*4)	\$ _____	Inventory (NOT TO EXCEED 6g)	\$ _____
-----			
7. Borrowing Base (5+6)	\$ _____		
8. Loan Balance	\$ _____		
9. Outstanding Letters of Credit	\$ _____		
10. Availability/(OverAdvanced) (7-8-9)	\$ _____		

The undersigned represents and warrants that i.) the foregoing information is true, correct and complete, ii.) that the accompanying accounts receivable aging, accounts payable aging, and inventory report provided in support of this certificate are true, correct and complete, and iii.) Borrower is in compliance with the terms, conditions, warranties, representations and covenants as set forth in the Loan Agreement.

[SIG] V.P.

-----  
Signature of officer, title

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This Alternative Dispute Resolution Agreement ("Agreement") is made and entered into as of the 3rd day of April 1997, by and between the undersigned ("Obligor") and Union Bank of California, N.A., ("Bank") (Obligor and Bank herein collectively, the "Parties" and individually, a "Party"). Initially capitalized terms used in this Agreement which are not otherwise defined herein shall have the respective meanings set forth in Paragraph 7 of this Agreement.

1. CLAIMS SUBJECT TO ARBITRATION OR JUDICIAL REFERENCE.

- (a) Any Claim other than a Claim that arises out of or relates to any obligation under any Subject Document that is secured, in whole or in part, by an interest in real property shall, at the written request of any Party, be determined by Arbitration.
- (b) Any Claim that arises out of or relates to any obligation under any Subject Document that is secured, in whole or in part, by an interest in real property shall be determined by Arbitration only with the consent of both Parties. If both Parties do not consent to the determination of any such Claim by Arbitration, then such Claim shall, at the written request of any Party, be determined by Reference.
- (c) The determination as to whether or not a Claim arises out of or relates to any obligation under any Subject Document that is secured, in whole or in part, by an interest in real property shall be made at the time the arbitrator or referee is selected pursuant to Paragraph 2 of this Agreement.

2. SELECTION OF ARBITRATOR OR REFEREE. Within 30 days after written demand, or within 30 days after commencement by any Party, of any lawsuit subject to this Agreement, the Parties shall select a single neutral arbitrator pursuant to the Commercial Arbitration Rules of the AAA or a single neutral referee pursuant to the Judicial Reference Procedures of the AAA. However, the arbitrator or referee selected must be a retired state or federal court judge with at least five years of judicial experience in civil matters. In the event that the selection pursuant to such Commercial Arbitration Rules or Judicial Reference Procedures does not result in the appointment of a single neutral arbitrator or a single neutral referee within 30 days, any such Party may petition the court to appoint a single neutral arbitrator or single neutral referee with the judicial

experience described above. The Parties shall equally bear the fees and expenses of the arbitrator or referee unless the arbitrator or referee otherwise provides in the award or statement of decision.

### 3. CONDUCT OF ARBITRATION OR REFERENCE.

- (a) Except as provided in this Agreement, the arbitrator shall have the powers provided under Applicable State Law and the Commercial Arbitration Rules of the AAA, and the referee shall have the powers provided under Applicable State Law and the Judicial Reference Procedures of the AAA.
- (b) The arbitrator or referee shall determine all challenges to the legality or enforceability of this Agreement.
- (c) The arbitrator or referee shall apply the rules of evidence to the same extent as they would be applied in a court of law.
- (d) A Party may not conduct discovery unless the arbitrator or referee grants such Party leave to do so upon a showing of good cause. All discovery shall be completed within 90 days after the appointment of the arbitrator or referee, except upon a showing of good cause by any Party. The arbitrator or referee shall limit discovery to non-privileged material that is relevant to the issues to be determined by the arbitrator or referee.
- (e) The arbitrator or referee shall determine the time of the hearing and shall designate its location based upon the convenience of the arbitrator or referee, the Parties and any witnesses. However, such hearing shall be commenced within 30 days after completion of discovery, unless the arbitrator or referee grants a continuance upon a showing of good cause by any Party. At least 7 days before the date set for such hearing, the Parties shall exchange copies of exhibits to be offered as evidence, and lists of the witnesses who will testify, at such hearing. Once commenced, the hearing shall proceed day to day until completed, unless the arbitrator or referee grants a continuance upon a showing of good cause by any Party. Any Party may cause to be prepared, at its expense, a written transcription or electronic recordation of such hearing.
- (f) Subject to the provisions of this Agreement, the arbitrator may award, or the referee may report, a statement of decision providing for any remedy or relief, including without limitation judicial foreclosure, deficiency judgment and equitable relief, and give effect to all legal and equitable defenses, including without limitation, statutes of limitation, the statute of frauds, waiver and estoppel.
- (g) The award of the arbitrator or the statement of decision of the referee shall be supported by written findings of fact and conclusions of law delivered by the arbitrator or referee to the Parties concurrently with such award or statement of decision.
- (h) In the event that punitive damages are permitted under Applicable State Law, the award of the arbitrator or the statement of decision of the referee may provide for recovery of punitive damages provided that the arbitrator or referee first makes written findings of fact that would satisfy the requirements for recovery of punitive damages under Applicable State Law. Any such punitive damages shall not exceed a sum equal to three times the amount of actual damages as determined by the arbitrator or referee.
- (i) The arbitrator shall have the power to award or the referee shall have the power to report a statement of decision providing for reasonable attorneys' fees (including a reasonable allocation for the costs of in-house counsel) and costs to the prevailing party.
- (j) In the event that Applicable State Law provides that publications or communications made in a judicial proceeding are subject to a litigation privilege, such litigation privilege shall apply to the same extent to publications or communications made in the Arbitration or Reference.

4. PROVISIONAL REMEDIES, SELF-HELP AND FORECLOSURE. No provision of this Agreement shall limit the right of any Party (a) to exercise self-help remedies including, without limitation, set-off, (b) to foreclose against or sell any collateral, by power of sale or otherwise or (c) to obtain or oppose provisional

or ancillary remedies from a court of competent jurisdiction before, after or during the pendency of the Arbitration or Reference. The exercise of, or opposition to, any such remedy does not waive the right of any Party to Arbitration or Reference pursuant to this Agreement.

5. FINAL, BINDING AND NONAPPEALABLE JUDGMENT. Any court of competent jurisdiction shall, upon the petition of any Party, confirm the award of the arbitrator and enter judgment in conformity therewith. Any court of competent jurisdiction shall, upon the filing of the statement of decision of the referee, enter judgment thereon. Any such judgment shall be final, binding and nonappealable.

6. MISCELLANEOUS. In the event that multiple claims are asserted, some of which are found not subject to this Agreement, the Parties agree to stay the proceedings of the claims not subject to this Agreement until all other claims are resolved in accordance with this Agreement. In the event that claims are asserted against multiple parties, some of whom are not subject to this Agreement, the Parties

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agree to sever the claims subject to this Agreement and resolve them in accordance with this Agreement. In the event that any provision of this Agreement is found to be illegal or unenforceable, the remainder of this Agreement shall remain in full force and effect. In the event of any challenge to the legality or enforceability of this Agreement, the prevailing Party shall be entitled to recover the costs and expenses, including reasonable attorneys' fees, incurred by it in connection therewith. Applicable State Law shall govern the interpretation of this Agreement. This Agreement fully states all of the terms and conditions of the Parties' agreement regarding the matters mentioned in, or incidental to, this Agreement. This Agreement supersedes all oral negotiations and prior writings concerning the subject matter hereof.

7. DEFINED TERMS. As used in this Agreement, the following terms shall have the respective meanings set forth below:

- (a) "AAA" shall mean the American Arbitration Association.
- (b) "Applicable State Law" shall mean the law of the state in which this Agreement is executed by Obligor; provided, however, that if any Party seeks (i) to exercise self-help remedies, including without limitation set-off, (ii) to foreclose against or sell any collateral, by power of sale or otherwise or (iii) to obtain or oppose provisional or ancillary remedies from a court of competent jurisdiction before, after or during the pendency of the Arbitration or Reference, the law of the state where such collateral is located shall govern the exercise of or opposition to such rights and remedies.
- (c) "Arbitration" shall mean an arbitration conducted pursuant to this Agreement in accordance with Applicable State Law, and under the Commercial Arbitration Rules of the AAA, as in effect at the time the arbitrator is selected pursuant to paragraph 2 of this Agreement.
- (d) "Claim" shall mean any claim, cause of action, action, dispute or controversy between or among the Parties, including any claim, cause of action, action, dispute or controversy alleged in or subject to a lawsuit between or among the Parties, which arises out of or relates to:
  - (i) any of the Subject Documents,
  - (ii) any negotiations, correspondence or communications relating to any of the Subject Documents, whether or not incorporated into the Subject Documents or any indebtedness evidenced thereby,
  - (iii) the administration or management of the Subject Documents or any indebtedness evidenced thereby or
  - (iv) any alleged agreements, promises, representations or transactions in connection therewith, including but not limited to any claim, cause of action, action, dispute or controversy which arises out of or is based upon an alleged tort or other breach of legal duty.

- (e) "Reference" shall mean a judicial reference conducted pursuant to this Agreement in accordance with Applicable State Law and under the Judicial Reference Procedures of the AAA, as in effect at the time the referee is selected pursuant to paragraph 2 of this Agreement.
- (f) "Subject Documents" shall mean any and all documents, instruments and agreements previously, concurrently or hereafter executed by Obligor in favor of Bank, or between Obligor and Bank, which incorporated by reference an alternative dispute resolution agreement or another agreement providing for the resolution of Claims between or among the Parties by arbitration or judicial reference, any and all related documents, instruments and agreements, and any and all extensions, renewals, amendments, substitutions and replacements of any of the foregoing; and "Subject Document" shall mean any one of such Subject Documents.

WAIVER OF RIGHT TO TRIAL BY JURY. In connection with an Arbitration or Reference, or any other action or proceeding, the Parties hereby expressly, intentionally and deliberately waive any right they may otherwise have to trial by jury of any Claim.

This Agreement is duly executed by the Parties as of the date first written above.

UNION BANK OF CALIFORNIA, N.A.

-----  
 DICK PETRIE  
 TITLE: VICE PRESIDENT  
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VIASAT, INC.  
 A DELAWARE CORPORATION

By: [sig] V.P.  
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 TITLE  
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RECITALS

A. VIASAT, INC. duly organized and existing under the laws of DELAWARE with its principal place of business at 2290 COSMOS CT., CARLSBAD, CA (the "Business") desires to obtain present or future credit from, grant security to, or give guaranties or subordinations to Union Bank of California, N.A. ("Bank"). The Business operates under a fictitious business name, and has filed, published and/or registered the required writing, stating that the Business is doing business as N/A and the writing, a copy of which is attached, is currently in full force and effect.

B. The Business desires that certain person(s) be authorized to act on its behalf from time to time in obtaining, among other things, such credit from, granting security to, or giving guaranties or subordinations to, Bank.

NOW, THEREFORE, IT IS RESOLVED THAT:

1. Authorization. Any 1 of the following is/are authorized and directed, in the name and on behalf of the Business, from time to time, with or without security, to obtain credit and other financial accommodations from Bank, or to give guaranties or subordinations to Bank, upon such terms as any such person(s) shall approve: President Vice President.

2. Scope Of Authority. Without limiting the generality of the authority granted, each person designated in paragraph 1 above is authorized, from time to time, in the name and on behalf of the Business, to:

2.1 Incur Indebtedness To Bank. The word "Indebtedness" as used herein means all debts, obligations and liabilities, including without limitation obligations and liabilities under guaranties or subordinations, currently existing or now or hereafter made, incurred or created, whether voluntary or involuntary and however arising or evidenced, whether direct or acquired by assignment or succession, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether liability is individual or joint with others, all renewals, extensions and modifications thereof, and all attorneys' fees and costs incurred in connection with the negotiation, preparation, workout, collection and enforcement thereof;

2.2 Execute, deliver and endorse with respect to Indebtedness to Bank, promissory notes, loan agreements, drafts, guaranties, subordinations, applications and agreements for letters of credit, acceptance agreements, foreign exchange documentation, applications and agreements pertaining to the payment and collection of documents, indemnities, waivers, purchase agreements and other financial undertakings, leases and other documents and agreements in connection therewith, and all renewals, extensions or modifications thereof;

2.3 Grant security interests in, pledge, assign, transfer, endorse, mortgage or hypothecate, and execute security or pledge agreements, financing statements and other security interest perfection documentation, mortgages and deeds of trust on, and give trust receipts for, any or all property of the Business as may be agreed upon by any officer as security for any or all Indebtedness of the Business or any other individual or entity ("Person"), and grant and execute renewals, extensions or modifications thereof;

2.4 Sell to, or discount or rediscount with, Bank all negotiable instruments, including without limitation promissory notes, commercial paper, drafts, accounts, acceptances, leases, chattel paper, contracts, documents, instruments or evidences of debt at any time owned, held or drawn by the Business, and draw, endorse or transfer any of such instruments or documents on behalf of the Business, guarantee payment or repurchase thereof, and execute and deliver to Bank all documents and agreements in connection therewith, and all renewals, extensions or modifications thereof;

2.5 Direct the disposition of the proceeds of any credit extended by Bank, and deliver to Bank and accept from Bank delivery of any property of the Business at any time held by Bank.

2.6 Specify in writing to Bank the individuals who are authorized, in the name of and on behalf of the Business, to request advances under loans or credit lines made available by Bank to the Business, subject to the terms thereof.

3. Writings. Any instruments, documents, agreements or other writings executed under or pursuant to these resolutions (collectively, the "Authorization") may be in such form and contain such terms and conditions as may be required by Bank in its sole discretion, and execution thereof by any officer authorized under the Authorization shall be conclusive evidence of such officer's and the Business's approval of the terms and conditions thereof.

4. Certification. The Secretary or any Assistant Secretary of the Business is hereby authorized and directed from time to time to certify to Bank a copy of this Authorization, the names and specimen signatures of the persons designated



Corporate Title                      Name                                      Signature

I agree to notify Bank in writing of any change in any aspect of the Authorization or of any individual holding any office set forth in this certificate immediately upon the occurrence of any such change, and to provide Bank with a copy of the modified resolution(s) and the genuine specimen signature of any such now officer.

The authority provided for in the Authorization shall remain in full force and effect, and Bank is authorized and requested to rely and act thereon until Bank shall receive at its San Diego Commercial Banking Office either a certified copy of a further resolution of this Business's Board of Directors amending the Authorization, or a certification of a change in the authorized officer(s).

