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

FORM 10-Q

(Mark One):

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

For the quarterly period ended March 31, 2019

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: 001-35975



Gogo Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)

27-1650905
(I.R.S. Employer
Identification No.)

111 North Canal St., Suite 1500
Chicago, IL 60606
(Address of principal executive offices)

Telephone Number (312) 517-5000
(Registrant's telephone number, including area code)

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

Title of Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value \$0.0001 per share	GOGO	NASDAQ Global Select Market

As of May 6, 2019, 87,797,851 shares of \$0.0001 par value common stock were outstanding.

[Table of Contents](#)

Gogo Inc.

INDEX

	<u>Page</u>
Part I. Financial Information	
Item 1. Financial Statements	2
Unaudited Condensed Consolidated Balance Sheets	2
Unaudited Condensed Consolidated Statements of Operations	3
Unaudited Condensed Consolidated Statements of Comprehensive Loss	4
Unaudited Condensed Consolidated Statements of Cash Flows	5
Unaudited Condensed Consolidated Statements of Stockholders' Equity (Deficit)	6
Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	32
Item 3. Quantitative and Qualitative Disclosures About Market Risk	49
Item 4. Controls and Procedures	50
Part II. Other Information	
Item 1. Legal Proceedings	51
Item 1A. Risk Factors	52
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	52
Item 3. Defaults Upon Senior Securities	52
Item 4. Mine Safety Disclosures	52
Item 5. Other Information	52
Item 6. Exhibits	52
Signatures	55

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 188,690	\$ 184,155
Short-term investments	—	39,323
Total cash, cash equivalents and short-term investments	188,690	223,478
Accounts receivable, net of allowances of \$583 and \$500, respectively	123,791	134,308
Inventories	147,354	193,045
Prepaid expenses and other current assets	32,140	34,695
Total current assets	<u>491,975</u>	<u>585,526</u>
Non-current assets:		
Property and equipment, net	565,485	511,867
Goodwill and intangible assets, net	82,888	83,491
Operating lease right-of-use assets	70,129	—
Other non-current assets	86,333	84,212
Total non-current assets	<u>804,835</u>	<u>679,570</u>
Total assets	<u>\$ 1,296,810</u>	<u>\$ 1,265,096</u>
Liabilities and Stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 27,861	\$ 23,860
Accrued liabilities	183,067	213,111
Deferred revenue	37,602	38,571
Deferred airborne lease incentives	22,726	24,145
Total current liabilities	<u>271,256</u>	<u>299,687</u>
Non-current liabilities:		
Long-term debt	1,030,359	1,024,893
Deferred airborne lease incentives	131,743	129,086
Non-current operating lease liabilities	99,870	—
Other non-current liabilities	47,556	80,191
Total non-current liabilities	<u>1,309,528</u>	<u>1,234,170</u>
Total liabilities	<u>1,580,784</u>	<u>1,533,857</u>
Commitments and contingencies (Note 12)	—	—
Stockholders' deficit		
Common stock, par value \$0.0001 per share; 500,000,000 shares authorized at March 31, 2019 and December 31, 2018; 87,878,770 and 87,678,812 shares issued at March 31, 2019 and December 31, 2018, respectively; and 87,797,614 and 87,560,694 shares outstanding at March 31, 2019 and December 31, 2018, respectively	9	9
Additional paid-in-capital	967,727	963,458
Accumulated other comprehensive loss	(3,144)	(3,554)
Accumulated deficit	(1,248,566)	(1,228,674)
Total stockholders' deficit	<u>(283,974)</u>	<u>(268,761)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,296,810</u>	<u>\$ 1,265,096</u>

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2019	2018
Revenue:		
Service revenue	\$165,012	\$150,678
Equipment revenue	34,537	81,147
Total revenue	<u>199,549</u>	<u>231,825</u>
Operating expenses:		
Cost of service revenue (exclusive of items shown below)	68,121	74,947
Cost of equipment revenue (exclusive of items shown below)	29,731	52,293
Engineering, design and development	24,728	29,777
Sales and marketing	12,318	15,901
General and administrative	22,454	25,159
Depreciation and amortization	30,749	35,919
Total operating expenses	<u>188,101</u>	<u>233,996</u>
Operating income (loss)	<u>11,448</u>	<u>(2,171)</u>
Other (income) expense:		
Interest income	(1,149)	(1,076)
Interest expense	32,554	30,554
Other income	(3,365)	(505)
Total other expense	<u>28,040</u>	<u>28,973</u>
Loss before income taxes	<u>(16,592)</u>	<u>(31,144)</u>
Income tax provision (benefit)	207	(3,725)
Net loss	<u>\$ (16,799)</u>	<u>\$ (27,419)</u>
Net loss attributable to common stock per share—basic and diluted	<u>\$ (0.21)</u>	<u>\$ (0.34)</u>
Weighted average number of shares—basic and diluted	<u>80,446</u>	<u>79,696</u>

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Loss
(in thousands)

	For the Three Months	
	Ended March 31,	
	2019	2018
Net loss	<u>\$</u>(16,799)	<u>\$</u>(27,419)
Currency translation adjustments, net of tax	410	(834)
Comprehensive loss	<u>\$</u>(16,389)	<u>\$</u>(28,253)

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	For the Three Months Ended March 31,	
	2019	2018
Operating activities:		
Net loss	\$ (16,799)	\$ (27,419)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	30,749	35,919
Loss on asset disposals, abandonments and write-downs	1,241	1,687
Gain on transition to airline-directed model	—	(19,302)
Deferred income taxes	44	(3,863)
Stock-based compensation expense	4,327	4,386
Amortization of deferred financing costs	1,249	1,035
Accretion and amortization of debt discount and premium	4,774	4,539
Changes in operating assets and liabilities:		
Accounts receivable	10,635	(14,046)
Inventories	(1,118)	(12,304)
Prepaid expenses and other current assets	3,015	(1,863)
Contract assets	(6,175)	2,578
Accounts payable	2,843	11,755
Accrued liabilities	(19,381)	(7,229)
Deferred airborne lease incentives	(3,923)	(1,834)
Deferred revenue	2,257	5,440
Accrued interest	(19,514)	(24,955)
Warranty reserves	(588)	442
Other non-current assets and liabilities	208	(1,171)
Net cash used in operating activities	(6,156)	(46,205)
Investing activities:		
Purchases of property and equipment	(23,154)	(56,886)
Acquisition of intangible assets—capitalized software	(4,557)	(5,772)
Purchases of short-term investments	—	(39,323)
Redemptions of short-term investments	39,323	69,482
Other, net	95	—
Net cash provided by (used in) investing activities	11,707	(32,499)
Financing activities:		
Payment of debt issuance costs	(557)	—
Payments on financing leases	(125)	(618)
Stock-based compensation activity	(58)	(70)
Net cash used in financing activities	(740)	(688)
Effect of exchange rate changes on cash	(276)	75
Increase (decrease) in cash, cash equivalents and restricted cash	4,535	(79,317)
Cash, cash equivalents and restricted cash at beginning of period	191,116	203,729
Cash, cash equivalents and restricted cash at end of period	\$195,651	\$124,412
Cash, cash equivalents and restricted cash at end of period	\$195,651	\$124,412
Less: current restricted cash	1,535	738
Less: non-current restricted cash	5,426	6,635
Cash and cash equivalents at end of period	\$188,690	\$117,039
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 46,163	\$ 49,911
Cash paid for taxes	41	15
Noncash Investing and Financing Activities:		
Purchases of property and equipment in current liabilities	\$ 19,951	\$ 23,325
Purchases of property and equipment paid by commercial airlines	5,016	2,060

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except share data)

	For the Three Months Ended March 31, 2019					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Par Value				
Balance at January 1, 2019	87,560,694	\$ 9	\$963,458	\$ (3,554)	\$(1,228,674)	\$(268,761)
Net loss	—	—	—	—	(16,799)	(16,799)
Currency translation adjustments, net of tax	—	—	—	410	—	410
Stock-based compensation expense	—	—	4,327	—	—	4,327
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	161,667	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(351)	—	—	(351)
Issuance of common stock in connection with employee stock purchase plan	75,253	—	293	—	—	293
Impact of the adoption of ASC 842	—	—	—	—	(3,093)	(3,093)
Balance at March 31, 2019	<u>87,797,614</u>	<u>\$ 9</u>	<u>\$967,727</u>	<u>\$ (3,144)</u>	<u>\$(1,248,566)</u>	<u>\$(283,974)</u>

	For the Three Months Ended March 31, 2018					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Par Value				
Balance at January 1, 2018	86,843,928	\$ 9	\$898,729	\$ (933)	\$(1,089,369)	\$(191,564)
Net loss	—	—	—	—	(27,419)	(27,419)
Currency translation adjustments, net of tax	—	—	—	(834)	—	(834)
Stock-based compensation expense	—	—	4,386	—	—	4,386
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	107,335	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(526)	—	—	(526)
Issuance of common stock in connection with employee stock purchase plan	55,812	—	456	—	—	456
Impact of the adoption of ASC 606	—	—	—	—	24,165	24,165
Balance at March 31, 2018	<u>87,007,075</u>	<u>\$ 9</u>	<u>\$903,045</u>	<u>\$ (1,767)</u>	<u>\$(1,092,623)</u>	<u>\$(191,336)</u>

See the Notes to Unaudited Condensed Consolidated Financial Statements

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation

The Business - Gogo (“we,” “us,” “our”) is the global leader in providing broadband connectivity solutions and wireless in-flight entertainment to the aviation industry. We operate through the following three segments: Commercial Aviation North America, or “CA-NA,” Commercial Aviation Rest of World, or “CA-ROW,” and Business Aviation, or “BA.” Services provided by our CA-NA and CA-ROW businesses include Passenger Connectivity, which allows passengers to connect to the Internet from their personal Wi-Fi-enabled devices; Passenger Entertainment, which offers passengers the opportunity to enjoy a broad selection of in-flight entertainment options on their personal Wi-Fi enabled devices; and Connected Aircraft Services (“CAS”), which offers airlines connectivity for various operations and currently include, among other services, real-time credit card transaction processing, electronic flight bags and real-time weather information. Services are provided by CA-NA on commercial aircraft flying routes that generally begin and end within North America, which for this purpose includes the United States, Canada and Mexico. CA-ROW provides service on commercial aircraft operated by foreign-based commercial airlines and flights outside of North America for North American-based commercial airlines. The routes included in our CA-ROW segment are those that begin and/or end outside of North America (as defined above) on which our international service is provided. BA provides in-flight Internet connectivity and other voice and data communications products and services and sells equipment for in-flight telecommunications to the business aviation market. BA services include Gogo Biz, our in-flight broadband service, Passenger Entertainment, our in-flight entertainment service, and satellite-based voice and data services through our strategic alliances with satellite companies.

Basis of Presentation - The accompanying unaudited condensed consolidated financial statements and notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in conformity with Article 10 of Regulation S-X promulgated under the Securities Act of 1933, as amended (the “Securities Act”). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements and should be read in conjunction with our annual audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission (“SEC”) on February 21, 2019 (the “2018 10-K”). These unaudited condensed consolidated financial statements reflect, in the opinion of management, all material adjustments (which include normal recurring adjustments) necessary to fairly state, in all material respects, our financial position, results of operations and cash flows for the periods presented.

The results of operations and cash flows for the three month period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019.

We have one class of common stock outstanding as of March 31, 2019 and December 31, 2018.

Reclassifications – To conform with the current year presentation, certain amounts in our unaudited condensed consolidated statements of cash flows for the three month period ended March 31, 2018 have been reclassified. Specifically, contract assets and warranty reserves are presented separately. Contract assets of \$2,578 thousand was originally included as \$967 thousand within prepaid expenses and \$1,611 thousand within other current assets and other non-current assets and liabilities. Warranty reserves of \$442 thousand was originally included within accrued liabilities. Additionally, within our unaudited condensed consolidated balance sheets as of December 31, 2018, \$652 thousand of the current portion of financing lease liabilities has been combined with accrued liabilities.