Dated: May 23, 1997                                      /s/ [Illegible]  
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Secretary of Viasat, Inc.  
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SEAL  
  
(if no seal,  
so state)

/s/ MARK D. DANKBERG  
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\*President of Viasat, Inc.  
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REVOLVING LINE  
  
[UNION BANK OF CALIFORNIA  
LETTERHEAD]  
REVOLVING LINE  
  
PROMISSORY NOTE  
(BASE RATE)

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Borrower Name VIASAT, INC.  
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Borrower Address 2290 COSMOS CT., CARLSBAD, CA. 92009                      Office 40061      Loan Number 9449886233 0004000000  
  
Maturity Date SEPTEMBER 15, 1998                      Amount  
\$6,000,000.00  
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SAN DIEGO, CALIFORNIA                      \$6,000,000.00                      Date\_\_\_\_\_

FOR VALUE RECEIVED, on September 15, 1998, the undersigned ("Debtor") promises to pay to the order of Union Bank of California, N.A. ("Bank"), as indicated below, the principal sum of SIX MILLION AND NO/100 Dollars (\$6,000,000.00), or so much thereof as is disbursed, together with interest on the balance of such principal from time to time outstanding, at the per annum rate or rates and at the times set forth below.

1. INTEREST PAYMENTS. Debtor shall pay interest on the Fifteenth day of each month (commencing May 15, 1997). Should interest not be paid when due, it shall become part of the principal and bear interest as herein provided. All computations of interest under this note shall be made on the basis of a year of 360 days, for actual days elapsed.

a. BASE INTEREST RATE. At Debtor's option, amounts outstanding hereunder in increments of at least \$10,000 shall bear interest at a rate, based on an index selected by Debtor, which is 1.75% per annum in excess of Bank's

LIBOR-Rate for the Interest Period selected by Debtor.

Any Base Interest Rate may not be changed, altered or otherwise modified until the expiration of the Interest Period selected by Debtor. The exercise of interest rate options by Debtor shall be as recorded in Bank's records, which records shall be prima facie evidence of the amount borrowed under either interest option and the interest rate; provided, however, that failure of Bank to make any such notation in its records shall not discharge Debtor from its obligations to repay in full with interest all amounts borrowed. In no event shall any Interest Period extend beyond the maturity date of this note.

To exercise this option, Debtor may, from time to time with respect to principal outstanding on which a Base Interest Rate is not accruing, and on the expiration of any Interest Period with respect to principal outstanding on which a Base Interest Rate has been accruing, select an index offered by Bank for a Base Interest Rate Loan and an Interest Period by telephoning an authorized lending officer of Bank located at the banking office identified below prior to 10:00 a.m., Pacific time, on any Business Day and advising that officer of the selected index, the Interest Period and the Origination Date selected (which Origination Date, for a Base Interest Rate Loan based on the LIBOR-Rate, shall follow the date of such selection by no more than two (2) Business Days).

Bank will mail a written confirmation of the terms of the selection to Debtor promptly after the selection is made. Failure to send such confirmation shall not affect Bank's rights to collect interest at the rate selected. If, on the date of the selection, the index selected is unavailable for any reason, the selection shall be void. Bank reserves the right to fund the principal from any source of funds notwithstanding any Base Interest Rate selected by Debtor.

b. VARIABLE INTEREST RATE. All principal outstanding hereunder which is not bearing interest at a Base Interest Rate shall bear interest at a rate per annum equal to the Reference Rate, which rate shall vary as and when the Reference Rate changes.

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At any time prior to the maturity of this note, subject to the provisions of paragraph 4. below, of this note, Debtor may borrow, repay and reborrow hereon so long as the total outstanding at any one time does not exceed the principal amount of this note. Debtor shall pay all amounts due under this note in lawful money of the United States at Bank's SAN DIEGO COMMERCIAL BANKING Office, or such other office as may be designated by Bank, from time to time.

2. LATE PAYMENTS. If any payment required by the terms of this note shall remain unpaid ten days after same is due, at the option of Bank, Debtor shall pay a fee of \$100 to Bank.

3. INTEREST RATE FOLLOWING DEFAULT. In the event of default, at the option of Bank, and, to the extent permitted by law, interest shall be payable on the outstanding principal under this note at a per annum rate equal to five percent (5%) in excess of the interest rate specified in paragraph 1.b, above, calculated from the date of default until all amounts payable under this note are paid in full.

4. PREPAYMENT.

a. Amounts outstanding under this note bearing interest at a rate based on the Reference Rate may be prepaid in whole or in part at any time, without penalty or premium. Amounts outstanding under this note bearing interest at a Base Interest Rate may only be prepaid, in whole or in part provided Bank has received not less than five (5) Business Days prior written notice of an intention to make such prepayment and Debtor pays a prepayment fee to Bank in an amount equal to the present value of the product of: (i) the difference (but not less than zero) between (a) the Base Interest Rate applicable to the principal amount which Debtor intends to prepay, and (b) the return which Bank could obtain if it used the amount of such prepayment of principal to purchase at bid price regularly quoted securities issued by

the United States having a maturity date most closely coinciding with the relevant Base Rate Maturity Date and such securities were held by Bank until the relevant Base Rate Maturity Date ("Yield Rate"); (ii) a fraction, the numerator of which is the number of days in the period between the date of prepayment and the relevant Base Rate Maturity Date and the denominator of which is 360; and (iii) the amount of the principal so prepaid (except in the event that principal payments are required and have been made as scheduled under the terms of the Base Interest Rate Loan being prepaid, then an amount equal to the lesser of (A) the amount prepaid or (B) 50% of the sum of (1) the amount prepaid and (2) the amount of principal scheduled under the terms of the Base Interest Rate Loan being prepaid to be outstanding at the relevant Base Rate Maturity Date). Present value under this note is determined by discounting the above product to present value using the Yield Rate as the annual discount factor.

b. In no event shall Bank be obligated to make any payment or refund to Debtor, nor shall Debtor be entitled to any setoff or other claim against Bank, should the return which Bank could obtain under the above prepayment formula exceed the interest that Bank would have received if no prepayment had occurred. All prepayments shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal. A determination by Bank as to the prepayment fee amount, if any, shall be conclusive.

c. Such prepayment fee, if any, shall also be payable if prepayment occurs as the result of the acceleration of the principal of this note by Bank because of any default hereunder. If, following such acceleration, all or any portion of a Base Interest Rate Loan is satisfied, whether through sale of property encumbered by any security agreement or other agreement securing this note, at a foreclosure sale held thereunder or through the tender of payment at any time following such acceleration, but prior to such a foreclosure sale, then such satisfaction shall be deemed an evasion of the prepayment conditions set forth above, and Bank shall, automatically and without notice or demand, be entitled to receive, concurrently with such satisfaction the prepayment fee set forth above, and the amount of such prepayment fee shall be added to the principal. DEBTOR HEREBY ACKNOWLEDGES AND AGREES THAT BANK WOULD NOT MAKE THE LOAN TO DEBTOR EVIDENCED BY THIS NOTE WITHOUT DEBTOR'S AGREEMENT, AS SET FORTH ABOVE, TO PAY BANK A PREPAYMENT FEE UPON THE SATISFACTION OF ALL OR ANY PORTION OF THE PRINCIPAL BEARING INTEREST AT A BASE INTEREST RATE FOLLOWING THE ACCELERATION OF THE MATURITY DATE HEREOF BY REASON OF A DEFAULT. DEBTOR HAS CAUSED THOSE PERSONS SIGNING THIS NOTE ON ITS BEHALF TO SEPARATELY INITIAL THE AGREEMENT CONTAINED IN THIS PARAGRAPH BY PLACING THEIR INITIALS BELOW:

INITIALS:  
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5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT. "See Addendum "A", consisting of two (2) pages, attached hereto and incorporated herein.

6. ADDITIONAL AGREEMENTS OF DEBTOR. If any amounts owing under this note are not paid when due, Debtor promises to pay all costs and expenses, including reasonable attorneys' fees, incurred by Bank in the collection or enforcement of this note. Debtor and any endorsers of this note, for the maximum period of time and the full extent permitted by law, (a) waive diligence, presentment, demand, notice of nonpayment, protest, notice of protest, and notice of every kind; (b) waive the right to assert the defense of any statute of limitations to any debt or obligation hereunder; and (c) consent to renewals and extensions of time for the payment of any amounts due under this note. If this note is signed by more than one party, the term "Debtor" includes each of the undersigned and any successors in interest thereof; all of whose liability shall be joint and several. Any married person who signs this note agrees that recourse may be had against the separate property of that person for any obligations hereunder. The receipt of any check or other item of payment by Bank, at its option, shall not be considered a payment on account until such check or other item of payment is honored when presented for payment at the drawee bank. Bank may delay the credit of such payment based upon Bank's schedule of funds availability, and interest under this note shall accrue until the funds are deemed collected. In any action brought under or arising out of this note, Debtor and any Obligor, including their successors and assigns, hereby consent to the jurisdiction of any competent court within the State of California, as provided in any alternative dispute resolution agreement executed between Debtor and Bank, and consent to service of process by any means authorized by said state's law. The term "Bank" includes, without limitation, any holder of this note. This note shall be construed in

accordance with and governed by the laws of the State of California. This note hereby incorporates any alternative dispute resolution agreement previously, concurrently or hereafter executed between Debtor and Bank.

7. DEFINITIONS. As used herein, the following terms shall have the meanings respectively set forth below: "BASE INTEREST RATE" shall mean a rate of interest based on the LIBOR-Rate. "BASE INTEREST RATE LOAN" shall mean amounts outstanding under this note that bear interest at a Base Interest Rate. "BASE RATE MATURITY DATE" shall mean the last day of the Interest Period with respect to principal outstanding on which a Base Interest Rate has been selected by Debtor. "BUSINESS DAY" shall mean a day which is not a Saturday or Sunday on which Bank is open for business in the state identified in paragraph 6, above, and, with respect to the rate of interest based on the LIBOR Rate, on which dealings in U.S. dollar deposits outside of the United States may be carried on by Bank. "INTEREST PERIOD" shall mean any calendar period of one, three, six, nine or twelve months. In determining an Interest Period, a month means a period that starts on one Business Day in a month and ends on and includes the day preceding the numerically corresponding day in the next month. For any month in which there is no such numerically corresponding day, then as to that month, such day shall be deemed to be the last calendar day of such month. Any Interest Period which would otherwise end on a non-Business Day shall and on the next succeeding Business Day unless that is the first day of a month, in which event such Interest Period shall and on the next preceding Business Day. "LIBOR RATE" shall mean a per annum rate of interest (rounded upward, if necessary, to the nearest 1/100 of 1%) at which dollar deposits, in immediately available funds and in lawful money of the United States would be offered to Bank, outside of the United States, for a term coinciding with the Interest Period selected by Debtor and for an amount equal to the amount of principal covered by Debtor's interest rate selection, plus Bank's costs, including the costs, if any, of reserve requirements. "ORIGINATION DATE" shall mean the Business Day on which funds are made available to Debtor relating to Debtor's selection of a Base Interest Rate. "REFERENCE RATE" shall mean the rate announced by Bank from time to time at its corporate headquarters as its "Reference Rate." The Reference Rate is an index rate determined by Bank from time to time as a means of pricing certain extensions of credit and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time.

VIASAT, INC.

By /s/ ]Illegible]

Title Vice President

ADDENDUM "A" TO PROMISSORY NOTE (BASE RATE),  
DATED \_\_\_\_\_, 1997, EXECUTED BY  
VIASAT, INC. IN FAVOR OF UNION BANK OF CALIFORNIA, N.A.  
(SUCCESSOR IN INTEREST TO UNION BANK)

5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT. Default shall include, but not be limited to, any of the following: (a) Debtor shall fail to pay within three (3) days of the date when due any principal, interest or other payment required under the terms of this note, that certain Loan Agreement between Debtor and Bank, dated as of September 15, 1995, and any amendments, modifications, extensions, supplements or replacements thereof (the "Loan Agreement") or any of the other Loan Documents (as defined in the Loan Agreement); (b) Debtor shall fail to observe or perform any covenant, obligation, condition or agreement set forth in Section 5, or in paragraphs 4.5(i), 4.6, 4.7, 4.8 or 4.9, of the Loan Agreement; (c) Debtor shall fail to observe or perform any other covenant, obligation, condition or agreement contained in the Loan Agreement or the other Loan Documents, and such failure shall continue for twenty (20) days after written notice thereof to Debtor from Bank; (d) any representation, warranty, certificate or other statement (financial or otherwise) made or furnished by or on behalf of Debtor to Bank in or in connection with this note, the Loan Agreement or any of the other Loan Documents, or as an inducement to Bank to enter into the Loan Agreement and the other Loan Documents, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished; (e) Debtor, any guarantor, co-maker, endorser, or any person or entity other than Debtor providing security for this note (hereinafter individually and collectively referred to as the "Obligor") shall fail to pay when due any principal or interest payment required under the terms of any bond, debenture, note or other evidence of indebtedness required to be paid by such Obligor (except for payments required hereunder, under the Loan Agreement or under the other Loan Documents) beyond any period of grace provided with respect thereto, or shall default in the observance or performance of any other agreement, term or condition contained in any such bond, debenture, note or other evidence of indebtedness, and the effect of such failure or default is to cause, or permit the holder or holders thereof to cause, the indebtedness evidenced by such bond, debenture, note or other evidence of indebtedness to become due prior to its stated date of maturity; (f) any Obligor shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated (or an Obligor who is a natural person shall die), (v) commence a voluntary case or other proceedings seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such

Page 1 of 2

Initial\_\_\_\_\_

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relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vi) take any corporate action for the purpose of effecting any of the foregoing; (g) proceedings for the appointment of a receiver, trustee, liquidator or custodian of any Obligor or of all or a substantial part of its property, or an involuntary case or other proceedings seeking liquidation, reorganization or other similar relief with respect to any Obligor or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, shall be commenced and shall not be dismissed or discharged within thirty (30) days of commencement; or (h) a final judgment or order for the payment of money in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) (exclusive of amounts covered by insurance) shall be rendered against any Obligor and the same shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed, or any judgment, writ, warrant of attachment, or execution or similar process shall be issued or levied against a substantial part of any Obligor's property and such judgment, writ or similar process shall not be released, stayed, vacated, bonded or otherwise dismissed within twenty (20) days after its issue or levy. Upon the occurrence of any such default, Bank, in its discretion, may cease to advance funds hereunder and may declare all obligations under this note immediately due and payable; provided, however, upon the occurrence of a default under (f) or (g), all principal and interest shall automatically become immediately due and payable.

VIASAT, INC.