Transition of airline models - The accounting treatment for one of our airline agreements transitioned from our turnkey model to our airline-directed model in January 2018 due to specific provisions elected by the airline that resulted in the transfer of control of the previously installed connectivity equipment. Upon transition to the airline-directed model, the net book value of all previously delivered equipment classified within property and equipment was reclassified to cost of equipment revenue. Additionally, the unamortized proceeds previously received for equipment and classified within current and non-current deferred airborne lease incentives were eliminated and included as part of estimated contract value, which was then allocated amongst the various performance obligations under the agreement. The value allocated to previously delivered equipment was immediately recognized as equipment revenue in our unaudited condensed consolidated financial statements; refer to Note 3, “Revenue Recognition,” for additional disclosures relating to the allocation of consideration among identified performance obligations. For amounts recognized in equipment revenue that were in excess of the amounts billed, we recorded current and non-current contract assets included within prepaid expenses and other current assets and other non-current assets, respectively; refer to Note 3, “Revenue Recognition,” for additional details. In connection with the transition of this airline agreement to the airline-directed model, we also established warranty reserves related to

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

previously sold equipment that are still under a warranty period, which is included within accrued liabilities. See Note 8, “Warranties,” for additional information. This transition from the turnkey model to the airline-directed model occurred on January 4, 2018 and the total financial statement effect on our unaudited condensed consolidated balance sheet and unaudited condensed consolidated statement of operations was as follows (*in thousands*):

	Increase (decrease)
Unaudited condensed consolidated balance sheet	
Prepaid expense and other current assets	\$ 6,603
Property and equipment, net	(32,716)
Other non-current assets	18,783
Accrued liabilities	2,000
Current deferred airborne lease incentive	(13,592)
Non-current deferred airborne lease incentive	(17,289)
Unaudited condensed consolidated statement of operations	
Equipment revenue	45,396
Cost of equipment revenue	23,845

As of January 1, 2019, one airline transitioned from the airline-directed model to the turnkey model. As a result of such transition, \$46.8 million of Inventory was reclassified to Property and equipment, net as of January 1, 2019. See Note 2, “Summary of Significant Accounting Policies - Inventories,” in our 2018 10-K for information regarding the allocation of airborne equipment between Inventories and Property and equipment, net.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the significant estimates and bases such estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. However, actual results could differ materially from those estimates.

2. Recent Accounting Pronouncements

Accounting standards adopted:

On January 1, 2019, we adopted Accounting Standards Codification Topic 842, *Leases* (“ASC 842”) using the cumulative effect method. As a result, we recognized the cumulative effect of initially applying ASC 842 as an adjustment to the opening balance of retained earnings as of January 1, 2019. Our historical financial statements have not been restated and continue to be reported under the lease accounting standard in effect for those periods.

We elected the practical expedients regarding use of hindsight to evaluate lease terms as well as maintaining lease classifications established under the prior lease accounting standard. Through this practical expedient, we did not reevaluate contracts to determine if they contained a lease. We did not elect the practical expedients regarding short-term leases or the separation of lease and non-lease components.

Adoption of ASC 842 had a material impact on our consolidated balance sheet through recognition of right-of-use (“ROU”) assets and operating lease liabilities. Adoption did not have a material impact on our consolidated statements of operations or our consolidated statements of cash flows and did not result in the recognition of incremental financing leases, formerly referred to as capital leases.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

The discount rate used to calculate the adjustment to the opening balance was our incremental borrowing rate as of the adoption date, January 1, 2019. The cumulative effect of the adoption of ASC 842 to our unaudited condensed consolidated balance sheet as of January 1, 2019 was as follows (in thousands):

	Balance at December 31, 2018	Impact of ASC 842	Balances with Adoption of ASC 842
Assets			
Operating lease right-of-use assets	\$ —	\$ 72,188	\$ 72,188
Liabilities			
Accrued liabilities	212,459	9,019	221,478
Non-current operating lease liabilities	—	102,440	102,440
Other non-current liabilities	80,191	(36,178)	44,013
Equity			
Accumulated deficit	(1,228,674)	(3,093)	(1,231,767)

See Note 11, “Leases,” for additional information.

On January 1, 2019, we adopted ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (“ASU 2018-02”), which permits entities to reclassify tax effects stranded in accumulated other comprehensive income as a result of tax reform to retained earnings. Adoption of this standard did not have a material impact on our consolidated financial statements.

On January 1, 2019, we adopted ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting* (“ASU 2018-07”), which expands the scope of ASC 718, *Compensation – Stock Compensation*, to include share-based payment transactions for acquiring goods or services from nonemployees. Adoption of this standard did not have a material impact on our consolidated financial statements.

3. Revenue Recognition

Arrangements with commercial airlines

For CA-NA and CA-ROW, pursuant to contractual agreements with our airline partners, we place our equipment on commercial aircraft operated by the airlines in order to deliver our service to passengers on the aircraft. We currently have two types of commercial airline arrangements: turnkey and airline-directed. Under the airline-directed model, we have transferred control of the equipment to the airline and therefore the airline is our customer in these transactions. Under the turnkey model, we have not transferred control of our equipment to our airline partner and, as a result, the airline passenger is deemed to be our customer. Transactions with our airline partners under the turnkey model are accounted for as an operating lease of space on an aircraft. See Note 11, “Leases,” for additional information on the turnkey model.

Remaining performance obligations

As of March 31, 2019, the aggregate amount of the transaction price in our contracts allocated to the remaining unsatisfied performance obligations is approximately \$831 million, most of which relates to our commercial aviation contracts. Approximately \$114 million represents future equipment revenue that is expected to be recognized within the next one to three years. The remaining \$717 million primarily represents connectivity and entertainment service revenues which are recognized as services are provided, which is expected to occur through the remaining term of the contract (approximately 5-10 years). We have excluded from this amount: all variable consideration derived from our connectivity or entertainment services that is allocated entirely to our performance of obligations related to such services; consideration from contracts that have an original duration of one year or less; revenue from passenger service on airlines operating under the turnkey model; and revenue from contracts that have been executed but under which have not yet met the accounting definition of a contract since the airline has not yet determined which products in our portfolio it wishes to select, and, as a result we are unable to determine which products and services will be transferred to the customer.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Disaggregation of revenue

The following table presents our revenue disaggregated by category (*in thousands*):

	For the Three Months Ended March 31, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	\$ 79,818	\$ 18,854	\$52,685	\$151,357
Entertainment, CAS and other	12,209	918	528	13,655
Total service revenue	<u>\$ 92,027</u>	<u>\$ 19,772</u>	<u>\$53,213</u>	<u>\$165,012</u>
Equipment revenue				
ATG	\$ 2,872	\$ —	\$11,335	\$ 14,207
Satellite	630	13,159	5,235	19,024
Other	540	—	766	1,306
Total equipment revenue	<u>\$ 4,042</u>	<u>\$ 13,159</u>	<u>\$17,336</u>	<u>\$ 34,537</u>
Customer type				
Airline passenger and aircraft owner/operator	\$ 54,349	\$ 5,851	\$53,213	\$113,413
Airline, OEM and aftermarket dealer	30,913	25,491	17,336	73,740
Third party	10,807	1,589	—	12,396
Total revenue	<u>\$ 96,069</u>	<u>\$ 32,931</u>	<u>\$70,549</u>	<u>\$199,549</u>

	For the Three Months Ended March 31, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	\$ 82,040	\$ 13,649	\$47,392	\$143,081
Entertainment, CAS and other	6,743	596	258	7,597
Total service revenue	<u>\$ 88,783</u>	<u>\$ 14,245</u>	<u>\$47,650</u>	<u>\$150,678</u>
Equipment revenue				
ATG ⁽¹⁾	\$ 44,762	\$ —	\$15,421	\$ 60,183
Satellite ⁽¹⁾	10,276	4,924	4,258	19,458
Other	—	—	1,506	1,506
Total equipment revenue	<u>\$ 55,038</u>	<u>\$ 4,924</u>	<u>\$21,185</u>	<u>\$ 81,147</u>
Customer type				
Airline passenger and aircraft owner/operator	\$ 52,924	\$ 4,729	\$47,650	\$105,303
Airline, OEM and aftermarket dealer ⁽²⁾	77,426	12,694	21,185	111,305
Third party	13,471	1,746	—	15,217
Total revenue	<u>\$143,821</u>	<u>\$ 19,169</u>	<u>\$68,835</u>	<u>\$231,825</u>

- 1) ATG and satellite equipment revenue for the CA-NA segment includes the \$45.4 million related to the accounting impact of the transition of one of our airline partners to the airline-directed model. Approximately \$43.4 million was included in ATG equipment revenue and approximately \$2.0 million was included in satellite equipment revenue.
- 2) Airline, OEM and aftermarket dealer revenue includes all equipment revenue for our three segments, including the \$45.4 million accounting impact of the transition of one of our airline partners to the airline-directed model.

Contract balances

Our current and non-current deferred revenue balances totaled \$62.3 million and \$60.1 million as of March 31, 2019 and December 31, 2018, respectively. Deferred revenue includes, among other things, equipment, multi-pack and subscription connectivity products, sponsorship activities and airline-directed connectivity and entertainment.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Our current and non-current contract asset balances totaled \$66.4 million and \$59.9 million as of March 31, 2019 and December 31, 2018, respectively. Contract assets represent the aggregate amount of revenue recognized in excess of billings for our airline-directed contracts.

Capitalized STC balances for our airline-directed contracts were \$16.3 million and \$16.5 million as of March 31, 2019 and December 31, 2018, respectively. We recognized \$0.3 million and \$0.2 million, respectively, of deferred STC costs as part of our engineering, design and development costs in our unaudited condensed consolidated statements of operations during the three month periods ended March 31, 2019 and 2018.

4. Net Loss Per Share

Basic and diluted net loss per share have been calculated using the weighted average number of common shares outstanding for the period.

The shares of common stock effectively repurchased in connection with the Forward Transactions (as defined and described in Note 9, “Long-Term Debt and Other Liabilities”) are considered participating securities requiring the two-class method to calculate basic and diluted earnings per share. Net earnings in future periods will be allocated between common shares and participating securities. In periods of a net loss, the shares associated with the Forward Transactions will not receive an allocation of losses, as the counterparties to the Forward Transactions are not required to fund losses. Accordingly, the calculation of weighted average shares outstanding as of March 31, 2019 and 2018 excludes approximately 7.2 million shares that will be repurchased as a result of the Forward Transactions.

As a result of the net loss for the three month periods ended March 31, 2019 and 2018, all of the outstanding shares of common stock underlying stock options, deferred stock units and restricted stock units were excluded from the computation of diluted shares outstanding because they were anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share for the three month periods ended March 31, 2019 and 2018; however, because of the undistributed losses, the shares of common stock associated with the Forward Transactions are excluded from the computation of basic earnings per share in 2019 and 2018 as undistributed losses are not allocated to these shares (*in thousands, except per share amounts*):

	For the Three Months Ended March 31,	
	2019	2018
Net loss	\$(16,799)	\$(27,419)
Less: Participation rights of the Forward Transactions	—	—
Undistributed losses	<u>\$(16,799)</u>	<u>\$(27,419)</u>
Weighted-average common shares outstanding-basic and diluted	<u>80,446</u>	<u>79,696</u>
Net loss attributable to common stock per share-basic and diluted	<u>\$ (0.21)</u>	<u>\$ (0.34)</u>

5. Inventories

Inventories consist primarily of telecommunications systems and parts and are recorded at the lower of cost (average cost) or market. We evaluate the need for write-downs associated with obsolete, slow-moving and nonsalable inventory by reviewing net realizable inventory values on a periodic basis.

Inventories as of March 31, 2019 and December 31, 2018 were as follows (*in thousands*):

	March 31, 2019	December 31, 2018
Work-in-process component parts	\$ 29,043	\$ 30,340
Finished goods ⁽¹⁾	<u>118,311</u>	<u>162,705</u>
Total inventory	<u>\$147,354</u>	<u>\$ 193,045</u>

(1) The change between March 31, 2019 and December 31, 2018 primarily relates to the accounting impact of one of our airline partner agreements transitioning to the turnkey model (see Note 1, “Basis of Presentation,” for additional information).

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

6. Composition of Certain Balance Sheet Accounts

Prepaid expenses and other current assets as of March 31, 2019 and December 31, 2018 were as follows (*in thousands*):

	March 31, 2019	December 31, 2018
Contract assets	\$ 10,852	\$ 10,423
Prepaid satellite services	7,170	7,755
Restricted cash	1,535	1,535
Other	12,583	14,982
Total prepaid expenses and other current assets	\$ 32,140	\$ 34,695

Property and equipment as of March 31, 2019 and December 31, 2018 were as follows (*in thousands*):

	March 31, 2019	December 31, 2018
Office equipment, furniture, fixtures and other	\$ 52,637	\$ 52,320
Leasehold improvements	44,839	44,838
Airborne equipment ⁽¹⁾	715,055	642,151
Network equipment	210,044	205,463
	1,022,575	944,772
Accumulated depreciation	(457,090)	(432,905)
Total property and equipment, net	\$ 565,485	\$ 511,867

(1) The change between March 31, 2019 and December 31, 2018 primarily relates to the accounting impact of one of our airline partner agreements transitioning to the tumkey model (see Note 1, “Basis of Presentation,” for additional information).

Other non-current assets as of March 31, 2019 and December 31, 2018 were as follows (*in thousands*):

	March 31, 2019	December 31, 2018
Contract assets	\$ 55,536	\$ 49,517
Deferred STC costs	16,289	16,453
Restricted cash	5,426	5,426
Other	9,082	12,816
Total other non-current assets	\$ 86,333	\$ 84,212

Accrued liabilities as of March 31, 2019 and December 31, 2018 were as follows (*in thousands*):

	March 31, 2019	December 31, 2018
Employee compensation and benefits	\$ 13,437	\$ 19,463
Airborne equipment and installation costs	17,625	25,119
Airline related accrued liabilities	41,609	45,077
Accrued interest	27,180	46,694
Accrued satellite network costs	14,989	19,557
Warranty reserve	11,750	12,291
Operating leases ⁽¹⁾	11,585	—
Other	44,892	44,910
Total accrued liabilities	\$ 183,067	\$ 213,111

(1) The change between March 31, 2019 and December 31, 2018 is due to the adoption of ASC 842. See Note 2, “Recent Accounting Pronouncements,” for additional information.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Other non-current liabilities as of March 31, 2019 and December 31, 2018 were as follows (*in thousands*):

	March 31, 2019	December 31, 2018
Deferred revenue	\$ 24,709	\$ 21,482
Deferred rent <i>(1)</i>	—	35,897
Asset retirement obligations	9,945	9,696
Deferred tax liabilities	2,206	2,162
Other	10,696	10,954
Total other non-current liabilities	<u>\$ 47,556</u>	<u>\$ 80,191</u>

(1) The change between March 31, 2019 and December 31, 2018 is due to the adoption of ASC 842. See Note 2, “Recent Accounting Pronouncements,” for additional information.

7. Intangible Assets

Our intangible assets are comprised of both indefinite-lived and finite-lived intangible assets. Intangible assets with indefinite lives and goodwill are not amortized; rather, they are reviewed for impairment at least annually or whenever events or circumstances indicate the carrying value of the asset may not be recoverable. We perform our annual impairment tests of our indefinite-lived intangible assets and goodwill during the fourth quarter of each fiscal year. We also reevaluate the useful life of indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. The results of our annual indefinite-lived intangible assets and goodwill impairment assessments in the fourth quarter of 2018 indicated no impairment.

As of both March 31, 2019 and December 31, 2018, our goodwill balance, all of which related to our BA segment, was \$0.6 million.

Our intangible assets, other than goodwill, as of March 31, 2019 and December 31, 2018 were as follows (*in thousands, except for weighted average remaining useful life*):

	Weighted Average Remaining Useful Life (in years)	As of March 31, 2019			As of December 31, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:							
Software	2.7	\$169,306	\$ (121,933)	\$47,373	\$164,580	\$ (116,873)	\$47,707
Service customer relationship	1.1	8,081	(7,058)	1,023	8,081	(6,804)	1,277
Other intangible assets	7.8	3,000	(1,411)	1,589	3,000	(1,396)	1,604
OEM and dealer relationships		<u>6,724</u>	<u>(6,724)</u>	<u>—</u>	<u>6,724</u>	<u>(6,724)</u>	<u>—</u>
Total amortized intangible assets		187,111	(137,126)	49,985	182,385	(131,797)	50,588
Unamortized intangible assets:							
FCC Licenses		<u>32,283</u>	<u>—</u>	<u>32,283</u>	<u>32,283</u>	<u>—</u>	<u>32,283</u>
Total intangible assets		<u>\$219,394</u>	<u>\$ (137,126)</u>	<u>\$82,268</u>	<u>\$214,668</u>	<u>\$ (131,797)</u>	<u>\$82,871</u>

Amortization expense was \$5.3 million and \$7.6 million, respectively, for the three month periods ended March 31, 2019 and 2018.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Amortization expense for each of the next five years and thereafter is estimated to be as follows (*in thousands*):

Years ending December 31,	Amortization Expense
2019 (period from April 1 to December 31)	\$ 16,775
2020	\$ 15,915
2021	\$ 11,061
2022	\$ 4,230
2023	\$ 1,090
Thereafter	\$ 914

Actual future amortization expense could differ from the estimated amount as a result of future investments and other factors.

8. Warranties

We provide warranties on parts and labor related to our products. Our warranty terms range from two to ten years. Warranty reserves are established for costs that are estimated to be incurred after the sale, delivery and installation of the products under warranty. The warranty reserves are determined based on known product failures, historical experience and other available evidence, and are included in accrued liabilities in our unaudited condensed consolidated balance sheets. Our warranty reserve balance was \$11.8 million and \$12.3 million, respectively, as of March 31, 2019 and December 31, 2018.

9. Long-Term Debt and Other Liabilities

Long-term debt as of March 31, 2019 and December 31, 2018 was as follows (*in thousands*):

	March 31, 2019	December 31, 2018
2022 Senior Secured Notes	\$ 701,910	\$ 702,670
2022 Convertible Notes	193,012	190,083
2020 Convertible Notes	151,800	149,195
Total debt	1,046,722	1,041,948
Less deferred financing costs	(16,363)	(17,055)
Total long-term debt	<u>\$1,030,359</u>	<u>\$ 1,024,893</u>

2022 Senior Secured Notes – On June 14, 2016 (the “Issue Date”), Gogo Intermediate Holdings LLC (“GIH”) (a wholly owned subsidiary of Gogo Inc.) and Gogo Finance Co. Inc. (a wholly owned subsidiary of GIH) (the “Co-Issuer” and, together with GIH, the “Issuers”), issued \$525 million aggregate principal amount of 12.500% senior secured notes due 2022 (the “Original 2022 Senior Secured Notes”) under an Indenture, dated as of June 14, 2016 (the “Original Indenture”), among the Issuers, us, as guarantor, certain subsidiaries of GIH, as guarantors (the “Subsidiary Guarantors” and, together with us, the “Guarantors”), and U.S. Bank National Association, as trustee (in such capacity, the “Trustee”) and as collateral agent (in such capacity, the “Collateral Agent”). On January 3, 2017, the Issuers issued \$65 million aggregate principal amount of additional 12.500% senior secured notes due 2022 (the “January 2017 Additional Notes”). The January 2017 Additional Notes were issued at a price equal to 108% of their face value resulting in gross proceeds of \$70.2 million. On September 20, 2017, the Issuers, the Guarantors and the Trustee entered into the first supplemental indenture (the “Supplemental Indenture” and, together with the Original Indenture, the “Indenture”) to modify certain covenants, as discussed below. On September 25, 2017, the Issuers issued \$100 million aggregate principal amount of additional 12.500% senior secured notes due 2022 (the “September 2017 Additional Notes”). The September 2017 Additional Notes were issued at a price equal to 113% of their face value resulting in gross proceeds of \$113.0 million. Additionally, we received approximately \$2.9 million for interest that accrued from July 1, 2017 through September 24, 2017, which was paid in our January 2018 interest payment. We refer to the Original 2022 Senior Secured Notes, the January 2017 Additional Notes and the September 2017 Additional Notes collectively as the “2022 Senior Secured Notes.”

As noted above, on September 20, 2017, the Issuers, the Guarantors and the Trustee entered into the Supplemental Indenture to (i) increase the amount of additional secured indebtedness under Credit Facilities (as defined in the Indenture) that may be incurred by the Issuer and its Restricted Subsidiaries (as defined in the Indenture) under the Indenture by \$100 million (from \$75 million to \$175 million in aggregate principal amount),

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

(ii) permit the Issuer and its Restricted Subsidiaries to incur additional secured indebtedness in connection with vendor financing arrangements not to exceed \$50 million in aggregate principal amount at any time outstanding and (iii) permit the Issuer and its Restricted Subsidiaries to make additional dividends or distributions to Gogo in an aggregate amount of up to \$15 million during any twelve-month period to pay interest on any indebtedness or preferred stock with a maturity later than July 1, 2022. The Supplemental Indenture became effective immediately upon execution, following our receipt of consents from holders of a majority of the outstanding principal amount of the Existing Notes (excluding Existing Notes held by the Issuers or any affiliates of the Issuers) to the Supplemental Indenture and amendments to the collateral agency agreement governing the 2022 Senior Secured Notes (the “Consent Solicitation”). In connection with the Consent Solicitation, GIH paid \$1.4 million in fees (“Consent Fees”) to holders of Existing Notes who validly tendered (and did not revoke) their consents prior to the expiration of the Consent Solicitation.

As of March 31, 2019 and December 31, 2018, the outstanding principal amount of the 2022 Senior Secured Notes was \$690.0 million and \$690.0 million, respectively, the unamortized debt premium and Consent Fees were \$11.9 million and \$12.7 million, respectively, and the net carrying amount was \$701.9 million and \$702.7 million, respectively.

Interest on the 2022 Senior Secured Notes accrues at the rate of 12.500% per annum and is payable semi-annually in arrears on January 1 and July 1, interest payments commenced on January 1, 2017 (other than the January 2017 Additional Notes, for which interest payments commenced on July 1, 2017, and the September 2017 Additional Notes, for which interest payments commenced on January 1, 2018). The 2022 Senior Secured Notes mature on July 1, 2022. The January 2017 Additional Notes and September 2017 Additional Notes have the same terms as the Original 2022 Senior Secured Notes, except with respect to the issue date and issue price, and are treated as a single series for all purposes under the Indenture and the security documents that govern the 2022 Senior Secured Notes.

We paid approximately \$1.4 million, \$2.0 million and \$2.5 million, respectively, of aggregate origination fees and financing costs related to the issuance of the Original 2022 Senior Secured Notes, the January 2017 Additional Notes and the September 2017 Additional Notes, which have been accounted for as deferred financing costs. Additionally, as noted above, we paid approximately \$1.4 million of Consent Fees, which partially offset the net carrying value of the 2022 Senior Secured Notes. The deferred financing costs on our unaudited condensed consolidated balance sheet are being amortized over the contractual term of the 2022 Senior Secured Notes using the effective interest method. Total amortization expense was \$0.8 million and \$0.6 million, respectively, for the three month periods ended March 31, 2019 and 2018. As of March 31, 2019 and December 31, 2018, the balance of unamortized deferred financing costs related to the 2022 Senior Secured Notes was \$9.3 million and \$10.0 million, respectively, and is included as a reduction to long-term debt in our unaudited condensed consolidated balance sheet. See Note 10, “Interest Costs,” for additional information.