By: /s/ [Illegible]

Title: Vice President

CALIFORNIA AUTHORIZATION

Borrower Name			
VIASAT, INC.			
Borrower Address		Office	Loan Number
2290 COSMOS CT.		40061	9449886233
CARLSBAD, CA 92009-1585			0004-00-0-000
		Maturity Date	Amount
		SEPTEMBER 15, 1998	\$6,000,000.00

Union Bank of California, N.A. ("Bank") is hereby authorized and instructed to disburse the proceeds of that certain Note referenced above in the following manner:

Deposit the proceeds of my/our revolving note into my/our account # 4000142625 from time to time and in such amounts as say be requested verbally or in writing. RENEWAL OF OBLIGATION #0004-00-0-000, WHICH MATURES 9/15/97 \$ 6,000,000.00

Fees itemized below are payable as follows (check one):

[ ] Charge account # \_\_\_\_\_ [ ] Check enclosed

TERMS AND CONDITIONS

1. Bank is authorized to charge account number 4000142625 in the name(s) of ViaSat. INC. for payments of interest (or principal/interest) when due in connection with this Note and all renewals or extensions thereof.
2. Bank shall disburse proceeds in the amounts stated above in accordance with the foregoing authorization or when Bank receives verbal or written authorization from Borrower(s) to do so, or any one of the Borrowers, if there are joint Borrowers, but not later than SEPTEMBER 15, 1998. The Bank, at its discretion, may elect to extend this date without notice to or acknowledgement by borrower(s). This Authorization and the above mentioned Note will remain in full force and effect until the obligations in connection with this Note have been fulfilled.
3. Unless dated by Bank prior to execution, the Note shall be dated by Bank as of the date on which Bank disburses proceeds.
4. Notwithstanding anything to the contrary herein, Bank reserves the right to decline to advance the proceeds of the above described Note if there is a filing as to the Borrower(s), or any of them of a voluntary or involuntary petition under the provisions of the Federal Bankruptcy Act or any other insolvency law; the issuance of any attachment, garnishment, execution or levy of any asset of the Borrower(s), or any endorser or guarantor which results in Bank deeming itself, in good faith insecure.
5. The borrower(s) authorizes Bank to release information concerning the borrower(s) financial condition to suppliers, other creditors, credit bureaus and other credit reporters; and also authorizes Bank to obtain such information from any third party at any time.

The Borrower(s) by their execution of this Authorization accept the foregoing terms, conditions and instructions.

Executed on 5/23/97

VIASAT, INC.

By: /s/ [Illegible] Vice President

TITLE

EQUIPMENT LOAN  
II

UNION  
BANK OF  
CALIFORNIA

-----  
Borrower Name VIASAT, INC.  
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Borrower Address  
2290 COSMOS CT.  
CARLSBAD, CA. 92009

Office 40061                      Loan Number 9449886233  
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Maturity Date SEPTEMBER 15, 2000      Amount \$2,000,000.00  
-----

\$2,000,000.00

Date \_\_\_\_\_

FOR VALUE RECEIVED, on SEPTEMBER 15, 2000, the undersigned ("Debtor") promises to pay to the order of UNION BANK OF CALIFORNIA, N.A. ("Bank"), as indicated below, the principal sum of TWO MILLION AND NO/100 Dollars (\$2,000,000.00), or so much thereof as is disbursed, together with interest on the balance of such principal from time to time outstanding, at the per annum rate or rates and at the times set forth below.

1. PAYMENTS.

**PRINCIPAL PAYMENTS.** Principal shall be payable in 36 equal consecutive monthly instalments, each instalment in an amount sufficient to fully amortize the principal balance by the final maturity date, beginning OCTOBER 15, 1997, and continuing on the 15th day of each consecutive month. The availability under this note shall be reduced on the same day and in the same amount as each scheduled principal payment.

**INTEREST PAYMENTS.** Debtor shall pay interest on the 15th day of each MONTH (commencing MAY 15, 1997). Should interest not be paid when due, it shall become part of the principal and bear interest as herein provided. All computations of interest under this note shall be made on the basis of a year of 360 days, for actual days elapsed.

a. **BASE INTEREST RATE.** At Debtor's option, amounts outstanding hereunder in increments of at least \$10,000 shall bear interest at a rate, based on an index selected by Debtor, which is 2.00% per annum in excess of Bank's LIBOR-Rate for the Interest Period so selected by Debtor.

Any Base Interest Rate may not be changed, altered or otherwise modified until the expiration of the Interest Period selected by Debtor. The exercise of interest rate options by Debtor shall be as recorded in Bank's records, which records shall be prima facie evidence of the amount borrowed under either interest option and the interest rate; provided, however, that failure of Bank to make any such notation in its records shall not discharge Debtor from its obligations to repay in full with interest all amounts borrowed. In no event shall any Interest Period extend beyond the maturity date of this note.

To exercise this option, Debtor may, from time to time with respect to principal outstanding on which a Base Interest Rate is not accruing, and on the expiration of any Interest Period with respect to principal outstanding on which a Base Interest Rate has been accruing, select an index offered by Bank for a Base Interest Rate Loan and Interest Period by telephoning an authorized lending officer of Bank located at the banking office identified below prior to 10:00 a.m., Pacific time, on any Business Day and advising that officer of the selected index, Interest Period and the Origination Date selected (which Origination Date, for a Base Interest Rate Loan based on the LIBOR-Rate, shall follow the date of such election by no more than two (2) Business Days).

Bank will mail a written communication of the terms of the selection to Debtor promptly after the selection is made. Failure to send such confirmation shall not affect Bank's rights to collect interest at the rate selected. If, on the date of the selection, the index selected is unavailable for any reason, the selection shall be void. Bank reserves the right to fund the principal from any source of funds notwithstanding any Base Interest Rate selected by Debtor.

b. VARIABLE INTEREST RATE. All principal outstanding hereunder which is not bearing interest at a Base Interest Rate shall bear interest at a rate per annum of 0.35% in excess of the Reference Rate, which rate shall vary as and when the Reference Rate changes.

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Debtor shall pay all amounts due under this note in lawful money of the United States at Bank's SAN DIEGO COMMERCIAL BANKING Office, or such other office as may be designated by Bank, from time to time.

2. LATE PAYMENTS. If any payment required by the terms of this note shall remain unpaid ten days after same is due, at the option of Bank, Debtor shall pay a fee of \$100 to Bank.

3. INTEREST RATE FOLLOWING DEFAULT. In the event of default, at the option of Bank, and, to the extent permitted by law, interest shall be payable on the outstanding principal under this note at a per annum rate equal to five percent (5%) in excess of the interest rate specified in paragraph 1.b, of this note, calculated from the date of default until all amounts payable under this note are paid in full.

4. PREPAYMENT.

a. Amounts outstanding under this note bearing interest at a rate based on the Reference Rate may be prepaid in whole or in part at any time, without penalty or premium. Amounts outstanding under this note bearing interest at a Base Interest Rate may only be prepaid, in whole or in part provided Bank has received not less than five (5) Business Days prior written notice of an intention to make such prepayment and Debtor pays a prepayment fee to Bank in an amount equal to the present value of the product of: (i) the difference (but not less than zero) between (a) the Base Interest Rate applicable to the principal amount which Debtor intends to prepay, and (b) the return which Bank could obtain if it used the amount of such prepayment of principal to purchase at bid price regularly quoted securities issued by the United States having a maturity date most closely coinciding with the relevant Base Rate Maturity Date and such securities were held by Bank until the relevant Base Rate Maturity Date ("Yield Rate"); (ii) a fraction, the numerator of which is the number of days in the period between the date of prepayment and the relevant Base Rate Maturity Date and the denominator of which is 360; and (iii) the amount of the principal so prepaid (except in the event that principal payments are required and have been made as scheduled under the terms of the Base Interest Rate Loan being prepaid, then an amount equal to the lesser of (A) the amount prepaid or (B) 50% of the sum of (1) the amount prepaid and (2) the amount of principal scheduled under the terms of the Base Interest Rate Loan being prepaid to be outstanding at the relevant Base Rate Maturity Date). Present value under this note is determined by discounting the above product to present value using the Yield Rate as the annual discount factor.

b. In no event shall Bank be obligated to make any payment or refund to Debtor, nor shall Debtor be entitled to any setoff or other claim against Bank, should the return which Bank could obtain under the above prepayment formula exceed the interest that Bank would have received if no prepayment had occurred. All prepayments shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal. A determination by Bank as to the prepayment fee amount, if any, shall be conclusive. In the event of partial prepayment, such prepayments shall be applied to principal payments in the inverse order of their maturity.

c. Such prepayment fee, if any, shall also be payable if prepayment occurs as the result of the acceleration of the principal of this note by Bank because of any default hereunder. If, following such acceleration, all or any portion of a Base Interest Rate Loan is satisfied, whether through sale of property encumbered by any security agreement or other agreement securing this note, at a foreclosure sale held thereunder or through the tender of payment at any time following such acceleration, but prior to such a foreclosure sale, then such satisfaction shall be deemed an evasion of the prepayment conditions set forth above, and Bank shall, automatically and without notice or demand, be entitled to receive, concurrently with such satisfaction the prepayment fee set forth above, and the amount of such prepayment fee shall be added to the principal. DEBTOR HEREBY ACKNOWLEDGES AND AGREES THAT BANK WOULD NOT MAKE THE LOAN TO DEBTOR EVIDENCED BY THIS NOTE WITHOUT DEBTOR'S AGREEMENT, AS SET FORTH ABOVE, TO PAY BANK A PREPAYMENT FEE UPON THE SATISFACTION OF ALL OR ANY PORTION OF THE PRINCIPAL BEARING INTEREST AT A BASE INTEREST RATE FOLLOWING THE ACCELERATION OF THE MATURITY DATE HEREOF BY REASON OF A DEFAULT. DEBTOR HAS CAUSED THOSE PERSONS SIGNING THIS NOTE ON ITS BEHALF TO SEPARATELY INITIAL THE AGREEMENT CONTAINED IN THIS PARAGRAPH BY PLACING THEIR INITIALS BELOW:

INITIALS:

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5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT See Addendum "A", consisting of two (2) pages, attached hereto and incorporated herein.

6. ADDITIONAL AGREEMENTS OF DEBTOR. If any amounts owing under this note are not paid when due, Debtor promises to pay all costs and expenses, including reasonable attorneys' fees, incurred by Bank in the collection or enforcement of this note. Debtor and any endorsers of this note, for the maximum period of time and the full extent permitted by law, (a) waive diligence, presentment, demand, notice of nonpayment, protest, notice of protest, and notice of every kind; (b) waive the right to assert the defense of any statute of limitations to any debt or obligation hereunder; and (c) consent to renewals and extensions of time for the payment of any amounts due under this note. If this note is signed by more than one party, the term "Debtor" includes each of the undersigned and any successors in interest thereof; all of whose liability shall be joint and several. Any married person who signs this note agrees that recourse may be had against the separate property of that person for any obligations hereunder. The receipt of any check or other item of payment by Bank, at its option, shall not be considered a payment on account until such check or other item of payment is honored when presented for payment at the drawee bank. Bank may delay the credit of such payment based upon Bank's schedule of funds availability, and interest under this note shall accrue until the funds are deemed collected. In any action brought under or arising out of this note, Debtor and any Obligor, including their successors and assigns, hereby consent to the jurisdiction of any competent court within the State of

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California, as provided in any alternative dispute resolution agreement executed between Debtor and Bank, and consent to service of process by any means authorized by said state's law. The term "Bank" includes, without limitation, any holder of this note. This note shall be construed in accordance with and governed by the laws of the State of California. This note hereby incorporates any alternative dispute resolution agreement previously, concurrently or hereafter executed between Debtor and Bank.

7. DEFINITIONS. As used herein, the following terms shall have the meanings respectively set forth below: "BASE INTEREST RATE" shall mean a rate of interest based on the LIBOR-Rate. "BASE INTEREST RATE LOAN" shall mean amounts outstanding under this note that bear interest at a Base interest Rate. "BASE RATE MATURITY DATE" shall mean the last day of the Interest Period with respect to principal outstanding under a Base interest Rate Loan. "BUSINESS DAY" shall mean a day which is not a Saturday or Sunday on which Bank is open for business in the state identified in paragraph 6, above, and, with respect to the rate of

interest based on the LIBOR-Rate, on which dealings in U.S. dollar deposits outside of the United States may be carried on by Bank. "INTEREST PERIOD" shall mean with respect to funds bearing interest at a rate based on the LIBOR-Rate, any calendar period of one, three, six, nine or twelve months. In determining an Interest Period, a month means a period that starts on one Business Day in a month and ends on and includes the day preceding the numerically corresponding day in the next month. For any month in which there is no such numerically corresponding day, then as to that month, such day shall be deemed to be the last calendar day of such month. Any Interest Period which would otherwise end on a non-Business Day shall end on the next succeeding Business Day unless that is the first day of a month, in which event such Interest Period shall end on the next preceding Business Day. "LIBOR RATE" shall mean a per annum rate of interest (rounded upward, if necessary, to the nearest 1/100 of 1%) at which dollar deposits, in immediately available funds and in lawful money of the United States would be offered to Bank, outside of the United States, for a term coinciding with the Interest Period selected by Debtor and for an amount equal to the amount of principal covered by Debtor's interest rate election, plus Bank's costs, including the cost, if any, of reserve requirements. "ORIGINATION DATE" shall mean the Business Day on which funds are made available to Debtor relating to Debtor's selection of a Base Interest Rate. "REFERENCE RATE" shall mean the rate announced by Bank from time to time at its corporate headquarters as its "Reference Rate." The Reference Rate is an index rate determined by Bank from time to time as a means of pricing certain extensions of credit and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time.

VIASAT, INC.

BY /s/ [Illegible]

TITLE Vice President

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ADDENDUM "A" TO PROMISSORY NOTE (BASE RATE),  
DATED \_\_\_\_\_, 1997, EXECUTED BY  
VIASAT, INC. IN FAVOR OF UNION BANK OF CALIFORNIA, N.A.  
(SUCCESSOR IN INTEREST TO UNION BANK)

5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT. Default shall include, but not be limited to, any of the following: (a) Debtor shall fail to pay within three (3) days of the date when due any principal, interest or other payment required under the terms of this note, that certain Loan Agreement between Debtor and Bank, dated as of September 15, 1995, and any amendments, modifications, extensions, supplements or replacements thereof (the "Loan Agreement") or any of the other Loan Documents (as defined in the Loan Agreement); (b) Debtor shall fail to observe or perform any covenant, obligation, condition or agreement set forth in Section 5, or in paragraphs 4.5(i), 4.6, 4.7, 4.8 or 4.9, of the Loan Agreement; (c) Debtor shall fail to observe or perform any other covenant, obligation, condition or agreement contained in the Loan Agreement or the other Loan Documents, and such failure shall continue for twenty (20) days after written notice thereof to Debtor from Bank; (d) any representation, warranty, certificate or other statement (financial or otherwise) made or furnished by or on behalf of Debtor to Bank in or in connection with this note, the Loan Agreement or any of the other Loan Documents, or as an inducement to Bank to enter into the Loan Agreement and the other Loan Documents, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished; (e) Debtor, any guarantor, co-maker, endorser, or any person or entity other than Debtor providing security for this note (hereinafter individually and collectively referred to as the "Obligor") shall fail to pay when due any principal or interest payment required under the terms of any bond, debenture, note or other evidence of indebtedness required to be paid by such Obligor (except for payments required hereunder, under the Loan Agreement or under the other Loan Documents) beyond any period of grace provided with respect

thereto, or shall default in the observance or performance of any other agreement, term or condition contained in any such bond, debenture, note or other evidence of indebtedness, and the effect of such failure or default is to cause, or permit the holder or holders thereof to cause, the indebtedness evidenced by such bond, debenture, note or other evidence of indebtedness to become due prior to its stated date of maturity; (f) any Obligor shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated (or an Obligor who is a natural person shall die), (v) commence a voluntary case or other proceedings seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such

relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vi) take any corporate action for the purpose of effecting any of the foregoing; (g) proceedings for the appointment of a receiver, trustee, liquidator or custodian of any Obligor or of all or a substantial part of its property, or an involuntary case or other proceedings seeking liquidation, reorganization or other similar relief with respect to any Obligor or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, shall be commenced and shall not be dismissed or discharged within thirty (30) days of commencement; or (h) a final judgment or order for the payment of money in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) (exclusive of amounts covered by insurance) shall be rendered against any Obligor and the same shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed, or any judgment, writ, warrant of attachment, or execution or similar process shall be issued or levied against a substantial part of any Obligor's property and such judgment, writ or similar process shall not be released, stayed, vacated, bonded or otherwise dismissed within twenty (20) days after its issue or levy. Upon the occurrence of any such default, Bank, in its discretion, may cease to advance funds hereunder and may declare all obligations under this note immediately due and payable; provided, however, upon the occurrence of a default under (f) or (g), all principal and interest shall automatically become immediately due and payable.

VIASAT, INC.

By: /s/ [Illegible]

Title: Vice President

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Borrower Name  
VIASAT, INC.  
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Borrower Address	Office	Loan Number	
2290 COSMOS CT.	40061	9449886233	0005-00-0-000
CARLSBAD, CA 92009-1585	Maturity Date	Amount	
	SEPTEMBER 15, 2000	\$2,000,000.00	

Union Bank of California, N.A. ("Bank") is hereby authorized and instructed to disburse the proceeds of that certain Note referenced above in the following manner:

Deposit the proceeds into my/our account # 4000142625 as may be requested verbally or in writing.

CHANGE IN TERMS OF OBLIGATION #0005-00-0-000	\$ 2,000,000.00
TOTAL LOAN PROCEEDS:	\$ 2,000,000.00

Fees itemized below are payable as follows (check one):

[ ] Charge account # \_\_\_\_\_ [ ] Check enclosed

TERMS AND CONDITIONS

- Bank is authorized to charge account number 4000142625 in the name(s) of VIASAT, INC. for payments of interest (or principal/interest) when due in connection with this Note and all renewals or extensions thereof.
- Bank shall disburse proceeds in the amounts stated above in accordance with the foregoing authorization or when Bank receives verbal or written authorization from Borrower(s) to do so, or any one of the Borrowers, if there are joint Borrowers, but not later than SEPTEMBER 15, 2000. The Bank, at its discretion, may elect to extend this date without notice to or acknowledgement by the borrower(s). This Authorization and the above mentioned Note will remain in full force and effect until the obligations in connection with this Note have been fulfilled.
- Unless dated by Bank prior to execution, the Note shall be dated by Bank as of the date on which Bank disburses proceeds.
- Notwithstanding anything to the contrary herein, Bank reserves the right to decline to advance the proceeds of the above described Note if there is a filing as to the Borrower(s), or any of them of a voluntary or involuntary petition under the provisions of the Federal Bankruptcy Act or any other insolvency law; the issuance of any attachment, garnishment, execution or levy of any asset of the Borrower(s), or any endorser or guarantor which results in Bank deeming itself, in good faith insecure.
- The borrower(s) authorizes Bank to release information concerning the borrower(s) financial condition to suppliers, other creditors, credit bureaus and other credit reporters; and also authorizes Bank to obtain such information from any third party at any time.

The Borrower(s) by their execution of this Authorization accept the foregoing terms, conditions and instructions.

Executed on 5/23/97

VIASAT, INC.

BY: /s/ [ILLEGIBLE] Vice President

TITLE

EQUIPMENT LOAN  
 III  
 EFFECTIVE 9/15/97

UNION  
 BANK OF  
 CALIFORNIA

PROMISSORY NOTE  
 (BASE RATE)

Borrower Name VIASAT, INC.

Office 40061 Loan Number 9449886233

Borrower Address  
 2290 COSMOS CT.  
 CARLSBAD, CA. 92009

Maturity Date SEPTEMBER 15, 2001 Amount \$2,500,000.00

\$2,500,000.00

Date \_\_\_\_\_

FOR VALUE RECEIVED, on SEPTEMBER 15, 2001, the undersigned ("Debtor") promises to pay to the order of UNION BANK OF CALIFORNIA, N.A. ("Bank"), as indicated below, the principal sum of TWO MILLION FIVE HUNDRED THOUSAND AND NO/100 Dollars (\$2,500,000.00), or so much thereof as is disbursed, together with interest on the balance of such principal from time to time outstanding, at the per annum rate or rates and at the times set forth below.

1. PAYMENTS.

PRINCIPAL PAYMENTS. Principal shall be payable in 36 equal consecutive monthly instalments, each instalment in an amount sufficient to fully amortize the principal balance by the final maturity date, beginning OCTOBER 16, 1998, and continuing on the 16th day of each consecutive month. The availability under this note shall be reduced on the same day and in the same amount as each scheduled principal payment.

INTEREST PAYMENTS. Debtor shall pay interest on the 16th day of each MONTH (commencing SEPTEMBER 16, 1997). Should interest not be paid when due, it shall become part of the principal and bear interest as herein provided. All computations of interest under this note shall be made on the basis of a year of 360 days, for actual days elapsed.

a. BASE INTEREST RATE. At Debtor's option, amounts outstanding hereunder in increments of at least \$10,000 shall bear interest at a rate, based on an index selected by Debtor, which is 2.00% per annum in excess of Bank's LIBOR-Rate for the Interest Period so selected by Debtor.

Any Base Interest Rate may not be changed, altered or otherwise modified until the expiration of the Interest Period selected by Debtor. The exercise of interest rate options by Debtor shall be as recorded in Bank's records, which records shall be prima facie evidence of the amount borrowed under either interest option and the interest rate; provided, however, that failure of Bank to make any such notation in its records shall not discharge Debtor from its obligations to repay in full with interest all amounts borrowed. In no event shall any Interest Period extend beyond the maturity date of this note.

To exercise this option, Debtor may, from time to time with respect to principal outstanding on which a Base Interest Rate is not accruing, and on the expiration of any Interest Period with respect to principal outstanding on which a Base Interest Rate has been accruing, select an index offered by Bank for a Base Interest Rate Loan and Interest Period by telephoning an authorized lending officer of Bank located at the banking office identified below prior to 10:00 a.m., Pacific time, on any Business Day and advising that officer of the selected index, Interest Period and the Origination Date selected (which Origination Date, for a Base Interest Rate Loan based on the LIBOR-Rate, shall follow the date of such election by no more than two (2) Business Days).

Bank will mail a written communication of the terms of the selection to Debtor promptly after the selection is made. Failure to send such confirmation shall not affect Bank's rights to collect interest at the rate selected. If, on the date of the selection, the index selected is unavailable for any reason, the selection shall be void. Bank reserves the right to fund the principal from any source of funds notwithstanding any Base Interest Rate selected by Debtor.

b. VARIABLE INTEREST RATE. All principal outstanding hereunder which is not bearing interest at a Base Interest Rate shall bear interest at a rate per annum of 0.35% in excess of the Reference Rate, which rate shall vary as and when the Reference Rate changes.

Debtor shall pay all amounts due under this note in lawful money of the United States at Bank's SAN DIEGO COMMERCIAL BANKING Office, or such

other office as may be designated by Bank, from time to time.

2. LATE PAYMENTS. If any payment required by the terms of this note shall remain unpaid ten days after same is due, at the option of Bank, Debtor shall pay a fee of \$100 to Bank.

3. INTEREST RATE FOLLOWING DEFAULT. In the event of default, at the option of Bank, and, to the extent permitted by law, interest shall be payable on the outstanding principal under this note at a per annum rate equal to five percent (5%) in excess of the interest rate specified in paragraph 1.b, of this note, calculated from the date of default until all amounts payable under this note are paid in full.

4. PREPAYMENT.

a. Amounts outstanding under this note bearing interest at a rate based on the Reference Rate may be prepaid in whole or in part at any time, without penalty or premium. Amounts outstanding under this note bearing interest at a Base Interest Rate may only be prepaid, in whole or in part provided Bank has received not less than five (5) Business Days prior written notice of an intention to make such prepayment and Debtor pays a prepayment fee to Bank in an amount equal to the present value of the product of: (i) the difference (but not less than zero) between (a) the Base Interest Rate applicable to the principal amount which Debtor intends to prepay, and (b) the return which Bank could obtain if it used the amount of such prepayment of principal to purchase at bid price regularly quoted securities issued by the United States having a maturity date most closely coinciding with the relevant Base Rate Maturity Date and such securities were held by Bank until the relevant Base Rate Maturity Date ("Yield Rate"); (ii) a fraction, the numerator of which is the number of days in the period between the date of prepayment and the relevant Base Rate Maturity Date and the denominator of which is 360; and (iii) the amount of the principal so prepaid (except in the event that principal payments are required and have been made as scheduled under the terms of the Base Interest Rate Loan being prepaid, then an amount equal to the lesser of (A) the amount prepaid or (B) 50% of the sum of (1) the amount prepaid and (2) the amount of principal scheduled under the terms of the Base Interest Rate Loan being prepaid to be outstanding at the relevant Base Rate Maturity Date). Present value under this note is determined by discounting the above product to present value using the Yield Rate as the annual discount factor.

b. In no event shall Bank be obligated to make any payment or refund to Debtor, nor shall Debtor be entitled to any setoff or other claim against Bank, should the return which Bank could obtain under the above prepayment formula exceed the interest that Bank would have received if no prepayment had occurred. All prepayments shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal. A determination by Bank as to the prepayment fee amount, if any, shall be conclusive. In the event of partial prepayment, such prepayments shall be applied to principal payments in the inverse order of their maturity.

c. Such prepayment fee, if any, shall also be payable if prepayment occurs as the result of the acceleration of the principal of this note by Bank because of any default hereunder. If, following such acceleration, all or any portion of a Base Interest Rate Loan is satisfied, whether through sale of property encumbered by any security agreement or other agreement securing this note, at a foreclosure sale held thereunder or through the tender of payment at any time following such acceleration, but prior to such a foreclosure sale, then such satisfaction shall be deemed an evasion of the prepayment conditions set forth above, and Bank shall, automatically and without notice or demand, be entitled to receive, concurrently with such satisfaction the prepayment fee set forth above, and the amount of such prepayment fee shall be added to the principal. DEBTOR HEREBY ACKNOWLEDGES AND AGREES THAT BANK WOULD NOT MAKE THE LOAN TO DEBTOR EVIDENCED BY THIS NOTE WITHOUT DEBTOR'S AGREEMENT, AS SET FORTH ABOVE, TO PAY BANK A PREPAYMENT FEE UPON THE SATISFACTION OF ALL OR ANY PORTION OF THE PRINCIPAL BEARING INTEREST AT A BASE INTEREST RATE FOLLOWING THE ACCELERATION OF THE MATURITY DATE HEREOF BY REASON OF A DEFAULT. DEBTOR HAS CAUSED THOSE PERSONS SIGNING THIS NOTE ON ITS BEHALF TO SEPARATELY INITIAL THE AGREEMENT CONTAINED IN THIS PARAGRAPH BY PLACING THEIR INITIALS BELOW:

INITIALS: /s/ [INITIALS]

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5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT\* See Addendum "A", consisting of two (2) pages, attached hereto and incorporated herein.

6. ADDITIONAL AGREEMENTS OF DEBTOR. If any amounts owing under this note are not paid when due, Debtor promises to pay all costs and expenses, including reasonable attorneys' fees, incurred by Bank in the collection or enforcement of this note. Debtor and any endorsers of this note, for the maximum period of time and the full extent permitted by law, (a) waive diligence, presentment, demand, notice of nonpayment, protest, notice of protest, and notice of every kind; (b) waive the right to assert the defense of any statute of limitations to any debt or obligation hereunder; and (c) consent to renewals and extensions of time for the payment of any amounts due under this note. If this note is signed by more than one party, the term "Debtor" includes each of the undersigned and any successors in interest thereof; all of whose liability shall be joint and several. Any married person who signs this note agrees that recourse may be had against the separate property of that person for any obligations hereunder. The receipt of any check or other item of payment by Bank, at its option, shall not be considered a payment on account until such check or other item of payment is honored when presented for payment at the drawee bank. Bank may delay the credit of such payment based upon Bank's schedule of funds availability, and interest under this note shall accrue until the funds are deemed collected. In any action brought under or arising out of this note, Debtor and any Obligor, including their successors and assigns, hereby consent to the jurisdiction of any competent court within the State of

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California, as provided in any alternative dispute resolution agreement executed between Debtor and Bank, and consent to service of process by any means authorized by said state's law. The term "Bank" includes, without limitation, any holder of this note. This note shall be construed in accordance with and governed by the laws of the State of California. This note hereby incorporates any alternative dispute resolution agreement previously, concurrently or hereafter executed between Debtor and Bank.