The 2022 Senior Secured Notes are the senior secured indebtedness of the Issuers and are:

- effectively senior to all of the Issuers’ existing and future senior unsecured indebtedness and the Issuers’ indebtedness secured on a junior priority basis by the same collateral securing the 2022 Senior Secured Notes, if any, in each case to the extent of the value of the collateral securing the 2022 Senior Secured Notes;
- effectively senior in right of payment to all of the Issuers’ future indebtedness that is subordinated in right of payment to the 2022 Senior Secured Notes;
- effectively equal in right of payment with the Issuers’ existing and future (i) unsecured indebtedness that is not subordinated in right of payment to the 2022 Senior Secured Notes and (ii) indebtedness secured on a junior priority basis by the same collateral securing the 2022 Senior Secured Notes, if any, in each case to the extent of any insufficiency in the collateral securing the 2022 Senior Secured Notes;
- structurally senior to all of our existing and future indebtedness, including our Convertible Notes (as defined below); and
- structurally subordinated to all of the indebtedness and other liabilities of any non-Guarantors (other than the Issuers).

The 2022 Senior Secured Notes are guaranteed, on a senior secured basis, by us and all of GIH’s existing and

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

future domestic restricted subsidiaries (other than the Co-Issuer), subject to certain exceptions. The Issuers' obligations under the 2022 Senior Secured Notes are not guaranteed by Gogo International Holdings LLC, a subsidiary of ours that holds no material assets other than equity interests in our foreign subsidiaries. Each guarantee is a senior secured obligation of such Guarantor and is:

- effectively senior to all of such Guarantor's existing and future senior unsecured indebtedness and such Guarantor's indebtedness secured on a junior priority basis by the same collateral, if any, securing the guarantee of such Guarantor, in each case to the extent of the value of the collateral securing such guarantee;
- effectively senior in right of payment to all of such Guarantor's future indebtedness that is subordinated in right of payment to such Guarantor's guarantee;
- effectively equal in right of payment with all of such Guarantor's existing and future (i) unsecured indebtedness that is not subordinated in right of payment to such Guarantor's guarantee, and (ii) indebtedness secured on a junior priority basis by the same collateral, if any, securing the guarantee of such Guarantor, in each case to the extent of any insufficiency in the collateral securing such guarantee; and
- structurally subordinated to all indebtedness and other liabilities of any non-Guarantor subsidiary of such Guarantor (excluding, in the case of our guarantee, the Issuers).

The 2022 Senior Secured Notes and the related guarantees are secured by first-priority liens, subject to permitted liens, on substantially all of the Issuers' and the Guarantors' assets, except for certain excluded assets, including pledged equity interests of the Issuers and all of our existing and future domestic restricted subsidiaries guaranteeing the 2022 Senior Secured Notes.

The security interests in certain collateral may be released without the consent of holders of the 2022 Senior Secured Notes, if such collateral is disposed of in a transaction that complies with the Indenture and related security agreements. In addition, under certain circumstances, we and the Guarantors have the right to transfer certain intellectual property assets that on the Issue Date constitute collateral securing the 2022 Senior Secured Notes or the guarantees to a restricted subsidiary organized under the laws of Switzerland, resulting in the release of such collateral without consent of the holders of the 2022 Senior Secured Notes.

On or after July 1, 2019, the Issuers may, at their option, at any time or from time to time, redeem any of the 2022 Senior Secured Notes in whole or in part. The 2022 Senior Secured Notes will be redeemable at the following redemption prices (expressed in percentages of principal amount), plus accrued and unpaid interest, if any, to (but not including) the redemption date (subject to the right of holders of record on the relevant regular record date on or prior to the redemption date to receive interest due on an interest payment date), if redeemed during the twelve-month period commencing on July 1 of the following years:

Year	Redemption Price
2019	106.250%
2020	103.125%
2021 and thereafter	100.000%

In addition, at any time prior to July 1, 2019, the Issuers may redeem up to 35% of the aggregate principal amount of the 2022 Senior Secured Notes with the proceeds of certain equity offerings at a redemption price of 112.500% of the principal amount redeemed, plus accrued and unpaid interest, if any, to (but not including) the date of redemption; provided, however, that 2022 Senior Secured Notes representing at least 65% of the principal amount of the 2022 Senior Secured Notes remain outstanding immediately after each such redemption.

The Issuers may redeem the 2022 Senior Secured Notes, in whole or in part, at any time prior to July 1, 2019, at a redemption price equal to 100% of the principal amount of the 2022 Senior Secured Notes redeemed plus the make-whole premium set forth in the Indenture as of, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date.

The Indenture contains covenants that, among other things, limit the ability of the Issuers and the Subsidiary Guarantors and, in certain circumstances, our ability, to: incur additional indebtedness; pay dividends, redeem stock

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

or make other distributions; make investments; create restrictions on the ability of our restricted subsidiaries to pay dividends to the Issuers or make other intercompany transfers; create liens; transfer or sell assets; merge or consolidate; and enter into certain transactions with the Issuers' affiliates, including us. Most of these covenants will cease to apply if, and for as long as, the 2022 Senior Secured Notes have investment grade ratings from both Moody's Investment Services, Inc. and Standard & Poor's.

If we or the Issuers undergo specific types of change of control prior to July 1, 2022, GIH is required to make an offer to repurchase for cash all of the 2022 Senior Secured Notes at a repurchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the payment date.

The Indenture provides for events of default, which, if any of them occur, would permit or require the principal, premium, if any, and interest on all of the then outstanding 2022 Senior Secured Notes issued under the Indenture to be due and payable immediately. As of March 31, 2019, no event of default had occurred.

On April 15, 2019, the Issuers elected to call for redemption in full all \$690.0 million aggregate principal amount outstanding of the 2022 Senior Secured Notes in accordance with the terms of the Indenture (the "Redemption"). The Redemption was conditioned, among other things, upon the incurrence of indebtedness in connection with the offering of the 2024 Senior Secured Notes (as defined below) or from one or more other sources, in an amount satisfactory to the Issuers. On April 25, 2019, the Issuers irrevocably deposited or caused to be irrevocably deposited with the Trustee, solely for the benefit of the holders of the 2022 Senior Secured Notes, cash in an amount sufficient to pay principal, premium and accrued interest on the 2022 Senior Secured Notes to, but not including, the date of redemption and all other sums payable under the Indenture. The Trustee executed and delivered, among other documents, an acknowledgement of satisfaction, discharge and release, dated as of April 25, 2019, with respect to the satisfaction and discharge of the 2022 Senior Secured Notes. The 2022 Senior Secured Notes will be redeemed on May 15, 2019 at a redemption price equal to 100% of the principal amount of the 2022 Senior Secured Notes to be redeemed plus a make-whole premium and accrued and unpaid interest to, but not including, the redemption date.

2024 Senior Secured Notes - On April 25, 2019, the Issuers issued \$905 million aggregate principal amount of 9.875% senior secured notes due 2024 (the "Initial Notes") under an indenture, dated as of April 25, 2019, among the Issuers, us, as guarantor, certain subsidiaries of GIH, as guarantors (the "2024 Subsidiary Guarantors" and, together with us, the "2024 Guarantors"), and U.S. Bank National Association, as trustee (the "Trustee") and collateral agent (the "Base Indenture"). On May 3, 2019, the Issuers, the 2024 Guarantors and the Trustee entered into the first supplemental indenture (the "First Supplemental Indenture" and together with the Base Indenture, the "2024 Indenture") to increase the amount of indebtedness under Credit Facilities (as defined in the 2024 Indenture) that may be incurred by GIH or its subsidiaries acting as 2024 Guarantors by \$20 million in aggregate principal amount. On May 7, 2019, the Issuers issued an additional \$20 million aggregate principal amount of their 9.875% senior secured notes due 2024 (the "Additional Notes"). We refer to the Initial Notes and the Additional Notes collectively as the "2024 Senior Secured Notes". The 2024 Senior Secured Notes are guaranteed on a senior secured basis by Gogo Inc. and all of GIH's existing and future restricted subsidiaries (other than the Co-Issuer), subject to certain exceptions. The 2024 Senior Secured Notes and the related guarantees are secured by first-priority liens (subject to certain exceptions) on substantially all of the Issuers' and the 2024 Guarantors' assets, including pledged equity interests of the Issuers and all of GIH's existing and future restricted subsidiaries guaranteeing the 2024 Senior Secured Notes, except for certain excluded assets and subject to permitted liens.

The 2024 Senior Secured Notes will mature on May 1, 2024. The 2024 Senior Secured Notes bear interest at a rate of 9.875% per year, payable semiannually in arrears on May 1 and November 1 of each year, beginning on November 1, 2019.

The Issuers used a portion of the net proceeds from the issuance of the Initial Notes to fund the redemption of all of the outstanding 2022 Senior Secured Notes. The Issuers intend to use the remaining net proceeds from the issuance of the Initial Notes for general corporate purposes, including the repurchase, retirement or repayment of the 2020 Convertible Notes (as defined below). The Issuers intend to use the net proceeds from the issuance of the Additional Notes for general corporate purposes.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Convertible Notes

2022 Convertible Notes

On November 21, 2018, we issued \$215.0 million aggregate principal amount of 6.00% Convertible Senior Notes due 2022 (the “2022 Convertible Notes”) in private offerings to qualified institutional buyers, including pursuant to Rule 144A under the Securities Act, and in concurrent private placements. We granted an option to the initial purchasers to purchase up to an additional \$32.3 million aggregate principal amount of 2022 Convertible Notes to cover over-allotments, of which \$22.8 million was subsequently exercised during December 2018, resulting in a total issuance of \$237.8 million aggregate principal amount of 2022 Convertible Notes. The 2022 Convertible Notes mature on May 15, 2022, unless earlier repurchased or converted into shares of our common stock under certain circumstances described below. Upon maturity, we have the option to settle our obligation through cash, shares of common stock, or a combination of cash and shares of common stock. We pay interest on the 2022 Convertible Notes semi-annually in arrears on May 15 and November 15 of each year. Interest payments begin on May 15, 2019.

The \$237.8 million of proceeds received from the issuance of the 2022 Convertible Notes was initially allocated between long-term debt (the liability component) at \$188.7 million and additional paid-in capital (the equity component) at \$49.1 million, within the consolidated balance sheet. The fair value of the liability component was measured using rates determined for similar debt instruments without a conversion feature. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the aggregate face value of the 2022 Convertible Notes. If we or the note holders elect not to settle the debt through conversion, we must settle the 2022 Convertible Notes at face value. Therefore, the liability component will be accreted up to the face value of the 2022 Convertible Notes, which will result in additional non-cash interest expense being recognized in the unaudited condensed consolidated statements of operations through the 2022 Convertible Notes maturity date (see Note 10, “Interest Costs,” for additional information). The effective interest rate on the 2022 Convertible Notes, including accretion of the notes to par and debt issuance cost amortization, was approximately 13.6%. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

As of March 31, 2019 and December 31, 2018, the outstanding principal on the 2022 Convertible Notes was \$237.8 million and \$237.8 million, respectively, the unamortized debt discount was \$44.7 million and \$47.7 million, respectively, and the net carrying amount of the liability component was \$193.0 million and \$190.1 million, respectively.

We incurred approximately \$8.1 million of issuance costs related to the issuance of the 2022 Convertible Notes, of which \$6.4 million and \$1.7 million were recorded to deferred financing costs and additional paid-in capital, respectively, in proportion to the allocation of the proceeds of the 2022 Convertible Notes. The \$6.4 million recorded as deferred financing costs on our consolidated balance sheet is being amortized over the term of the 2022 Convertible Notes using the effective interest method. Total amortization expense of the deferred financing costs was \$0.4 million for the three month period ended March 31, 2019. Amortization expense is included in interest expense in the unaudited condensed consolidated statements of operations. As of March 31, 2019 and December 31, 2018, the balance of unamortized deferred financing costs related to the 2022 Convertible Notes was \$5.8 million and \$6.2 million, respectively, and is included as a reduction to long-term debt in our consolidated balance sheets. See Note 10, “Interest Costs,” for additional information.