7. DEFINITIONS. As used herein, the following terms shall have the meanings respectively set forth below: "BASE INTEREST RATE" shall mean a rate of interest based on the LIBOR-Rate. "BASE INTEREST RATE LOAN" shall mean amounts outstanding under this note that bear interest at a Base Interest Rate. "BASE RATE MATURITY DATE" shall mean the last day of the Interest Period with respect to principal outstanding under a Base Interest Rate Loan. "BUSINESS DAY" shall mean a day which is not a Saturday or Sunday on which Bank is open for business in the state identified in paragraph 6, above, and, with respect to the rate of interest based on the LIBOR-Rate, on which dealings in U.S. dollar deposits outside of the United States may be carried on by Bank. "INTEREST PERIOD" shall mean with respect to funds bearing interest at a rate based on the LIBOR-Rate, any calendar period of one, three, six, nine or twelve months. In determining an Interest Period, a month means a period that starts on one Business Day in a month and ends on and includes the day preceding the numerically corresponding day in the next month. For any month in which there is no such numerically corresponding day, then as to that month, such day shall be deemed to be the last calendar day of such month. Any Interest Period which would otherwise end on a non-Business Day shall end on the next succeeding Business Day unless that is the first day of a month, in which event such Interest Period shall end on the next preceding Business Day. "LIBOR RATE" shall mean a per annum rate of interest (rounded upward, if necessary, to the nearest 1/100 of 1%) at which dollar deposits, in immediately available funds and in lawful money of the United States would be offered to Bank, outside of the United States, for a term coinciding with the Interest Period selected by Debtor and for an amount equal to the amount of principal covered by Debtor's interest rate election, plus Bank's costs, including the cost, if any, of reserve requirements. "ORIGINATION DATE" shall mean the Business Day on which funds are made available to Debtor relating to Debtor's selection of a Base Interest Rate. "REFERENCE RATE" shall mean the rate announced by Bank from time to time at its corporate headquarters as its "Reference Rate." The Reference Rate is an index rate determined by Bank from time to time as a means of pricing certain extensions of credit and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time.

VIASAT, INC.

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By /s/ [ILLEGIBLE]  
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Title Vice President  
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ADDENDUM "A" TO PROMISSORY NOTE (BASE RATE),  
DATED \_\_\_\_\_, 1997, EXECUTED BY  
VIASAT, INC. IN FAVOR OF UNION BANK OF CALIFORNIA, N.A.  
(SUCCESSOR IN INTEREST TO UNION BANK)

5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT. Default shall include, but not be limited to, any of the following: (a) Debtor shall fail to pay within three (3) days of the date when due any principal, interest or other payment required under the terms of this note, that certain Loan Agreement between Debtor and Bank, dated as of September 15, 1995, and any amendments, modifications, extensions, supplements or replacements thereof (the "Loan Agreement") or any of the other Loan Documents (as defined in the Loan Agreement); (b) Debtor shall fail to observe or perform any covenant, obligation, condition or agreement set forth in Section 5, or in paragraphs 4.5(i), 4.6, 4.7, 4.8 or 4.9, of the Loan Agreement; (c) Debtor shall fail to observe or perform any other covenant, obligation, condition or agreement contained in the Loan Agreement or the other Loan Documents, and such failure shall continue for twenty (20) days after written notice thereof to Debtor from Bank; (d) any representation, warranty, certificate or other statement (financial or otherwise) made or furnished by or on behalf of Debtor to Bank in or in connection with this note, the Loan Agreement or any of the other Loan Documents, or as an inducement to Bank to enter into the Loan Agreement and the other Loan Documents, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished; (e) Debtor, any guarantor, co-maker, endorser, or any person or entity other than Debtor providing security for this note (hereinafter individually and collectively referred to as the "Obligor") shall fail to pay when due any principal or interest payment required under the terms of any bond, debenture, note or other evidence of indebtedness required to be paid by such Obligor (except for payments required hereunder, under the Loan Agreement or under the other Loan Documents) beyond any period of grace provided with respect thereto, or shall default in the observance or performance of any other agreement, term or condition contained in any such bond, debenture, note or other evidence of indebtedness, and the effect of such failure or default is to cause, or permit the holder or holders thereof to cause, the indebtedness evidenced by such bond, debenture, note or other evidence of indebtedness to become due prior to its stated date of maturity; (f) any Obligor shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated (or an Obligor who is a natural person shall die), (v) commence a voluntary case or other proceedings seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect

or consent to any such

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relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vi) take any corporate action for the purpose of effecting any of the foregoing; (g) proceedings for the appointment of a receiver, trustee, liquidator or custodian of any Obligor or of all or a substantial part of its property, or an involuntary case or other proceedings seeking liquidation, reorganization or other similar relief with respect to any Obligor or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, shall be commenced and shall not be dismissed or discharged within thirty (30) days of commencement; or (h) a final judgment or order for the payment of money in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) (exclusive of amounts covered by insurance) shall be rendered against any Obligor and the same shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed, or any judgment, writ, warrant of attachment, or execution or similar process shall be issued or levied against a substantial part of any Obligor's property and such judgment, writ or similar process shall not be released, stayed, vacated, bonded or otherwise dismissed within twenty (20) days after its issue or levy. Upon the occurrence of any such default, Bank, in its discretion, may cease to advance funds hereunder and may declare all obligations under this note immediately due and payable; provided, however, upon the occurrence of a default under (f) or (g), all principal and interest shall automatically become immediately due and payable.

VIASAT, INC.

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_

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CALIFORNIA

AUTHORIZATION

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Borrower Name		
VIASAT, INC.		
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Borrower Address		
2290 COSMOS CT. CARLSBAD, CA 92009-1585	Office 40061	Loan Number 9449886233
	Maturity Date SEPTEMBER 15, 2001	Amount \$2,500,000.00
-----		

Union Bank of California, N.A. ("Bank") is hereby authorized and instructed to disburse the proceeds of that certain Note referenced above in the following manner:  
  
Deposit the proceeds into my/our account # 4000142625 as may be requested verbally or in writing.

TOTAL LOAN PROCEEDS:

\$ 2,500,000.00

Fees itemized below are payable as follows (check one):

[ ] Charge account # \_\_\_\_\_ [ ] Check enclosed

-----  
TERMS AND CONDITIONS  
-----

1. Bank is authorized to charge account number 4000142625 in the name(s) of Viasat, Inc. for payments of interest (or principal/interest) when due in connection with this Note and all renewals or extensions thereof.
2. Bank shall disburse proceeds in the amounts stated above in accordance with the foregoing authorization or when Bank receives verbal or written authorization from Borrower(s) to do so, or any one of the Borrowers, if there are joint Borrowers, but not later than SEPTEMBER 15, 2000. The Bank, at its discretion, may elect to extend this date without notice to or acknowledgement by the borrower(s). This Authorization and the above mentioned Note will remain in full force and effect until the obligations in connection with this Note have been fulfilled.
3. Unless dated by Bank prior to execution, the Note shall be dated by Bank as of the date on which Bank disburses proceeds.
4. Notwithstanding anything to the contrary herein, Bank reserves the right to decline to advance the proceeds of the above described Note if there is a filing as to the Borrower(s), or any of them of a voluntary or involuntary petition under the provisions of the Federal Bankruptcy Act or any other insolvency law; the issuance of any attachment, garnishment, execution or levy of any asset of the Borrower(s), or any endorser or guarantor which results in Bank deeming itself, in good faith insecure.
5. The borrower(s) authorizes Bank to release information concerning the borrower(s) financial condition to suppliers, other creditors, credit bureaus and other credit reporters; and also authorizes Bank to obtain such information from any third party at any time.

The Borrower(s) by their execution of this Authorization accept the foregoing terms, conditions and instructions.

Executed on March 23, 1997

-----  
VIASAT, INC.

BY: Vice President

-----  
TITLE

PURCHASE ORDER CHANGE

HUGHES  
AIRCRAFT

NOTE: OUR ORDER NUMBER  
INCLUDING PREFIX & SUFFIX LETTERS  
MUST APPEAR ON YOUR INVOICE, B/L,  
PACKING LISTS, PACKAGES, CASES AND  
CORRESPONDENCE

S131TP

ORDER VIASAT INCORPORATED 02/25/97  
AND 2290 COSMOS COURT PAGE 1  
REMIT CARLSBAD CA 92009-1585 P.O. REV NBR: 5  
TO BUYER: THOMAS E. PARRISH  
CONFIRMING P.O? : Y  
VENDOR NBR: 940987 PHONE: 619-438-8099 CONFIRMED BY: MCCULLOUGH

SHIP HUGHES DEFENSE COMMUNICATIONS BILL HUGHES DEFENSE COMMUNICATIONS  
TO 4624 EXECUTIVE BOULEVARD TO 1010 PRODUCTION ROAD  
FORT WAYNE IN 46808 FORT WAYNE IN 46808-4106

PAYMENT: NET 30 FRGHT PYMT: PREPAID AND ALLOWED  
FOB : ORIGIN TRANS : BEST WAY - LTR OF INSTRUCTION

REFERENCE INDIANA DIRECT PAY TAX PERMIT: 0005614058 001

\*\*\*\*\*  
\*\*\*\*\* PURCHASE ORDER CHANGE NOTIFICATION \*\*\*\*\*  
\*\*\*\*\*

PO COMMENTS : THIS SUBCONTRACT IS ISSUED AS THE DELIVERY ORDER HARDWARE  
RELEASE NO. 1, AS CONTAINED IN BASIC ORDERING AGREEMENT (BOA)  
S114TP AS LINE ITEM 1.- EMUT MODEMS (MX P/N 620307-1). THIS ORDER  
IS ISSUED ON A FFP BASIS AND INVOICES WILL BE SUBMITTED AND  
REIMBURSED IN ACCORDANCE WITH PARA. B.3 AS CONTAINED IN BOA  
S114TP.

THIS DELIVERY ORDER RELEASE SUPERSEDES LETTER AUTHORIZATION  
TEP-94-025 DATED 15 MARCH 1994 IN ITS ENTIRETY. ALL TERMS AND  
CONDITIONS, BOTH DELINEATED AND INCORPORATED BY REFERENCE, AS  
CONTAINED IN BOA S114TP ARE APPLICABLE TO THIS DELIVERY ORDER  
RELEASE AND SUPERSEDE THE PO T&C'S ON THE REVERSE SIDE OF THIS  
DOCUMENT.

MAGNAVOX SOURCE INSPECTION IS REQUIRED AS A CONDITION OF  
SHIPMENT. NOTIFY MAGNAVOX NOT LESS THAN FIVE (5) WORKING DAYS  
PRIOR TO AN ANTICIPATED SHIP DATE AND SUBMIT EVIDENCE OF MAGNAVOX  
INSPECTION ACCEPTANCE WITH SHIPMENT.

CHANGE NO. 2 INCORPORATES A REVISED MODEM DELIVERY SCHEDULE AT NO  
CHANGE IN PRICE. THIS MODIFICATION REFLECTS THE MOA DATED 13  
APRIL 1995. THE TOTAL FFP PRICE IS \$ \*\*\* . ALL OTHER TERMS  
AND CONDITIONS REMAIN UNCHANGED.

CHANGE NO. 3 IS ISSUED TO \*\*\* DUE TO THE

/s/ JOHN HARTMAN  
-----  
BUYER'S SIGNATURE

/s/ WILLIAM JENSEN  
-----  
SELLER'S SIGNATURE

DIRECTOR, MATERIALS ENGINEERING

\* CONFIDENTIAL TREATMENT REQUESTED

Certain confidential portions of this Exhibit were omitted by means of blackout

of the text (the "Mark"). This Exhibit has been filed separately with the Secretary of the Commission without the Mark pursuant to the Company's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act.

2

PURCHASE ORDER CHANGE

HUGHES  
AIRCRAFT

NOTE: OUR ORDER NUMBER  
INCLUDING PREFIX & SUFFIX LETTERS  
MUST APPEAR ON YOUR INVOICE, B/L,  
PACKING LISTS, PACKAGES, CASES AND  
CORRESPONDENCE

S131TP  
J-1240-5 REV 8/96

ORDER VIASAT INCORPORATED  
AND 2290 COSMOS COURT  
REMIT CARLSBAD CA 92009-1585  
TO

02/25/97  
PAGE 2

P.O. REV NBR: 5  
BUYER: THOMAS E. PARRISH  
CONFIRMING P.O? : Y  
CONFIRMED BY: MCCULLOUGH

VENDOR NBR: 940987 PHONE: 619-438-8099

PART NBR/ ITEM DESCRIPTION	PART REV	QUANTITY	U/M	UNIT PRICE	DELIVERY DATE
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\*\*\*\*\*CONTINUED

\*\*\* IN CONSIDERATION FOR THIS MODIFICATION VIASAT IS RESPONSIBLE FOR THE CORRECTION OF ANY SOFTWARE ANOMOLIES DISCOVERED DURING THE EXECUTION OF SYSTEM FAT OR MODEM FAT AND WILL CORRECT SUCH ANOMOLIES AT VIASAT'S EXPENSE. THE TOTAL FFP PRICE IS UNCHANGED AT \$ \*\*\* . EXCEPT AS SPECIFICALLY MODIFIED ABOVE, ALL OTHER T&C'S IN THIS DELIVERY ORDER AND IN BOA S114TP REMAIN UNCHANGED. NOTE: LINE ITEM 004 IS CLOSED AT QTY 40 RECEIVED. REMAINING 10 UNITS ARE TRANSFERRED TO LINE ITEM 005.

CHANGE NUMBER 4 IS ISSUED TO COVER THE PROCUREMENT OF 264 MODEMS AS EMUT SPARES IN ACCORDANCE WITH VIASAT PROPOSAL NO. 9505007.03 DATED 23 AUGUST 1996. THE UNIT PRICE IS \$ \*\*\* . THE TOTAL CHANGE ORDER VALUE IS \$ \*\*\* . THE TOTAL FFP PRICE OF THIS ORDER IS REVISED TO \$ \*\*\* . THIS CHANGE ORDER SUPERSEDES LETTER AUTHORIZATION TEP-96-096 DATED 9 OCTOBER 1996 IN ITS ENTIRETY. IN ADDITION TO THE QUANTITY OF 264 SPARE MODEMS, HDC HAS THE OPTION TO ORDER ANOTHER 283 SPARE MODEMS AT THE SAME UNIT PRICE PRIOR TO 1 JUNE 1997. EXCEPT AS SPECIFICALLY MODIFIED ABOVE, ALL OTHER TERMS AND CONDITIONS IN THIS DELIVERY ORDER AND IN BOA S114TP REMAIN UNCHANGED.