The 2022 Convertible Notes had an initial conversion rate of 166.6667 common shares per \$1,000 principal amount of 2022 Convertible Notes, which is equivalent to an initial conversion price of approximately \$6.00 per share of our common stock. Upon conversion, we currently expect to deliver cash up to the principal amount of the 2022 Convertible Notes then outstanding. With respect to any conversion value in excess of the principal amount, we currently expect to deliver shares of our common stock. We may elect to deliver cash in lieu of all or a portion of such shares. The shares of common stock subject to conversion are excluded from diluted earnings per share calculations under the if-converted method as their impact is anti-dilutive.

Holders may convert the 2022 Convertible Notes, at their option, in multiples of \$1,000 principal amount at any time prior to January 15, 2022, but only in the following circumstances:

- during any fiscal quarter beginning after the fiscal quarter ended December 31, 2018, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2022 Convertible Notes on each applicable trading day;

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

- during the five business day period following any five consecutive trading day period in which the trading price for the 2022 Convertible Notes is less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the 2022 Convertible Notes on each such trading day; or
- upon the occurrence of specified corporate events.

None of the above events allowing for conversion prior to January 15, 2022 occurred during the three month period ended March 31, 2019 or the year ended December 31, 2018. Regardless of whether any of the foregoing circumstances occurs, a holder may convert its 2022 Convertible Notes, in multiples of \$1,000 principal amount, at any time on or after January 15, 2022 until the second scheduled trading day immediately preceding May 15, 2022.

In addition, if we undergo a fundamental change (as defined in the indenture governing the 2022 Convertible Notes), holders may, subject to certain conditions, require us to repurchase their 2022 Convertible Notes for cash at a price equal to 100% of the principal amount of the 2022 Convertible Notes to be purchased, plus any accrued and unpaid interest. In addition, following a make-whole fundamental change, we will increase the conversion rate in certain circumstances for a holder who elects to convert its notes in connection with such make-whole fundamental change.

2020 Convertible Notes

On March 3, 2015, we issued \$340.0 million aggregate principal amount of 3.75% Convertible Senior Notes due 2020 (the “2020 Convertible Notes”) in a private offering to qualified institutional buyers, pursuant to Rule 144A under the Securities Act. We granted an option to the initial purchasers to purchase up to an additional \$60.0 million aggregate principal amount of 2020 Convertible Notes to cover over-allotments, of which \$21.9 million was subsequently exercised during March 2015, resulting in a total issuance of \$361.9 million aggregate principal amount of 2020 Convertible Notes. The 2020 Convertible Notes mature on March 1, 2020, unless earlier repurchased or converted into shares of our common stock under certain circumstances described below. Upon maturity, we have the option to settle our obligation through cash, shares of common stock, or a combination of cash and shares of common stock. We pay interest on the 2020 Convertible Notes semi-annually in arrears on March 1 and September 1 of each year. Interest payments began on September 1, 2015. During November 2018, we repurchased \$199.9 million of outstanding principal amount of the 2020 Convertible Notes. As a result of the repurchase, the carrying value of the 2020 Convertible Notes was accreted up \$17.9 million to face value.

The \$361.9 million of proceeds received from the issuance of the 2020 Convertible Notes was initially allocated between long-term debt (the liability component) at \$261.9 million and additional paid-in capital (the equity component) at \$100.0 million, within the consolidated balance sheet. The fair value of the liability component was measured using rates determined for similar debt instruments without a conversion feature. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the aggregate face value of the 2020 Convertible Notes. If we or the note holders elect not to settle the debt through conversion, we must settle the 2020 Convertible Notes at face value. Therefore, the liability component will be accreted up to the face value of the 2020 Convertible Notes, which will result in additional non-cash interest expense being recognized in the unaudited condensed consolidated statements of operations through the 2020 Convertible Notes maturity date (see Note 10, “Interest Costs,” for additional information). The effective interest rate on the 2020 Convertible Notes, including accretion of the notes to par and debt issuance cost amortization, was approximately 11.5%. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

As of March 31, 2019 and December 31, 2018, the outstanding principal on the 2020 Convertible Notes was \$162.0 million and \$162.0 million, respectively, the unamortized debt discount was \$10.2 million and \$12.8 million, respectively, and the net carrying amount of the liability component was \$151.8 million and \$149.2 million, respectively.

We incurred approximately \$10.4 million of issuance costs related to the issuance of the 2020 Convertible Notes, of which \$7.5 million and \$2.9 million were recorded to deferred financing costs and additional paid-in capital, respectively, in proportion to the allocation of the proceeds of the 2020 Convertible Notes. The \$7.5 million recorded as deferred financing costs on our consolidated balance sheet is being amortized over the term of the 2020 Convertible Notes using the effective interest method. Total amortization expense of the deferred financing costs was \$0.2 million and \$0.4 million, respectively, for the three month periods ended March 31, 2019 and 2018. Amortization expense is included in interest expense in the unaudited condensed consolidated statements of operations. As of March 31, 2019 and December 31, 2018, the balance of unamortized deferred financing costs related to the 2020 Convertible Notes was \$0.7 million and \$0.9 million, respectively, and is included as a reduction to long-term debt in our consolidated balance sheets. See Note 10, “Interest Costs,” for additional information.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

The 2020 Convertible Notes had an initial conversion rate of 41.9274 common shares per \$1,000 principal amount of 2020 Convertible Notes, which is equivalent to an initial conversion price of approximately \$23.85 per share of our common stock. Upon conversion, we currently expect to deliver cash up to the principal amount of the 2020 Convertible Notes then outstanding. With respect to any conversion value in excess of the principal amount, we currently expect to deliver shares of our common stock. We may elect to deliver cash in lieu of all or a portion of such shares. The shares of common stock subject to conversion are excluded from diluted earnings per share calculations under the if-converted method as their impact is anti-dilutive.

Holders may convert the 2020 Convertible Notes, at their option, in multiples of \$1,000 principal amount at any time prior to December 1, 2019, but only in the following circumstances:

- during any fiscal quarter beginning after the fiscal quarter ended June 30, 2015, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2020 Convertible Notes on each applicable trading day;
- during the five business day period following any five consecutive trading day period in which the trading price for the 2020 Convertible Notes is less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the 2020 Convertible Notes on each such trading day; or
- upon the occurrence of specified corporate events.

None of the above events allowing for conversion prior to December 1, 2019 occurred during the three month period ended March 31, 2019 or the year ended December 31, 2018. Regardless of whether any of the foregoing circumstances occurs, a holder may convert its 2020 Convertible Notes, in multiples of \$1,000 principal amount, at any time on or after December 1, 2019 until maturity.

In addition, if we undergo a fundamental change (as defined in the indenture governing the 2020 Convertible Notes), holders may, subject to certain conditions, require us to repurchase their 2020 Convertible Notes for cash at a price equal to 100% of the principal amount of the 2020 Convertible Notes to be purchased, plus any accrued and unpaid interest. In addition, if specific corporate events occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its 2020 Convertible Notes in connection with such a corporate event in certain circumstances.

On April 18, 2019, we commenced a cash tender offer (the “Tender Offer”) to purchase any and all of the outstanding 2020 Convertible Notes for an amount equal to \$1,000 per \$1,000 principal amount of 2020 Convertible Notes purchased, plus accrued and unpaid interest from the last interest payment date on the 2020 Convertible Notes to, but not including, the date of payment for the 2020 Convertible Notes accepted in the Tender Offer. The Tender Offer will expire at 11:59 p.m., Eastern time, on May 15, 2019, or any other date and time to which we extend such Tender Offer, unless earlier terminated. We expect to finance the payment of the purchase price for any 2020 Convertible Notes validly tendered in the Tender Offer and accepted for purchase by us with the proceeds we received from the issuance of the 2024 Senior Secured Notes and cash on hand. The Tender Offer is not conditioned upon a minimum amount of 2020 Convertible Notes being tendered and we cannot assure that the Tender Offer will be subscribed for in any amount.

Forward Transactions

In connection with the issuance of the 2020 Convertible Notes, we paid approximately \$140 million to enter into prepaid forward stock repurchase transactions (the “Forward Transactions”) with certain financial institutions (the “Forward Counterparties”), pursuant to which we purchased approximately 7.2 million shares of common stock for settlement on or around the March 1, 2020 maturity date for the 2020 Convertible Notes, subject to the ability of each Forward Counterparty to elect to settle all or a portion of its Forward Transactions early. In the future, we may request that any Forward Counterparty modify the settlement terms of its Forward Transaction to provide that, in lieu of the delivery of the applicable number of shares of our common stock to us to settle a portion of its Forward Transaction in accordance with its terms, such Forward Counterparty would pay to us the net proceeds from the sale by such Forward Counterparty (or its affiliate) of a corresponding number of shares of our common stock in a registered offering (which may include block sales, sales on the NASDAQ Global Select Market, sales in the over-the-counter

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

market, sales pursuant to negotiated transactions or otherwise, at market prices prevailing at the time of sale or at negotiated prices). Any such sales could potentially decrease (or reduce the size of any increase in) the market price of our common stock. The Forward Counterparties are not required to effect any such settlement in cash in lieu of delivery of shares of our common stock and, if we request for any Forward Counterparty to effect any such settlement, it will be entered into in the discretion of the applicable Forward Counterparty on such terms as we may agree with such Forward Counterparty at the time. As a result of the Forward Transactions, total shareholders' equity within our consolidated balance sheet was reduced by approximately \$140 million. Approximately 7.2 million shares of common stock that will be effectively repurchased through the Forward Transactions are treated as retired shares for basic and diluted EPS purposes although they remain legally outstanding.

Restricted Cash - Our restricted cash balances were \$7.0 million and \$7.0 million, respectively, as of March 31, 2019 and December 31, 2018 and primarily consist of letters of credit. Certain of the letters of credit require us to maintain restricted cash accounts in a similar amount, and are issued for the benefit of the landlords at our current office locations in Chicago, IL, Bensenville, IL and Broomfield, CO.

10. Interest Costs

We capitalize a portion of our interest on funds borrowed during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and amortized over the useful lives of the assets.

The following is a summary of our interest costs for the three month periods ended March 31, 2019 and 2018 (*in thousands*):

	For the Three Months Ended March 31,	
	2019	2018
Interest costs charged to expense	\$26,531	\$24,980
Amortization of deferred financing costs	1,249	1,035
Accretion of debt discount on Convertible Notes	5,534	5,224
Amortization of debt premium on Senior Secured Notes	(760)	(685)
Interest expense	32,554	30,554
Interest costs capitalized to property and equipment	4	12
Interest costs capitalized to software	125	32
Total interest costs	<u>\$32,683</u>	<u>\$30,598</u>

11. Leases

Operating and Financing Leases — We identify whether a contract contains a lease at contract inception. For leases subsequent to adoption of ASC 842, lease liabilities are calculated using a discount rate based on our incremental borrowing rate at lease commencement. We have operating lease agreements for certain facilities and equipment as well as tower space and base stations. Certain tower space leases have renewal option terms that have been deemed to be reasonably certain to be exercised. These renewal options extend a lease up to 20 years. We recognize operating lease expense on a straight-line basis over the lease term. As of March 31, 2019, there are no significant leases which have not commenced.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

The following is a summary of our lease expense included in the unaudited condensed consolidated statements of operations (*in thousands*):

	For the Three Months Ended March 31, 2019
Operating lease cost	\$ 4,918
Financing lease cost	
Amortization of leased assets	205
Interest on lease liabilities	11
Total lease cost	\$ 5,134

Other information regarding our leases is as follows (*in thousands, except lease terms and discount rates*):

	For the Three Months Ended March 31, 2019
Supplemental cash flow information	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows used in operating leases	\$ 6,117
Operating cash flows used in financing leases	11
Financing cash flows used in financing leases	125
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	279
Weighted average remaining lease term	
Operating leases	9 years
Financing leases	1 year
Weighted average discount rate	
Operating leases	10.3%
Financing leases	8.7%

Annual future minimum lease payments as of March 31, 2019 (*in thousands*):

	Operating Leases	Financing Leases
Years ending December 31,		
2019 (period from April 1 to December 31)	\$ 16,966	\$ 550
2020	21,192	206
2021	20,870	—
2022	19,441	—
2023	15,606	—
Thereafter	76,900	—
Total future minimum lease payments	170,975	756
Less: Amount representing interest	(59,520)	(28)
Present value of net minimum lease payments	<u>\$111,455</u>	<u>\$ 728</u>
Reported as of March 31, 2019		
Accrued liabilities	\$ 11,585	\$ 584
Non-current operating lease liabilities	99,870	—
Other non-current liabilities	—	144
Total lease liabilities	<u>\$111,455</u>	<u>\$ 728</u>

As of December 31, 2018, annual future minimum obligations for operating leases for each of the next five years and thereafter, were as follows (*in thousands*):

	Operating Leases
Years ending December 31,	
2019	\$ 21,902
2020	\$ 19,867
2021	\$ 19,742
2022	\$ 18,420
2023	\$ 14,826
Thereafter	\$ 78,100

Arrangements with Commercial Airlines — Pursuant to contractual agreements with our airline partners, we place our equipment on commercial aircraft operated by the airlines for the purpose of delivering our service to passengers on the aircraft. There are currently two types of commercial airline arrangements: turnkey and airline-directed.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Under the turnkey model, we account for equipment transactions as operating leases of space for our equipment on the aircraft. We may be responsible for the costs of installing and/or deinstalling the equipment. Under the turnkey model, the equipment transactions involve the transfer of legal title but do not meet sales recognition for accounting purposes because the risks and rewards of ownership are not fully transferred due to our continuing involvement with the equipment, the length of the term of our agreements with the airlines, and restrictions in the agreements regarding the airlines' use of the equipment. Under the turnkey model, we refer to the airline as a "partner."

Under the turnkey model, the assets are recorded as airborne equipment on our unaudited condensed consolidated balance sheets, as noted in Note 6, "Composition of Certain Balance Sheet Accounts." Any upfront equipment payments are accounted for as lease incentives and recorded as deferred airborne lease incentives on our unaudited condensed consolidated balance sheets and are recognized as a reduction of the cost of service revenue on a straight-line basis over the term of the agreement with the airline. We recognized \$9.0 million and \$7.6 million, respectively, for the three month periods ended March 31, 2019 and 2018 as a reduction to our cost of service revenue in our unaudited condensed consolidated statements of operations. As of March 31, 2019, deferred airborne lease incentives of \$22.7 million and \$131.7 million, respectively, are included in current and non-current liabilities in our unaudited condensed consolidated balance sheet. As of December 31, 2018, deferred airborne lease incentives of \$24.1 million and \$129.1 million, respectively, are included in current and non-current liabilities in our unaudited condensed consolidated balance sheet. The decrease in our deferred airborne lease incentives and the amortization of the deferred airborne lease incentives relate to the accounting impact of the transition of one of our airline agreements to the airline-directed model. See Note 1, "Basis of Presentation," for additional information.

Under the turnkey model, the revenue share paid to our airline partners represents operating lease payments. They are deemed to be contingent rental payments, as the payments due to each airline are based on a percentage of our CA-NA and CA-ROW service revenue generated from that airline's passengers, which is unknown until realized. Therefore, we cannot estimate the lease payments due to an airline at the commencement of our contract with such airline. This rental expense is included in cost of service revenue and is partially offset by the amortization of the deferred airborne lease incentives discussed above. Such rental expenses totaled a net charge of \$3.7 million and \$6.4 million, respectively, for the three month periods ended March 31, 2019 and 2018. The decrease in rental expense was due to the transition of one of our airline agreements to the airline-directed model. See Note 1, "Basis of Presentation," for additional information.

12. Commitments and Contingencies

Contractual Commitments - We have agreements with vendors to provide us with transponder and teleport satellite services. These agreements vary in length and amount and as of March 31, 2019 commit us to purchase transponder and teleport satellite services totaling approximately \$77.3 million in 2019 (April 1 through December 31), \$95.2 million in 2020, \$81.3 million in 2021, \$67.6 million in 2022, \$58.8 million in 2023 and \$159.0 million thereafter.

We have agreements with various vendors under which we have remaining commitments to purchase satellite-based systems, certifications and development services. Such commitments will become payable as we receive the equipment or certifications, or as development services are provided.

A contract with one of our airline customers required us to provide the airline customer with a cash rebate of \$1.8 million in June 2018, which has not yet been paid.

Damages and Penalties - We have entered into a number of agreements with our airline partners that require us to provide a credit or pay penalties or liquidated damages to our airline partners if we are delayed in delivering our equipment, unable to install our equipment on aircraft by specified timelines or fail to comply with service level commitments. The maximum amount of future credits or payments we could be required to make under these agreements is uncertain because the amount of future credits or payments is based on certain variable inputs.

Indemnifications and Guarantees - In accordance with Delaware law, we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The maximum potential amount of future payments we could be required to make under this indemnification is uncertain and may be unlimited, depending upon circumstances. However, our Directors' and Officers' insurance does provide coverage for certain of these losses.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

In the ordinary course of business we may occasionally enter into agreements pursuant to which we may be obligated to pay for the failure of the performance of others, such as the use of corporate credit cards issued to employees. Based on historical experience, we believe that the risk of sustaining any material loss related to such guarantees is remote.

We have entered into a number of agreements, including our agreements with commercial airlines, pursuant to which we indemnify the other party for losses and expenses suffered or incurred in connection with any patent, copyright, or trademark infringement or misappropriation claim asserted by a third party with respect to our equipment or services. The maximum potential amount of future payments we could be required to make under these indemnification agreements is uncertain and is typically not limited by the terms of the agreements.

Linksmart Litigation - On April 20, 2018, Linksmart Wireless Technology, LLC filed suit against us and eight of our airline partners in the U.S. District Court for the Central District of California alleging that our redirection server and login portal infringe a patent owned by the plaintiff. We are required under our contracts with these airlines to indemnify them for defense costs and any liabilities resulting from the suit. The Court has stayed the suits against our airline customers pending resolution of the suit against Gogo. Linksmart has also filed suit against other defendants asserting the same patent. One of these defendants has filed an inter parties review against the asserted patent and must meet a certain threshold to continue. Linksmart sought to stay the suit against Gogo until the earlier of (i) a decision by the U.S. Patent and Trade Office that the threshold for review has not been met and that the review may not continue or (ii) if the review continues, its resolution. We agreed and the court has granted our request to stay our case until the first to occur of such events. Cases against the other defendants have also been stayed pending the inter parties review. The outcome of the inter parties review and this matter overall is inherently uncertain. No amounts have been accrued for any potential losses under this matter, as we cannot reasonably predict the outcome of the litigation or any potential losses.

Securities Litigation - On June 27, 2018, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Northern District of Illinois, Eastern Division styled *Pierrelouis v. Gogo Inc.*, naming the Company, its former Chief Executive Officer and Chief Financial Officer and its current Chief Financial Officer and President, Commercial Aviation as defendants purportedly on behalf of all purchasers of our securities from February 27, 2017 through May 4, 2018. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by us purporting to relate to our 2Ku antenna's reliability and installation and remediation costs. The plaintiffs seek to recover from us and the individual defendants an unspecified amount of damages. In December 2018 the plaintiffs filed an amended complaint and in February 2019, we filed a motion to dismiss such amended complaint. In April 2019 the plaintiffs filed a response to our motion. We intend to file a reply in May 2019 at which time the motion will be submitted to the Court for a ruling. We believe that the claims are without merit and intend to defend them vigorously. In accordance with Delaware law, we will indemnify the individual named defendants for their defense costs and any damages they incur in connection with the suit. We have filed a claim with the issuer of our Directors' and Officers' insurance policy with respect to this suit. No amounts have been accrued for any potential losses under this matter, as we cannot reasonably predict the outcome of the litigation or any potential losses.

Derivative Litigation - On September 25, 2018 and September 26, 2018, two purported stockholders of the Company filed substantively identical derivative lawsuits in the United States District Court for the Northern District of Illinois, Eastern Division, styled *Nanduri v. Gogo Inc.* and *Hutsenpiller v. Gogo Inc.*, respectively. Both lawsuits were purportedly brought derivatively on behalf of us and name us as a nominal defendant and name as defendants each member of the Company's Board of Directors, its former Chief Executive Officer and Chief Financial Officer and its current Chief Executive Officer, Chief Financial Officer and President, Commercial Aviation. The complaints assert claims under Section 14(a) of the Securities Exchange Act of 1934, breach of fiduciary duty, unjust enrichment, and waste of corporate assets, and allege misrepresentations or omissions by us purporting to relate to our 2Ku antenna's reliability and installation and remediation costs, as well as allegedly excessive bonuses, stock options, and other compensation paid to current Officers and Directors and excessive severance paid to former Officers. The two lawsuits were consolidated and are stayed pending the Court's ruling on the motion to dismiss in the class action suit. We believe that the claims are without merit and intend to defend them vigorously. The plaintiffs seek to recover, on our behalf, an unspecified amount of damages from the individual defendants. We have filed a claim with the issuer of our Directors' and Officers' insurance policy with respect to these suits. No amounts have been accrued for any potential costs under this matter, as we cannot reasonably predict the outcome of the litigation or any potential costs.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

13. Fair Value of Financial Assets and Liabilities

A three-tier fair value hierarchy has been established which prioritizes the inputs used in measuring fair value. These tiers include:

- *Level 1* - defined as observable inputs such as quoted prices in active markets;
- *Level 2* - defined as observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- *Level 3* - defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Long-Term Debt:

Our financial assets and liabilities that are disclosed but not measured at fair value include the 2022 Senior Secured Notes, the 2022 Convertible Notes and the 2020 Convertible Notes, which are reflected on the unaudited condensed consolidated balance sheet at cost. The fair value measurements are classified as Level 2 within the fair value hierarchy since they are based on quoted market prices of our instruments in markets that are not active. We estimated the fair value of the 2022 Senior Secured Notes, 2022 Convertible Notes and 2020 Convertible Notes by calculating the upfront cash payment a market participant would require to assume these obligations. The upfront cash payment used in the calculations of fair value on our March 31, 2019 unaudited condensed consolidated balance sheet, excluding any issuance costs, is the amount that a market participant would be willing to lend at March 31, 2019 to an entity with a credit rating similar to ours and achieve sufficient cash inflows to cover the scheduled cash outflows under the 2022 Senior Secured Notes, the 2022 Convertible Notes and the 2020 Convertible Notes. The calculated fair value of our 2022 Convertible Notes and 2020 Convertible Notes is correlated to our stock price and as a result, significant changes to our stock price could have a significant impact on their calculated fair values.

The fair value and carrying value of long-term debt as of March 31, 2019 and December 31, 2018 were as follows (*in thousands*):

	March 31, 2019		December 31, 2018	
	Fair Value ⁽¹⁾	Carrying Value	Fair Value ⁽¹⁾	Carrying Value
2022 Senior Secured Notes	\$ 745,000	\$701,910 ⁽²⁾	\$ 737,000	\$702,670 ⁽²⁾
2022 Convertible Notes	236,000	193,012 ⁽³⁾	216,000	190,083 ⁽³⁾
2020 Convertible Notes	157,000	151,800 ⁽⁴⁾	150,000	149,195 ⁽⁴⁾

- (1) Fair value amounts are rounded to the nearest million.
(2) Carrying value of the 2022 Senior Secured Notes includes unamortized debt premium and Consent Fees of \$11.9 million and \$12.7 million, respectively, as of March 31, 2019 and December 31, 2018. See Note 9, “Long-Term Debt and Other Liabilities,” for further information.
(3) Carrying value of the 2022 Convertible Notes excludes unamortized debt discount of \$44.7 million and \$47.7 million, respectively, as of March 31, 2019 and December 31, 2018. See Note 9, “Long-Term Debt and Other Liabilities,” for further information.
(4) Carrying value of the 2020 Convertible Notes excludes unamortized debt discount of \$10.2 million and \$12.8 million, respectively, as of March 31, 2019 and December 31, 2018. See Note 9, “Long-Term Debt and Other Liabilities,” for further information.

We have held-to-maturity financial instruments where carrying value approximates fair value. There were no fair value adjustments to these financial instruments during the three month periods ended March 31, 2019 and 2018.