CHANGE NO. 5 IS ISSUED TO PROCURE QUANTITY \*\*\* PRODUCTION MODEMS UNDER THIS DELIVERY ORDER. THIS ORDER FOR \*\*\* MODEMS IS AT BOA S114TP PER UNIT PRICE OF \$ \*\*\* EACH OR FOR A TOTAL FFP AMOUNT OF \$ \*\*\* . WITH THIS CHANGE, THE TOTAL FFP PRICE FOR THIS DELIVERY ORDER IS REVISED TO \$ \*\*\* . THIS RELEASE INCREASES THE TOTAL "PRODUCTION" MODEM QUANTITY ON THIS ORDER FROM \*\*\* TO \*\*\* MODEMS. THE PAYMENT TERMS INCLUDES AN INITIAL PAYMENT OF \$ \*\*\* . INVOICABLE BY VIASAT AT THE TIME OF ACKNOWLEDGMENT OF

/s/ John Hartman  
-----  
BUYER'S SIGNATURE

/s/ William Jensen  
-----  
SELLER'S SIGNATURE

DIRECTOR, MATERIALS ENGINEERING

\* CONFIDENTIAL TREATMENT REQUESTED

3

PURCHASE ORDER CHANGE

HUGHES  
AIRCRAFT

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MUST APPEAR ON YOUR INVOICE, B/L,  
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S131TP

ORDER VIASAT INCORPORATED 02/25/97  
AND 2290 COSMOS COURT PAGE 3  
REMIT CARLSBAD CA 92009-1585 P.O. REV NBR: 5  
TO BUYER: THOMAS E. PARRISH  
CONFIRMING P.O? : Y  
VENDOR NBR: 940987 PHONE: 619-438-8099 CONFIRMED BY: MCCULLOUGH

PART NBR/ ITEM DESCRIPTION	PART REV	QUANTITY	U/M	UNIT PRICE	DELIVERY DATE
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\*\*\*\*\* CONTINUED

THIS CHANGE ORDER. THIS INITIAL PAYMENT WILL BE RECOUPED AT THE LIQUIDATION AMOUNT OF \$ \*\*\* PER MODEM DELIVERED I.E. UNIT PRICE OF \$ \*\*\* . LESS (\$ \*\*\* .) = NET UNIT PRICE \$ \*\*\* . IF THE ISSUANCE OF THIS \*\*\* QUANTITY ORDER IS TERMINATED AFTER THE INITIAL PAYMENT, THE TERMINATION LIABILITY SCHEDULE AS STATED IN VIASAT LETTER FBM.96.310 DATED 11 NOVEMBER 1996 SHALL APPLY. SINCE THIS SCHEDULE WAS BASED ON QTY. \*\*\* , THE ADDITIONAL \*\*\* QUANTITY WILL BE EXTENDED FROM MONTH 24 ON A SIMILAR SPEND-RATE PER MONTH BASIS. IN ADDITION, THIS CHANGE ORDER INCORPORATES OTHER AGREEMENTS MADE BETWEEN THE PARTIES, AS WRITTEN AND ACKNOWLEDGED IN THE MEMORANDUM OF NEGOTIATIONS (MON) DATED 14 FEBRUARY 1997. SUCH AGREEMENTS ARE AS STATED BELOW:

THE MODEM COLD TEMPERATURE PERFORMANCES ISSUE DOCUMENTED IN HDC LETTER TEP-96-099 AND AS WITNESSED AT TERMINAL LEVEL BY MR. GREG SHAW OF VIASAT SHALL BE RESOLVED BY VIASAT AS A NO COST CORRECTIVE ACTION FOR ALL PRODUCTION MODEMS THAT HAVE BEEN BUILT (SHIPPED, OR IN FINISHED GOODS, OR AS WORK IN PROCESS) AS OF THE DATE OF VIASAT RECEIPT OF THIS ORDER. THIS SHALL INCLUDE THE ACTIONS AS DESCRIBED BELOW:

1. MODEMS SHALL BE RUN IN LOTS OF 25, EACH INFORMALLY CONFIDENCE CHECKED, AND ON A SAMPLING BASIS ON (1) RUN THROUGH LIMITED TEMPERATURE CYCLING.
2. ONE (1) EACH LOT SHALL BE SUBJECT TO A-LEVEL ACCEPTANCE TESTING; NO B-LEVEL ACCEPTANCE TESTING SHALL BE REQUIRED.
3. DCRN'S 000529 AND 000530 SHALL BE ISSUED AND INCORPORATED TO CORRECT THE COLD TEMPERATURE PROBLEM.

SOFTWARE CHANGE ACTIONS DESCRIBED HEREIN SHALL BE CONCURRENTLY INCLUDED IN THE MODEMS SUBJECT TO THIS HARDWARE CORRECTIVE ACTION. FURTHER, VIASAT SHALL PREPARE A DELIVERABLE CODE BUILD CONCURRENT WITH OTHER CODE BUILDS DESCRIBED HERE-

/s/ JOHN HARTMAN

/s/ WILLIAM JENSEN

BUYER'S SIGNATURE

SELLER'S SIGNATURE

DIRECTOR, MATERIALS ENGINEERING

\*CONFIDENTIAL TREATMENT REQUESTED

4

PURCHASE ORDER CHANGE

HUGHES  
AIRCRAFT

NOTE: OUR ORDER NUMBER INCLUDING PREFIX  
& SUFFIX LETTERS MUST APPEAR ON  
YOUR INVOICE, B/L, PACKING LISTS,  
PACKAGES, CASES AND CORRESPONDENCE

S131TP

J-1240-5 REV 8/96

ORDER VIASAT INCORPORATED  
AND 2290 COSMOS COURT  
REMIT CARLSBAD CA 92009-1585  
TO

02/25/97  
PAGE 4

VENDOR NBR: 940987 PHONE: 619-438-8099

P.O. REV NBR: 5  
BUYER: THOMAS E. PARRISH  
CONFIRMING PO? : Y  
CONFIRMED BY: MCCULLOUGH

PART NBR/ ITEM DESCRIPTION	PART REV	QUANTITY	U/M	UNIT PRICE	DELIVERY DATE
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\*\*\*\*\* CONTINUED

IN FOR INCORPORATION IN THE MODEM AS A BASELINE SOFTWARE CHANGE ACTION. THIS BASELINE VERSION OF SOFTWARE SHALL BE APPROVED FOR RELEASE BY HDC AT THE COMPLETION OF THE REGRESSIVE TERMINAL LEVEL TESTING TO OCCUR ON OR BEFORE 07 MARCH 1997. BASELINE SOFTWARE CHANGE ACTIONS DESCRIBED ABOVE SHALL BE CONCURRENTLY INCLUDED IN THE MODEMS SUBJECT TO THE HARDWARE CORRECTIVE ACTIONS DESCRIBED HEREIN.

THE PARTIES AGREE UPON CTIC USE AND DELIVERY AS FOLLOWS:

THE CTIC IS PROVIDED GFE TO VIASAT. SHOULD THE GOVERNMENT NOT PROVIDE CTICS IN SUFFICIENT NUMBER TO MEET PRODUCTION DELIVERIES, VIASAT WILL COMPLETE WORK ON THE MONTHLY MODEM DELIVERIES UP TO THE POINT OF THE CTIC INSTALLATION. VIASAT WILL THEN PRESENT THE MODEMS FOR HDC CONTRACTOR SOURCE INSPECTION AND PRELIMINARY ACCEPTANCE. CRITERIA FOR ACCEPTANCE SHALL BE MODEMS ASSEMBLED TO THE POINT OF CTIC INSTALLATION ON THE OEB WITH NO ADDITIONAL SHORTAGES. UPON PRELIMINARY ACCEPTANCE, VIASAT WILL THEN BE ENTITLED TO INVOICE FOR THE FULL PAYMENT AND STORE THE MODEMS UNTIL RECEIPT OF THE CTICS THE CTICS WILL THEN BE INSTALLED, FINAL ASSEMBLY COMPLETED AND ATP PERFORMED. THE MODEMS WILL THEN BE SHIPPED PER HDC INSTRUCTIONS. ANY FAILURE OCCURRING DURING FINAL ATP SHALL BE CORRECTED IN ACCORDANCE WITH BOA S114TP AND THE WARRANTY PERIOD SHALL COMMENCE AFTER EACH SUCCESSFUL COMPLETION OF THE ATP AND MODEM DELIVERY.

THE PARTIES AGREE UPON THE WEDGELOCK SUPPLY AND INSTALLATION AS FOLLOWS: VIASAT AT ITS EXPENSE SHALL INSTALL THE MODEM WEDGELOCKS WITH HDC PROVIDED WEDGELOCKS CONCURRENT WITH THE HARDWARE CORRECTIVE ACTION DESCRIBED HEREIN. NO TEST OR INSPECTION, OTHER THAN STANDARD VIASAT PROCESSES, SHALL BE REQUIRED FOR THIS ACTION.

/s/ JOHN HARTMAN

/s/ WILLIAM JENSEN

-----  
BUYER'S SIGNATURE

-----  
SELLER'S SIGNATURE

DIRECTOR, MATERIALS ENGINEERING

5

PURCHASE ORDER CHANGE

HUGHES  
AIRCRAFT

NOTE: OUR ORDER NUMBER INCLUDING PREFIX  
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YOUR INVOICE, B/L, PACKING LISTS,  
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S131TP

J-1240-5 REV 8/96

ORDER VIASAT INCORPORATED  
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REMIT CARLSBAD CA 92009-1585  
TO

02/25/97  
PAGE 5

VENDOR NBR: 940987 PHONE: 619-438-8099

P.O. REV NBR: 5  
BUYER: THOMAS E. PARRISH  
CONFIRMING PO? : Y  
CONFIRMED BY: MCCULLOUGH

-----  
PART NBR/  
ITEM DESCRIPTION            PART  
                                  REV            QUANTITY            U/M            UNIT PRICE            DELIVERY  
                                  ---            -----            ---            -----            DATE  
-----  
\*\*\*\*\* CONTINUED

EXCEPT AS SPECIFICALLY MODIFIED ABOVE, ALL OTHER TERMS AND CONDITIONS IN  
THIS DELIVERY ORDER AND IN BOA S114TP REMAIN UNCHANGED.

PART NBR/ ITEM DESCRIPTION	PART REV	QUANTITY	U/M	UNIT PRICE	DELIVERY DATE
4 620307-11 MODEM,MODULE		50	EA	***	09/29/95
CONTRACT : DAAB07-94-D-A010-0001    RATING:    DOA7					
COMMENTS : THE ORIGINAL LINE ITEM TOTAL QTY. OF 50 IS CLOSED-OUT AT QTY. 10 SHORT, I.E. QTY. 40 HAS BEEN RECEIVED AND BILLED AGAINST THIS LINE ITEM, AND NO FURTHER RECEIPTS ARE REQUIRED					
19 620307-1 MODEM,MODULE		303	EA	***	03/17/97
CONTRACT : DAAB07-94-D-A010-0001    RATING:    DOA7					
20 620307-1 MODEM,MODULE		150	EA	***	04/15/97
CONTRACT : DAAB07-94-D-A010-0001    RATING:    DOA7					
21 620307-1 MODEM,MODULE		130	EA	***	05/15/97
CONTRACT : DAAB07-94-D-A010-0001    RATING:    DOA7					

/s/ JOHN HARTMAN

/s/ WILLIAM JENSEN

-----  
BUYER'S SIGNATURE  
DIRECTOR, MATERIALS ENGINEERING

-----  
SELLER'S SIGNATURE

\*CONFIDENTIAL TREATMENT REQUESTED

6

PURCHASE ORDER CHANGE

HUGHES  
AIRCRAFT

NOTE: OUR ORDER NUMBER  
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CORRESPONDENCE

S131TP  
J-1240-5 REV 8/96

ORDER VIASAT INCORPORATED  
AND 2290 COSMOS COURT  
REMIT CARLSBAD CA 92009-1585  
TO

02/25/97  
PAGE 6

P.O. REV NBR: 5  
BUYER: THOMAS E. PARRISH  
CONFIRMING PO? : Y  
CONFIRMED BY: McCULLOUGH

VENDOR NBR: 940987 PHONE: 619-438-8099

PART NBR/ ITEM DESCRIPTION	PART REV	QUANTITY	U/M	UNIT PRICE	DELIVERY DATE
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\*\*\*\*\* CONTINUED

22	620307-1 MODEM,MODULE	120	EA	***	06/16/97
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CONTRACT : DAAB07-94-D-A010-0001 RATING: DOA7

23	620307-1 MODEM,MODULE	56	EA	***	07/15/97
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CONTRACT : DAAB07-94-D-A010-0001 RATING: DOA7

26	620307-1 MODEM,MODULE	A 20	EA	***	04/15/97
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CONTRACT : DAAB07-94-D-A010-0001 RATING: DOA7

COMMENTS : LINE ITEMS 026 - 031 ARE FOR THE SPARE MODEMS REQUIRED UNDER  
THE PROGRAM. THE TOTAL QTY. OF SPARES ON THESE LINE ITEMS  
EQUALS 264.

27	620307-1 MODEM,MODULE	A 40	EA	***	05/15/97
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CONTRACT : DAAB07-94-D-A010-0001 RATING: DOA7

COMMENTS : THIS LINE ITEM IS FOR SPARE MODEMS AGAINST THE TOTAL ORDER OF  
264 SPARES REQUIRED.

28	620307-1 MODEM,MODULE	A 50	EA	***	06/16/97
----	--------------------------	------	----	-----	----------

CONTRACT : DAAB07-94-D-A010-0001 RATING: DOA7

/s/ JOHN HARTMAN

/s/ WILLIAM JENSEN

BUYER'S SIGNATURE

SELLER'S SIGNATURE

DIRECTOR, MATERIALS ENGINEERING

\*CONFIDENTIAL TREATMENT REQUESTED

7

PURCHASE ORDER CHANGE

HUGHES  
AIRCRAFT

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S131TP  
J-1240-5 REV 8/96

ORDER VIASAT INCORPORATED  
AND 2290 COSMOS COURT  
REMIT CARLSBAD CA 92009-1585  
TO

02/25/97  
PAGE 7

P.O. REV NBR: 5  
BUYER: THOMAS E. PARRISH  
CONFIRMING PO? : Y  
CONFIRMED BY: McCULLOUGH

VENDOR NBR: 940987 PHONE: 619-438-8099

PART NBR/ ITEM DESCRIPTION	PART REV	QUANTITY	U/M	UNIT PRICE	DELIVERY DATE
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\*\*\*\*\* CONTINUED

29	620307-1 MODEM,MODULE	A	43	EA	***	07/08/97
	CONTRACT : DAAB07-94-D-A010-0001		RATING: DOA7			
30	620307-1 MODEM,MODULE	A	100	EA	***	08/08/97
	CONTRACT : DAAB07-94-D-A010-0001		RATING: DOA7			
31	620307-1 MODEM,MODULE	A	11	EA	***	09/08/97
	CONTRACT : DAAB07-94-D-A010-0001		RATING: DOA7			
32	620307-1 MODEM,MODULE	A	89	EA	***	09/08/97
	CONTRACT : DAAB07-94-D-A010-0001		RATING: DOA7			

COMMENTS : THIS REPRESENTS THE FIRST SHIPMENT AGAINST THE \*\*\* QTY. ORDER  
PLACED. AS STATED IN THE PO HEADER NOTES, THE \$\*\*\*. INITIAL  
PAYMENT WILL BE LIQUIDATED AGAINST THE DELIVERY OF MODEMS BEGINNING  
WITH THIS SHIPMENT. SUCH RECOUPMENT WILL BE ACCOMPLISHED BY DEDUCTING  
\$\*\*\* FROM THE STATED UNIT PRICE AND VIASAT WILL BE REIMBURSED THIS  
NET AMOUNT, I.E. \$\*\*\*. LESS (\$\*\*\*.) = NET INVOICED AMOUNT OF  
\$\*\*\*. EACH. ACCORDINGLY, VIASAT INVOICES SHALL INDICATE THE  
FOLLOWING AMOUNTS: QTY. SHIPPED TIMES UNIT PRICE, (LESS) QTY. SHIPPED  
TIMES (\$\*\*\*.), AND THE RESULTING NET AMOUNT TO BE PAID.