14. Income Tax

The effective income tax rates for the three month periods ended March 31, 2019 and 2018 were (1.2%) and 12.0%, respectively. For the three month period ended March 31, 2019, our income tax expense was not significant primarily due to the recording of a valuation allowance against our net deferred tax assets. An income tax benefit was recorded for the three month period ended March 31, 2018 resulting from a reduction in our valuation allowance of approximately \$4.0 million due to the application of provisions of H.R. 1, commonly known as the Tax Cuts and Jobs Act (“U.S. Tax Reform”), to our evaluation of our deferred tax assets.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

We are subject to income taxation in the United States, various states within the United States, Canada, Switzerland, Japan, Mexico, Brazil, Singapore, the United Kingdom, Hong Kong, Australia, China, India, France, Germany and the Netherlands. With few exceptions, as of March 31, 2019, we are no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2015.

We record penalties and interest relating to uncertain tax positions in the income tax provision line item in the unaudited condensed consolidated statement of operations. No penalties or interest related to uncertain tax positions were recorded for the three month periods ended March 31, 2019 and 2018. As of March 31, 2019 and December 31, 2018, we did not have a liability recorded for interest or potential penalties.

We do not expect a change in the unrecognized tax benefits within the next 12 months.

15. Business Segments and Major Customers

We operate our business through three operating segments: Commercial Aviation North America, or “CA-NA,” Commercial Aviation Rest of World, or “CA-ROW,” and Business Aviation, or “BA.” See Note 1, “Basis of Presentation,” for further information regarding our segments.

The accounting policies of the operating segments are the same as those described in Note 2, “Summary of Significant Accounting Policies,” in our 2018 10-K. Intercompany transactions between segments are excluded as they are not included in management’s performance review of the segments. For the three month periods ended March 31, 2019 and 2018, our foreign revenue accounted for less than 15% of our consolidated revenue. We do not segregate assets between segments for internal reporting. Therefore, asset-related information has not been presented. Additionally, assets outside of the United States totaled less than 15% of our unaudited condensed consolidated assets as of March 31, 2019 and December 31, 2018, respectively. For our airborne assets, we consider only those assets installed in aircraft associated with international commercial airline partners to be owned outside of the United States.

Management evaluates performance and allocates resources to each segment based on segment profit (loss), which is calculated internally as net income (loss) attributable to common stock before interest expense, interest income, income taxes, depreciation and amortization, certain non-cash items (including amortization of deferred airborne lease incentives, stock-based compensation expense, amortization of STC costs and the accounting impact of the transition to the airline-directed model) and other income (expense). Segment profit (loss) is a measure of performance reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and evaluating segment performance. In addition, segment profit (loss) is included herein in conformity with ASC 280-10, *Segment Reporting*. Management believes that segment profit (loss) provides useful information for analyzing and evaluating the underlying operating results of each segment. However, segment profit (loss) should not be considered in isolation or as a substitute for net income (loss) attributable to common stock or other measures of financial performance prepared in accordance with GAAP. Additionally, our computation of segment profit (loss) may not be comparable to other similarly titled measures computed by other companies.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

Information regarding our reportable segments is as follows (*in thousands*):

	For the Three Months Ended March 31, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue	\$ 92,027	\$ 19,772	\$53,213	\$165,012
Equipment revenue	4,042	13,159	17,336	34,537
Total revenue	<u>\$ 96,069</u>	<u>\$ 32,931</u>	<u>\$70,549</u>	<u>\$199,549</u>
Segment profit (loss)	<u>\$ 23,542</u>	<u>\$(19,149)</u>	<u>\$33,498</u>	<u>\$ 37,891</u>

	For the Three Months Ended March 31, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue	\$ 88,783	\$ 14,245	\$47,650	\$150,678
Equipment revenue ⁽¹⁾	55,038	4,924	21,185	81,147
Total revenue	<u>\$143,821</u>	<u>\$ 19,169</u>	<u>\$68,835</u>	<u>\$231,825</u>
Segment profit (loss)	<u>\$ 1,656</u>	<u>\$(22,605)</u>	<u>\$32,323</u>	<u>\$ 11,374</u>

(1) CA-NA equipment revenue for the three month period ended March 31, 2018 includes the accounting impact of the transition of one of our airline partners to the airline-directed model. See Note 1, “Basis of Presentation,” for additional information.

A reconciliation of segment profit (loss) to the relevant consolidated amounts is as follows (*in thousands*):

	For the Three Months Ended March 31,	
	2019	2018
CA-NA segment profit	\$ 23,542	\$ 1,656
CA-ROW segment loss	(19,149)	(22,605)
BA segment profit	33,498	32,323
Total segment profit	37,891	11,374
Interest income	1,149	1,076
Interest expense	(32,554)	(30,554)
Depreciation and amortization	(30,749)	(35,919)
Transition to airline-directed model	—	19,302
Amortization of deferred airborne lease incentives ⁽¹⁾	8,953	7,630
Amortization of STC costs	(320)	(172)
Stock-based compensation expense	(4,327)	(4,386)
Other income	3,365	505
Loss before income taxes	<u>\$(16,592)</u>	<u>\$(31,144)</u>

(1) Amortization of deferred airborne lease incentive relates to our CA-NA and CA-ROW segments. See Note 11, “Leases,” for further information.

Major Customers and Airline Partnerships — Under the turnkey model, we refer to the airline as a “partner”, and under the airline-directed model, we refer to the airline as a “customer.”

Revenue earned from passengers on aircraft operated by Delta Air Lines accounted for approximately 29% and 20% of consolidated revenue, respectively, for the three month periods ended March 31, 2019 and 2018. Delta Air Lines accounted for approximately 11% of consolidated accounts receivable as of March 31, 2019 and December 31, 2018.

During the three month periods ended March 31, 2019 and 2018, American Airlines accounted for approximately 10% and 36% of consolidated revenue, respectively. Revenue earned from American Airlines for the three month period ended March 31, 2018 included \$45.4 million of equipment revenue recognized due to the airline’s transition to the airline-directed model in January 2018. See Note 1, “Basis of Presentation,” for additional information. American Airlines accounted for approximately 11% of consolidated accounts receivable as of December 31, 2018.

Gogo Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

16. Employee Retirement and Postretirement Benefits

Stock-Based Compensation — As of March 31, 2019, we maintained three stock-based employee compensation plans (“Stock Plans”). See Note 11, “Stock-Based Compensation,” in our 2018 10-K for further information regarding these plans. Most of our equity grants are awarded on an annual basis.

For the three month period ended March 31, 2019, options to purchase 1,302,928 shares of common stock (of which 148,500 are options that contain a market condition and 50,000 contain a performance condition, in addition to the time-based vesting requirements) were granted, no options to purchase shares of common stock were exercised, options to purchase 111,963 (of which 111,963 options contain a market condition) shares of common stock were forfeited, and options to purchase 5,225 shares of common stock expired.

For the three month period ended March 31, 2019, 1,946,799 Restricted Stock Units (“RSUs”) (of which 86,000 are RSUs that contain a market condition and 50,000 contain a performance condition, in addition to the time-based vesting requirements) were granted, 207,188 RSUs vested and 107,027 RSUs (of which 29,904 contained a market condition) were forfeited.

For the three month period ended March 31, 2019, 36,145 restricted shares vested. These shares are deemed issued as of the date of grant, but not outstanding until they vest.

For the three month period ended March 31, 2019, 53,448 Deferred Stock Units were granted and vested.

For the three month period ended March 31, 2019, 75,253 shares of common stock were issued under the employee stock purchase plan.

The following is a summary of our stock-based compensation expense by operating expense line in the unaudited condensed consolidated statements of operations (*in thousands*):

	For the Three Months	
	Ended March 31,	
	2019	2018
Cost of service revenue	\$ 428	\$ 434
Cost of equipment revenue	71	54
Engineering, design and development	774	910
Sales and marketing	970	1,082
General and administrative	<u>2,084</u>	<u>1,906</u>
Total stock-based compensation expense	<u>\$ 4,327</u>	<u>\$ 4,386</u>

401(k) Plan — Under our 401(k) plan, all employees who are eligible to participate are entitled to make tax-deferred contributions, subject to Internal Revenue Service limitations. We match 100% of the employee’s first 4% of contributions made, subject to annual limitations. Our matching contributions were \$1.2 million and \$1.2 million, respectively, during the three month periods ended March 31, 2019 and 2018.

17. Research and Development Costs

Expenditures for research and development are charged to expense as incurred and totaled \$14.1 million and \$19.2 million, respectively, during the three month periods ended March 31, 2019 and 2018. Research and development costs are reported as a component of engineering, design and development expenses in our unaudited condensed consolidated statements of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding our business outlook, industry, business strategy, plans, goals and expectations concerning our market position, international expansion, future technologies, future operations, margins, profitability, future efficiencies, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words “anticipate,” “assume,” “believe,” “budget,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “future” and the negative of these or similar terms and phrases are intended to identify forward-looking statements in this Quarterly Report on Form 10-Q.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the following:

- the loss of, or failure to realize the anticipated benefits from, agreements with our airline partners or customers on a timely basis or any failure to renew any existing agreements upon expiration or termination;
- the failure to maintain airline and passenger satisfaction with our equipment or our service;
- any inability to timely and efficiently deploy our 2Ku service or develop and deploy the technology to which our ATG network evolves or other components of our technology roadmap for any reason, including technological issues and related remediation efforts, changes in regulations or regulatory delays or failures affecting us or our suppliers, some of whom are single source, or the failure by our airline partners or customers to roll out equipment upgrades or new services or adopt new technologies in order to support increased network capacity demands;
- the timing of deinstallation of our equipment from aircraft, including deinstallations resulting from aircraft retirements and other deinstallations permitted by certain airline contract provisions;
- the loss of relationships with original equipment manufacturers or dealers;
- our ability to make our equipment factory linefit available on a timely basis;
- our ability to develop or purchase ATG and satellite network capacity sufficient to accommodate current and expected growth in passenger demand in North America and internationally as we expand;
- our reliance on third-party suppliers, some of whom are single source, for satellite capacity and other services and the equipment we use to provide services to commercial airlines and their passengers and business aviation customers;
- unfavorable economic conditions in the airline industry and/or the economy as a whole;
- governmental action restricting trade with China or other foreign countries;
- our ability to expand our international or domestic operations, including our ability to grow our business with current and potential future airline partners and customers and the effect of shifts in business models;
- an inability to compete effectively with other current or future providers of in-flight connectivity services and other products and services that we offer, including on the basis of price, service performance and line-fit availability;
- our ability to successfully develop and monetize new products and services such as Gogo Vision and Gogo TV, including those that were recently released, are currently being offered on a limited or trial basis, or are in various stages of development;

[Table of Contents](#)

- our ability to certify and install our equipment and deliver our products and services, including newly developed products and services, on schedules consistent with our contractual commitments to customers;
- the failure of our equipment or material defects or errors in our software resulting in recalls or substantial warranty claims;
- a revocation of, or reduction in, our right to use licensed spectrum, the availability of other air-to-ground spectrum to a competitor or the repurposing by a competitor of other spectrum for air-to-ground use;
- our use of open source software and licenses;
- the effects of service interruptions or delays, technology failures and equipment failures or malfunctions arising from defects or errors in our software or defects in or damage to our equipment, including quality and performance issues related to de-icing fluid or other moisture entering our antennas;
- the limited operating history of our CA-ROW segment;
- contract changes and implementation issues resulting from decisions by airlines to transition from the turnkey model to the airline-directed model or vice versa;
- increases in our projected capital expenditures due to, among other things, unexpected costs incurred in connection with the roll-out of our technology roadmap or our international expansion;
- compliance with U.S. and foreign government regulations and standards, including those related to regulation of the Internet, including e-commerce or online video distribution changes, and the installation and operation of satellite equipment and our ability to obtain and maintain all necessary regulatory approvals to install and operate our equipment in the United States and foreign jurisdictions;
- our, or our technology suppliers', inability to effectively innovate;
- obsolescence of, and our ability to access, parts, products, equipment and support services compatible with our existing products and technologies;
- changes as a result of U.S. federal tax reform;
- costs associated with defending existing or future intellectual property infringement, securities and derivative litigation and other litigation or claims and any negative outcome or effect of pending or future litigation;
- our ability to protect our intellectual property;
- breaches of the security of our information technology network, resulting in unauthorized access to our customers' credit card information or other personal information;
- our substantial indebtedness;
- limitations and restrictions in the agreements governing our indebtedness and our ability to service our indebtedness;
- our ability to obtain additional financing for operations, or financing intended to refinance our existing indebtedness, on acceptable terms or at all;
- fluctuations in our operating results;
- our ability to attract and retain customers and to capitalize on revenue from our platform;
- the demand for and market acceptance of our products and services;
- changes or developments in the regulations that apply to us, our business and our industry, including changes or developments affecting the ability of passengers or airlines to use our in-flight connectivity services;