/s/ JOHN HARTMAN

/s/ WILLIAM JENSEN

BUYER'S SIGNATURE

SELLER'S SIGNATURE

DIRECTOR, MATERIALS ENGINEERING

\* CONFIDENTIAL TREATMENT REQUESTED

8

PURCHASE ORDER CHANGE

HUGHES  
AIRCRAFT

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CORRESPONDENCE

S131TP  
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TO

02/25/97  
PAGE 8

P.O. REV NBR: 5  
BUYER: THOMAS E. PARRISH  
CONFIRMING PO? : Y  
CONFIRMED BY: McCULLOUGH

VENDOR NBR: 940987 PHONE: 619-438-8099

PART NBR/ ITEM DESCRIPTION	PART REV	QUANTITY	U/M	UNIT PRICE	DELIVERY DATE
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\*\*\*\*\* CONTINUED

33	620307-1 MODEM,MODULE	A	0	EA	0.00000	10/08/97
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CONTRACT : DAAB07-94-D-A010-0001 RATING: DOA7

COMMENTS : THIS ITEM HAS BEEN DELETED IN ITS ENTIRETY.

34	620307-1 MODEM,MODULE	A	***	***	***	10/15/97
----	--------------------------	---	-----	-----	-----	----------

CONTRACT : DAAB07-94-D-A010-0001 RATING: DOA7

COMMENTS : THE SCHEDULE FOR THE QUANTITY 3,911 MODEMS WILL BE DETERMINED AND  
AGREED TO IN ACCORDANCE WITH BOA S114TP CLAUSE F.7.

PO TOTAL:

FOR ANY LINE ITEM ABOVE REFERENCING A GOVERNMENT CONTRACT AND PRIORITY  
RATING, THE FOLLOWING APPLIES:  
THIS IS A RATED ORDER CERTIFIED FOR NATIONAL DEFENSE USE AND YOU ARE  
REQUIRED TO FOLLOW THE PROVISIONS OF THE DEFENSE PRIORITIES AND  
ALLOCATIONS SYSTEM REGULATION (15CFR PART 350)

ACCEPTANCE OF THIS ORDER CERTIFIES THAT THE SUPPLIER IS NEITHER  
DEBARRED NOR SUSPENDED BY THE FEDERAL GOVERNMENT.

/s/ JOHN HARTMAN

/s/ WILLIAM JENSEN

BUYER'S SIGNATURE

SELLER'S SIGNATURE

DIRECTOR, MATERIALS ENGINEERING

\* CONFIDENTIAL TREATMENT REQUESTED

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT 1. PAGE 1 OF 19

2. PROC INSTRUMENT ID NO. (PIN) 3. SPIN 4. EFFECTIVE DATE 5. REQUESTING PURCHASE REQUEST PROJECT NO. 6. BDC/DMS RATING

F19628-96-C-0015 P00011 MAILING DATE DO-A7

---

7. ISSUED BY CODE FA8709 8. ADMINISTERED BY (IF OTHER THAN BLOCK 7) CODE S0514A

ELECTRONIC SYSTEMS CENTER, MCK DCMC SAN DIEGO  
 AIR FORCE MATERIEL COMMAND, USAF 7675 DAGGET STREET, SUITE 200  
 50 GRIFFISS STREET, BLDG MITRE D SAN DIEGO, CA 92111-2241  
 HANSCOM AFB, MA 01731-1620

BUYER: MARK BROWNELL, 1 LT, USAF  
 (617)271-6091

---

9. CONTRACTOR NAME AND ADDRESS CODE 47358 FACILITY CODE 10. SECURITY CLASS U

VIASAT INCORPORATED F "9" FOR  
 2290 COSMOS COURT MULTIPLE 1ST % DAYS NET DAYS  
 CARLSBAD, CA 92009-1585 FACILITIES 2ND % DAYS OTHER  
 SEE SECT "K" 3RD % DAYS OTHER

---

11. DISCOUNT FOR PROMPT PAYMENT  
 12. PURCHASE OFFICE POINT OF CONTACT  
 HNL/H47/HNL

---

13. THIS BLOCK APPLIES ONLY TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in block 17. The hour and date specified for receipt of Offers  is extended  is not extended

Others must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods.

(a) By

signing and returning \_\_\_\_ copies of this amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter provided such telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

---

14. THIS BLOCK APPLIES ONLY TO MODIFICATIONS OF CONTRACTS

THIS CHANGE IS ISSUED PURSUANT TO \_\_\_\_\_  
 THE CHANGES SET FORTH HEREIN ARE MADE TO THE ABOVE NUMBERED CONTRACT/ORDER.

THE ABOVE NUMBERED \_\_\_\_\_

THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY \_\_\_\_\_

THIS MODIFICATION IS ISSUED PURSUANT TO FAR 52 216-18, ORDERING 52 217-7 OPTION QUANTITY, FAR \_\_\_\_\_

---

15. CONTRACT ADMINISTRATION DATA 52217-8 OPTION SERVICES, CLAUSE H-9601

A. KIND OF MOD	B. MCD ASST	C. DATE OF SIGNATURE	D. CHANGE IN CONTRACT AMOUNT	E. LOSING PO/CAO	F. GAINING PO/CAG	G. SVC/AGENCY USE
ADP	PT	MODIFICATION	INCREASE (+) DECREASE (-)	ON TRANSFER	ON TRANSFER	USE
N			8,615,638.00+			

---

16. ENTER ANY APPLICABLE CHANGES

A. PAY CODE	B. EFFECTIVE DATE OF AWARD	C. CONTRACT (1)TYPE (2)KIND	D. TYPE CONTR	E. SURV CRIT	F. SPL CONTR PROVISIONS	G. PAYING OFC CODE	H. DATE SIGNED	I. SECURITY (1)CLAS (2)DATE OF DO 254
-------------	----------------------------	-----------------------------	---------------	--------------	-------------------------	--------------------	----------------	---------------------------------------

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17. REMARKS (EXCEPT AS PROVIDED HEREIN, ALL ITEMS AND CONDITIONS OF THE CONTRACT, AS HERETOFORE CHANGED, REMAIN UNCHANGED AND IN FULL FORCE AND EFFECT.)

This contract modification is for the purchase of 207 Airborne Modems and 78 Control Indicators. It also provides funds for shipping costs and ICS.

---

18.  CONTRACTOR/OFFEROR IS NOT REQUIRED TO SIGN THIS DOCUMENT  CONTRACTOR/OFFEROR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN 1 COPIES TO ISSUING OFFICE

---

19. CONTRACTOR/OFFEROR (Signature of person authorized to sign) BY 20. NAME AND TITLE OF SIGNER (TYPE OR PRINT) 21. DATE SIGNED 22. UNITED STATES OF AMERICA (signature of Contracting Officer) 23. NAME OF CONTRACTING OFFICER (TYPE OR PRINT) 24. DATE SIGNED

JOSEPH A. ZIMMERMAN 97 FEB 21

Certain confidential portions of this Exhibit were omitted by means of blackout of the text (the "Mark"). This Exhibit has been filed separately with the Secretary of the Commission without the Mark pursuant to the Company's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act.

A. The purpose of this unilateral option exercise is to purchase 207 UHF DAMA Airborne Modems and 78 UHF DAMA Control Indicators. Of these Modems, 116 are for SPAWAR (U.S. NAVY), 90 are for the AFSOC, and 1 is for CINCUSNAVEUR. Of the 78 Control Indicators, 77 are for AFSOC and 1 is for CINCUSNAVEUR. The Modems and Control Indicators and associated data are purchased by exercising option SubCLINs 0021AF, 0021AG, 0021AH, 0022AF, 0022AG, 0022AH, 0023AC, 0023AD, 0024AC, and 0024AD. Furthermore, this option exercise also purchases Interim Contractor Support under option SubCLINs 0026AB, 0027AB. Finally, the cost for shipping the modems and Control Indicators is provided under SubCLINs 002902, 002903, 002904, 003002, 003003, and 003004.

As a special note, in ViaSat letter WHJ.97.136 dated 18 Feb 97, ViaSat agreed to the delivery Schedule as set forth in Section F of this contract modification for the Delivery of Modems under CLINs 0021AF and 0021AG.

B. As a result of this Contract Modification the following changes are made to individual sections of the contract:

1. SECTION A - AWARD/CONTRACT:

AFSC Form 701, Block 22 is changed as follows:

From:	***	(P00010)
By:	+ ***	(P00011)
-----		
To:	***	(P00011)

2. SECTION B - SUPPLIES OR SERVICES AND PRICES/COSTS:

a) Add SubCLINs 0021AF, 0021AG, 0021AH, 0022AF, 0022AG, 0022AH, 0023AC, 0023AD, 0024AC, 0024AD, 0026AB, 0027AB, 002902, 002903, 002904, 003002, 003003, and 003004 in accordance with the Section B of the attached AMIS forms.

b) Make the updates to Section B, Paragraph A, by deleting it and replacing it with the following:

"A. The following pricing parameters are established for this contract:

(1) FIRM FIXED PRICE	FROM:	\$	***	(AWARD)
	BY:	\$	***	(P00001)
	BY:	\$	***	(P00002)
	BY:	\$	***	(P00003)
	BY:	\$	***	(P00004)
	BY:	\$	***	(P00005)
	BY:	\$	***	(P00006)
	BY:	\$	***	(P00007)
	BY:	\$	***	(P00009)
	BY:	\$	***	(P00011)
	-----			
TO:	\$	***	(P00011)	
(2) COST PLUS AWARD FEE	FROM:	\$	***	(AWARD)
	BY:	\$	***	(P00001)
	BY:	\$	***	(P00002)
	BY:	\$	***	(P00003)
	BY:	\$	***	(P00004)
	BY:		***	(P00005)
	BY:		***	(P00006)
	BY:	\$	***	(P00007)
	BY:	\$	***	(P00009)
	-----			
TO:	\$	***	(P00009)	

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(3) TIME & MATERIALS: LABOR CEILINGS	FROM:	***	(AWARD)
	BY: \$	***	(P00001)
	BY: \$	***	(P00002)
	BY: \$	***	(P00003)
	BY: \$	***	(P00004)
	BY: \$	***	(P00005)
	BY: \$	***	(P00006)
	BY: \$	***	(P00007)
	BY: \$	***	(P00011)
	-----		
	TO: \$	***	(P00011)
ODC CEILINGS	FROM: \$	***	(AWARD)
	BY: \$	***	(P00001)
	BY: \$	***	(P00002)
	BY: \$	***	(P00003)
	BY: \$	***	(P00004)
	BY: \$	***	(P00005)
	BY: \$	***	(P00006)
	BY: \$	***	(P00007)
	BY: \$	***	(P00011)
	-----		
	TO:	***	(P00011)
TOTAL CEILINGS	FROM:	***	(AWARD)
	BY: \$	***	(P00001)
	BY: \$	***	(P00002)
	BY: \$	***	(P00003)
	BY: \$	***	(P00004)
	BY: \$	***	(P00005)
	BY: \$	***	(P00006)
	BY: \$	***	(P00007)
	BY: \$	***	(P00011)
	-----		
	TO: \$	***	(P00011)
(4) AWARD FEE: (AMOUNT AWARDED)	PERIOD 1: \$	***	(P00008) "

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- 3. SECTION C - DESCRIPTION/SPECIFICATION/WORK STATEMENT: No Change
  - 4. SECTION D - PACKAGING AND MARKING: No Change
  - 5. SECTION E - INSPECTION AND ACCEPTANCE:
- Add the following CLINs to Section E paragraph C

CLIN/SUBCLIN	DESCRIPTION
0021AF, 0021AG, 0021AH	Inspection and acceptance shall occur at source as evidenced by the Government execution of a DD form 250. Acceptance shall be in accordance with Statement of Work, Appendix A, Paragraph 3.1.1 and 3.1.3-6 (dated 08 July 1996, Section J Attachment 6a).
0022AF, 0022AG, 0022AH	In accordance with CDRL Exhibit N
0021AF, 0021AG, 0021AH	Inspection and acceptance shall occur at source as evidenced by the Government execution of a DD form 250. Acceptance shall be in accordance with Statement of Work, Appendix A, Paragraph 3.1.2 and 3.1.3-6 (dated 08 July 1996, Section J Attachment 6a).
0022AF, 0022AG, 0022AH	In accordance with CDRL Exhibit P
0026AB, 0027AB	Inspection and acceptance shall occur at the end of the period of performance as evidenced by the government execution of a DD form 250.

6. SECTION F - DELIVERIES OR PERFORMANCE:

Add SubCLINs 0021AF, 0021AG, 0021AH, 0022AF, 0022AG, 0022AH, 0023AC, 0023AD, 0024AC, 0024AD, 0026AB, 0027AB, 002902, 002903, 002904, 003002, 003003, and 003004 in accordance with AMIS Forms 70F, Part I, Section F as set forth in the attached pages.

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7. SECTION G - CONTRACT ADMINISTRATION DATA:

Add ACRNs AL, AM, and AN in accordance with AMIS Forms 69G, Part I, Section G as set forth in the attached pages.

The following is a recapitulation of funding inclusive of the Basic Contract through P00001, P00003 (issued out of sequence), P00002 (issued out of sequence), P00004, P00006 (issued out of sequence), P00007 (issued out of sequence), P00005 (issued out of sequence), P00008, P00009, P00010 and P00011.

DOCUMENT	ACRN	AMOUNT OBLIGATED	CUMULATIVE OBLIGATION	CUMULATIVE TOTAL VALUE
BASIC	AA	***		
"	AB		***	
"	AC			



noun: MD-1324(C)/U UHF DAMA AIRBORNE MODEM  
 acrn: AM nsn: N  
 site codes cqa: S acp: S fob: S  
 pr/mipr data: MCXX68970041  
 type contract: J

## descriptive data:

Produce and deliver \*\*\* MD-1324(c)/U UHF DAMA Airborne Modems IAW INFO CLIN 0021; the Statement of Work, Appendix A, paragraph 3.1.1 (dated 8 July 96, Section J, atch 6a); Specification ESC-ABN-MOD-FS001C (dated 15 May 96, Section J, Atch 12). This SubCLIN is established IAW the procedures listed in Section H, Clause H-9601 where the per modem price is listed as the price in government fiscal year 1997 for the quantity of \*\*\*, see Table B-lb. Therefore, the total firm fixed price of this SubCLIN is \*\*\*.

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Item No	Supplies/Services	Quantity	Unit Price
-----	-----	Purch Unit	Total Item Amount
-----	-----	-----	-----
0021AH	SubCLIN Establish	sec class: U	*** EA ***
	noun: MD-1324(C)/U UHF DAMA AIRBORNE MODEM acrn: AN nsn: N site codes cqa: S acp: S fob: S pr/mipr data: MCXX68970044 type contract: J  descriptive data: Produce and deliver *** MD-1324(c)/U UHF DAMA. Airborne Modem IAW INFO CLIN 0021; the Statement of Work, Appendix A, paragraph 3.1.1 (dated 8 July 96, Section J, atch 6a); Specification ESC-ABN-MOD-FS001C (dated 15 May 96, Section J, Atch 12). This SubCLIN is established IAW the procedures listed in Section H, Clause H-9601 where the per modem price is listed as the price in government fiscal year 1997 for the quantity of ***, see Table B-lb. Therefore, the total firm fixed price of this SubCLIN is ***.		
0022AF	SubCLIN Establish	sec class: U	1 NSP LO NSP
	noun: DATA FOR SUBCLIN 0021AF IAW EXBT N acrn: AL nsn: N site codes cqa: S acp: S fob: S pr/mipr data: MCXX68970043 type contract: J  descriptive data: Data for SubCLIN 0021AF in accordance with INFO CLIN 0022 and the Contract Data requirements List (CDRL), DD Form 1423, Exhibit N. This SubCLIN is Not Separately Priced (NSP). The price is included in the price of SubCLIN 0021AF		

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Item No -----	Supplies/Services -----	Quantity		Unit Price
		Purch Unit	Total Item Amount	
0022AG	SubCLIN Establish		1 NSP LO NSP	
	noun: DATA FOR SUBCLIN 0021AG IAW EXBT N acrn: AM nsn: N site codes cqa: S acp: S fob: S pr/mipr data: MCXX689700041 type contract: J  descriptive data: Data for SubCLIN 0021AG in accordance with INFO CLIN 0022 and the Contract Data requirements List (CDRL), DD Form 1423, Exhibit N. This SubCLIN is Not Separately Priced (NSP). The price is included in the price of SubCLIN 0021AG.			
0022AH	SubCLIN Establish		1 NSP LO NSP	
	noun: DATA FOR SUBCLIN 0021AH IAW EXBT N acrn: AN nsn: N site codes cqa: S acp: S fob: S pr/mipr data: MCXX689700044 type contract: J  descriptive data: Data for SubCLIN 0021AH in accordance with INFO CLIN 0022 and the Contract Data requirements List (CDRL), DD Form 1423, Exhibit N. This SubCLIN is Not Separately Priced (NSP). The price is included in the price of SubCLIN 0021AH.			

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Item No -----	Supplies/Services -----	Quantity		Unit Price
		Purch Unit	Total Item Amount	
0023AC	SubCLIN Establish	sec class: U	*** EA	*** ***
	noun: C-12480 CONTROL INDICATORS acrn: AM nsn: N site codes cqa: S acp: S fob: S pr/mipr data: MCXX689700041 type contract: J  descriptive data: Produce and deliver *** C-12480 UHF DAMA Control Indicators IAW INFO CLIN 0023; the Statement of Work, Appendix A, paragraph 3.1.2 (dated 8 July 96, Section J, atch 6a); Specification ESC-ABN-MOD-FS001C (dated 15 May 96, Section J, Atch 12). This SubCLIN is established IAW the procedures listed in Section H, Clause H-9601 where the per modem price is listed as the price in government fiscal year 1997 for the quantity of 126-150, see Table B-2b, option prices. Therefore, the total firm fixed price of this SubCLIN is ***.			
0023AD	SubCLIN Establish	sec class: U	1 EA	*** ***
	noun: C-12480 CONTROL INDICATORS acrn: AN nsn: N site codes cqa: S acp: S fob: S pr/mipr data: MCXX689700044 type contract: J  descriptive data: Produce and deliver *** C-12480 UHF DAMA Control Indicator IAW INFO CLIN 0023; the Statement of Work, Appendix A, paragraph 3.1.2 (dated 8 July 96, Section J, atch 6a); Specification ESC-ABN-MOD-FS001C (dated 15 May 96, Section J, Atch 12). This SubCLIN is established IAW the procedures listed in Section H, Clause H-9601 where the per modem price is listed as the price in government fiscal year 1997 for the quantity of 126-150, see Table B-2b, option prices. Therefore, the total firm fixed price of this SubCLIN is ***.			

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Item No	Supplies/Services	Quantity Purch Unit	Unit Price Total Item Amount
0024AC	SubCLIN Establish	*** NSP LO NSP	
	<p>noun: DATA FOR SUBCLIN 0023AC IAW EXBT P  acrn: AM nsn: N  site codes cqa: S acp: S fob: S  pr/mipr data: MCXX689700041  type contract: J</p> <p>descriptive data:</p> <p>Data for SubCLIN 0023AC in accordance with INFO CLIN 0024 and the Contract Data requirements List (CDRL), DD Form 1423, Exhibit P. This SubCLIN is Not Separately Priced (NSP). The price is included in the price of SubCLIN 0023AC.</p>		
0024AD	SubCLIN Establish	1 NSP LO NSP	
	<p>noun: DATA FOR SUBCLIN 0023AD IAW EXBT P  acrn: AM nsn: N  site codes cqa: S acp: S fob: S pr/mipr data: MCXX689700044  type contract: J</p> <p>descriptive data:</p> <p>Data for SubCLIN 0023AD in accordance with INFO CLIN 0022 and the Contract Data requirements List (CDRL), DD Form 1423, Exhibit P. This SubCLIN is Not Separately Priced (NSP). The price is included in the price of SubCLIN 0021AD.</p>		

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Item No	Supplies/Services	Quantity Purch Unit	Unit Price Total Item Amount
0026AB	SubCLIN Establish	sec class: U *** LO	*** ***
	<p>noun: T&amp;M ICS LABOR FOR SUBCLIN 0021AG  acrn: AM nsn: N  site codes cqa: S acp: S fob: S  pr/mipr data: MCXX689700041  type contract: Y</p> <p>descriptive data:</p> <p>a. This SubCLIN provides for interim contractor support (ICS) for the ninety (90) modems purchased under SubCLIN 0021AG. This support is provided in accordance with INFO CLIN 0026 and the Statement of Work, Appendix A, paragraph 3.5.4. (Section J, attachment 6a).  b. This SubCLIN utilizes the labor rates and categories set forth in Section J, Attachment 11.</p>		



Item No	Supplies/Services	Quantity Purch Unit	Unit Price Total Item Amount
002903	Info SubCLIN Establish sec class: U  noun: *** acrn: AM site codes cqa: D acp: D fob: D pr/mipr data: MCXX689700041 type contract: Y  descriptive data: Breakout for funding purposes. ACRN AM will provide funds up to *** for CLIN 0029 TRN - Airborne Modem/CI tasks -Labor.		
002904	Info SubCLIN Establish sec class: U  noun: *** acrn: AN site codes cqa: D acp: D fob: D pr/mipr data: MCXX689700044 type contract: Y  descriptive data: Breakout for funding purposes. ACRN AN will provide funds up to *** for CLIN 0029 TRN - Airborne Modem/CI tasks -Labor. This money will be used for shipping labor for the modems purchased under SubCLIN 0021AH.		
0030	CLIN Change sec class: U  noun: TRN - AIRBORNE MODEMS/CI TASKS - ODC acrn: 9 nsn: N site codes cqa: D acp: D fob: D type contract: Y  descriptive data: c. The ceiling for this CLIN is increased From: *** by: *** to: ***		*** ***

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Item No	Supplies/Services	Quantity Purch Unit	Unit Price Total Item Amount
003002	Info SubCLIN Establish sec class: U  noun: *** acrn: AL site codes cqa: D acp: D fob: D pr/mipr data: MCXX689700043 type contract: Y  descriptive data: ACRN AL shall provide fund. for CLIN 0030, TRN - ODC. Funds from this ACRN may be provided up to ***. These funds shall be used for shipping the modems purchased under SubCLIN 0021AF.		
003003	Info SubCLIN Establish sec class: U  noun: *** acrn: AM  site codes cqa: D acp: D fob: D pr/mipr data: MCXX689700041 type contract: Y  descriptive data: ACRN AM shall provide fund for CLIN 0030, TRN - ODC. Funds from this ACRN may be provided up to ***.		
003004	Info SubCLIN Establish sec class: U  noun: *** acrn: AN site codes cqa: D acp: D fob: D pr/mipr data: MCXX689700044 type contract: Y  descriptive data: ACRN AL shall provide fund for CLIN 0030, TRN - ODC. Funds from this ACRN may be provided up to ***. These funds shall be used for shipping the modems purchased under SubCLIN 0021AH.		

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70F - PART I, SECTION F OF THE SCHEDULE

Item No	Supplies Schedule Data	Delivery Quantity	Schedule Date
0021AF	SubCLIN Del Sch Establish acrn: AL ship to: U  descriptive data: Delivery of *** MD-1324(c)/U UHF DAMA Airborne Modems. Delivery shall be in accordance with the following table (see below):  Jun 1997 *** Jul 1997 *** Aug 1997 *** Sep 1997 *** Oct 1997 *** Nov 1997 *** Dec 1997 *** Jan 1998 *** Feb 1998 ***	***	ASREQ
0021AG	SubCLIN Del Sch Establish acrn: AM ship to: U  descriptive data: Delivery of *** MD-1324(c)/U UHF DAMA Airborne Modems. Delivery shall be in accordance with the following table (see below):  Oct 1997 *** Nov 1997 *** Dec 1997 *** Jan 1998 *** Feb 1998 *** Mar 1998 ***	***	ASREQ

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Item No	Supplies Schedule Data	Delivery Quantity	Schedule Date
0021AH	SubCLIN Del Sch Establish acrn: AN ship to: U  descriptive data: Delivery of one (1) MD-1324(c)/U UHF DAMA Airborne Modem. Delivery shall be in accordance with the following table (see below):  Oct 1997 1		ASREQ
0022AF	SubCLIN Del Sch Establish acrn: AL ship to: U  descriptive data: Deliver in accordance with CDRL Exhibit N.	***	ASREQ

0022AG SubCLIN Del Sch Establish  
 acrn: AM  
 ship to: U  
 \*\*\* ASREQ  
 descriptive data:  
 Deliver in accordance with CDRL Exhibit N.

0022AH SubCLIN Del Sch Establish  
 acrn: AN  
 ship to: U  
 \*\*\* ASREQ  
 descriptive data:  
 Deliver in accordance with CDRL Exhibit N.

0023AC SubCLIN Del Sch Establish                    sec class: U  
 acrn: AM  
 ship to: U  
 \*\*\* ASREQ  
 descriptive data:  
 Delivery of \*\*\* C-12480 Control  
 Indicators  
 Delivery shall be in accordance with the following table (see below):

Oct 1997	***
Nov 1997	***
Dec 1997	***
Jan 1998	***
Feb 1998	***

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Item No -----	Supplies Schedule Data -----	Delivery Quantity	Schedule Date -----
0023AD	SubCLIN Del Sch Establish acrn: AN ship to: U  descriptive data: Delivery of *** C-12480 Control Indicator.  Delivery shall be in accordance with the following table (see below):  Oct 1997    ***		*** ASREQ
0024AC	SubCLIN Del Sch Establish acrn: AM ship to: U  descriptive data: Deliver in accordance with CDRL Exhibit P.		*** ASREQ
0024AD	SubCLIN Del Sch Establish acrn: AN ship to: U  descriptive data: Deliver in accordance with CDRL Exhibit P.		*** ASREQ
0026AB	SubCLIN Del Sch Establish                    sec class: U acrn: AM ship to: U  descriptive data: The period of performance of this SubCLIN shall be from the award of this contract modification (P00011) through 31 December 1998.		*** ASREQ
0027AB	SubCLIN Del Sch Establish                    sec class: U acrn: AM ship to: U  descriptive data: The period of performance of this SubCLIN shall run concurrent with SubCLIN 0026AB.		*** ASREQ

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SUBCLIN 0027AB \$ \*\*\*  
SUBCLIN 0028AB \$ NSP  
SUBCLIN 002903 \$ \*\*\*  
SUBCLIN 003003 \$ \*\*\*

AN ACCOUNT ESTABLISH

UNCLASSIFIED 1771804 61A0 062863 \$ \*\*\*

pay office: SC1008 311 00061 00 062863 2D PMCATB 0006172M4UQW  
pr/mipr data:  
MCXX689700044 (Complete)

descriptive data:  
SUBCLIN 0021AH \$ \*\*\*  
SUBCLIN 0022AH \$ NSP  
SUBCLIN 0023AD \$ \*\*\*  
SUBCLIN 0024AD \$ NSP  
SUBCLIN 002904 \$ \*\*\*  
SUBCLIN 003004 \$ \*\*\*

FOR ACRN AN PLEASE REFERENCE MIPR# N0006197MPMCAT

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## VIASAT, INC.

## COMPUTATION OF PRO FORMA EARNINGS PER SHARE

	YEAR ENDED MARCH 31,	
	1997	1996
Net Income	\$3,172,000 =====	\$1,633,000 =====
Weighted average number of common shares outstanding	6,411,260	3,267,141
Assumed conversion of preferred shares		2,365,538
Common stock equivalent shares	226,840	106,398
Effect of shares issued and options granted at less than the offering price	64,314	136,652
Total number of shares for computing pro forma primary earnings per share	6,702,414	5,875,729
Incremental shares for computing pro forma fully diluted earnings per share	49,542	
Total number of shares for computing pro forma fully diluted earnings per share	6,751,956 =====	5,875,729 =====
Pro forma primary earnings per share	\$ .47 =====	\$ .28 =====
Pro forma fully diluted earnings per share	\$ .47 =====	\$ .28 =====

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-21113) of ViaSat, Inc. of our report dated May 12, 1997 appearing on page F-1 of this Form 10-K.

PRICE WATERHOUSE LLP

San Diego, California  
June 16, 1997

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE VIASAT INC. FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS INCLUDED IN FORM 10-K.

</LEGEND>

<MULTIPLIER> 1,000

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