[Table of Contents](#)

- a future act or threat of terrorism, cyber-security attack or other events that could result in adverse regulatory changes or developments as referenced above, or otherwise adversely affect our business and industry;
- our ability to attract and retain qualified employees, including key personnel;
- the effectiveness of our marketing and advertising and our ability to maintain and enhance our brands;
- our ability to manage our growth in a cost-effective manner and integrate and manage acquisitions;
- compliance with anti-corruption laws and regulations in the jurisdictions in which we operate, including the Foreign Corrupt Practices Act and the (U.K.) Bribery Act 2010;
- restrictions on the ability of U.S. companies to do business in foreign countries, including, among others, restrictions imposed by the U.S. Office of Foreign Assets Control;
- difficulties in collecting accounts receivable;
- our ability to successfully implement our new enterprise resource planning system, our new integrated business plan and other improvements to systems, operations, strategy and procedures needed to support our growth; and
- other risks and factors listed under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the Securities Exchange Commission (“SEC”) on February 21, 2019 (the “2018 10-K”).

Any one of these factors or a combination of these factors could materially affect our financial condition or future results of operations and could influence whether any forward-looking statements contained in this report ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and you should not place undue reliance on them. All forward-looking statements speak only as of the date made and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition, while we do, from time to time, communicate with securities analysts, it is against our policy to disclose to them any material non-public information or other confidential information. Accordingly, stockholders should not assume that we agree with any statement or report issued by any analyst irrespective of the content of the statement or report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts, or opinions, such reports are not our responsibility.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our unaudited condensed consolidated interim financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q. Unless the context otherwise indicates or requires, the terms "we," "our," "us," "Gogo," and the "Company," as used in this report, refer to Gogo Inc. and its directly and indirectly owned subsidiaries as a combined entity, except where otherwise stated or where it is clear that the terms refer only to Gogo Inc. exclusive of its subsidiaries.

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" in the 2018 10-K and in "Special Note Regarding Forward-Looking Statements" in this report. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Our fiscal year ends December 31 and, unless otherwise noted, references to "years" or "fiscal" are for fiscal years ended December 31. See "—Results of Operations."

Company Overview

Gogo ("we," "us," "our") is the global leader in providing broadband connectivity solutions and wireless in-flight entertainment to the aviation industry. We operate through the following three segments: Commercial Aviation North America, or "CA-NA," Commercial Aviation Rest of World, or "CA-ROW," and Business Aviation, or "BA."

Services provided by our CA-NA and CA-ROW businesses include Passenger Connectivity, which allows passengers to connect to the Internet from their personal Wi-Fi-enabled devices; Passenger Entertainment, which offers passengers the opportunity to enjoy a broad selection of in-flight entertainment options on their personal Wi-Fi enabled devices; and Connected Aircraft Services ("CAS"), which offers airlines connectivity for various operations and currently include, among others, real-time credit card transaction processing, electronic flight bags and real-time weather information. Services are provided by CA-NA on commercial aircraft flying routes that generally begin and end within North America, which for this purpose includes the United States, Canada and Mexico. CA-ROW provides service on commercial aircraft operated by foreign-based commercial airlines and flights outside of North America for North American based commercial airlines. The routes included in our CA-ROW segment are those that begin and/or end outside of North America (as defined above) on which our international service is provided. BA provides in-flight Internet connectivity and other voice and data communications products and services and sells equipment for in-flight telecommunications to the business aviation market. BA services include Gogo Biz, our in-flight broadband service, Gogo Vision, our in-flight entertainment service, and satellite-based voice and data services through our strategic alliances with satellite companies.

Factors and Trends Affecting Our Results of Operations

We believe that our operating and business performance is driven by various factors that affect the commercial airline and business aviation industries, including trends affecting the travel industry and trends affecting the customer bases that we target, as well as factors that affect wireless Internet service providers and general macroeconomic factors. Key factors that may affect our future performance include:

- costs associated with the implementation of, and our ability to implement on a timely basis our technology roadmap, upgrades and installation of our ATG-4 and 2Ku technologies, the technology to which our ATG network evolves and other new technologies (including technological issues and related remediation efforts and failures or delays on the part of antenna and other equipment developers and providers, some of which are single source, or delays in obtaining STCs including as a result of any government shutdown), the roll-out of our satellite services, the potential licensing of additional spectrum, and the implementation of improvements to our network and operations as technology changes and we experience increased network capacity constraints;

[Table of Contents](#)

- costs associated with, and our ability to execute, our international expansion, including modifications of our network to accommodate satellite technology, development and implementation of new satellite-based technologies, the availability of satellite capacity, costs of satellite capacity to which we may have to commit well in advance, and our ability to obtain and comply with foreign telecommunications, aviation and other licenses and approvals necessary for our international operations;
- costs associated with managing a rapidly growing company;
- costs associated with, and our ability to obtain, sufficient capacity for heavily-trafficked areas in the United States and internationally, the costs of which we may have to commit to well in advance;
- the pace and extent of adoption of our service for use on domestic and international commercial aircraft by our current and new airline partners and customers;
- the number of aircraft in service in our markets, including consolidation of the airline industry or changes in fleet size by one or more of our commercial airline partners or BA fractional ownership customers;
- the economic environment and other trends that affect both business and leisure aviation travel;
- the extent of passengers' and aviation partners' adoption of our products and services, which is affected by, among other things, willingness to pay for the services that we provide, the quality and reliability of our products and services, changes in technology and competition from current competitors and new market entrants;
- our ability to enter into and maintain long-term connectivity arrangements with airline partners and customers, which depends on numerous factors including the real or perceived availability, quality and price of our services and product offerings as compared to those offered by our competitors;
- the impact of a change in business models and contract terms on the profitability of our connectivity agreements with airline partners, including as a result of changes in accounting standards;
- our ability to engage suppliers of equipment components and network services on a timely basis and on commercially reasonable terms;
- costs relating to the implementation of our ongoing integrated business planning process, including restructuring charges;
- continued demand for connectivity and proliferation of Wi-Fi enabled devices, including smartphones, tablets and laptops;
- changes in domestic or foreign laws, regulations or policies that affect our business or the business of our customers and suppliers;
- changes in laws, regulations and interpretations affecting telecommunications services, including those affecting our ability to maintain our licenses for ATG spectrum in the United States, obtain sufficient rights to use additional ATG spectrum and/or other sources of broadband connectivity to deliver our services, expand our service offerings and manage our network; and
- changes in laws, regulations and interpretations affecting aviation, including, in particular, changes that impact the design of our equipment and our ability to obtain required certifications for our equipment.

Recent Developments

2024 Senior Secured Notes - On April 25, 2019, Gogo Intermediate Holdings LLC (“GIH”) (a wholly owned subsidiary of Gogo Inc.) and Gogo Finance Co. Inc. (a wholly owned subsidiary of GIH) (the “Co-Issuer” and, together with GIH, the “Issuers”), issued \$905 million aggregate principal amount of 9.875% senior secured notes due 2024 (the “Initial Notes”) under an indenture, dated as of April 25, 2019 (the “Base Indenture”), among the Issuers, us, as guarantor, certain subsidiaries of GIH, as guarantors (the “2024 Subsidiary Guarantors” and, together with us, the “2024 Guarantors”), and U.S. Bank National Association, as trustee (in such capacity, the “Trustee”) and as collateral agent (in such capacity, the “Collateral Agent”). On May 3, 2019, the Issuers, the 2024 Guarantors and the Trustee entered into the first supplemental indenture (the “First Supplemental Indenture” and together with the Base Indenture, the “2024 Indenture”) to increase the amount of indebtedness under Credit Facilities (as defined in the 2024 Indenture) that may be incurred by GIH or its subsidiaries acting as 2024 Guarantors by \$20 million in aggregate principal amount. On May 7, 2019, the Issuers issued an additional \$20 million aggregate principal amount of their 9.875% senior secured notes due 2024 (the “Additional Notes”). We refer to the Initial Notes and the Additional Notes collectively as the “2024 Senior Secured Notes”. The 2024 Senior Secured Notes and the related guarantees are secured by first-priority liens (subject to certain exceptions) on substantially all of the Issuers’ and the 2024 Guarantors’ assets, including pledged equity interests of the Issuers and all of GIH’s existing and future restricted subsidiaries guaranteeing the 2024 Senior Secured Notes, except for certain excluded assets and subject to permitted liens.

The 2024 Senior Secured Notes will mature on May 1, 2024. The 2024 Senior Secured Notes bear interest at a rate of 9.875% per year, payable semiannually in arrears on May 1 and November 1 of each year, beginning on November 1, 2019.

The Issuers used a portion of the net proceeds from the issuance of the Initial Notes to fund the redemption of all of the Issuers’ outstanding 12.500% senior secured notes due 2022 (the “2022 Senior Secured Notes”). The Issuers intend to use the remaining net proceeds from the issuance of the Initial Notes for general corporate purposes, including the repurchase, retirement or repayment of our 2020 Convertible Notes (as defined below). The Issuers intend to use the net proceeds from the issuance of the Additional Notes for general corporate purposes.

Redemption – On April 15, 2019, the Issuers elected to call for redemption (the “Redemption”) in full all \$690.0 million aggregate principal amount outstanding of the 2022 Senior Secured Notes in accordance with the terms of the indenture governing the 2022 Senior Secured Notes (the “Indenture”). The Redemption was conditioned, among other things, upon the incurrence of indebtedness in connection with the offering of the 2024 Senior Secured Notes or from one or more other sources, in an amount satisfactory to the Issuers. On April 25, 2019, the Issuers irrevocably deposited or caused to be irrevocably deposited with the Trustee, solely for the benefit of the holders of the 2022 Senior Secured Notes, cash in an amount sufficient to pay principal, premium and accrued interest on the 2022 Senior Secured Notes to, but not including, the date of redemption and all other sums payable under the Indenture. The Trustee executed and delivered, among other documents, an acknowledgement of satisfaction, discharge and release, dated as of April 25, 2019, with respect to the satisfaction and discharge of the 2022 Senior Secured Notes. The 2022 Senior Secured Notes will be redeemed on May 15, 2019 at a redemption price equal to 100% of the principal amount of the 2022 Senior Secured Notes to be redeemed plus a make-whole premium and accrued and unpaid interest to, but not including, the redemption date.

Tender Offer – On April 18, 2019, we commenced a cash tender offer (the “Tender Offer”) to purchase any and all of the outstanding 3.75% convertible senior notes due 2020 (the “2020 Convertible Notes”) for an amount equal to \$1,000 per \$1,000 principal amount of 2020 Convertible Notes purchased, plus accrued and unpaid interest from the last interest payment date on the 2020 Convertible Notes to, but not including, the date of payment for the 2020 Convertible Notes accepted in the Tender Offer. The Tender Offer will expire at 11:59 p.m., Eastern time, on May 15, 2019, or any other date and time to which we extend such Tender Offer, unless earlier terminated. We expect to finance the payment of the purchase price for any 2020 Convertible Notes validly tendered in the Tender Offer and accepted for purchase by us with the proceeds we received from the issuance of the 2024 Senior Secured Notes and cash on hand. The Tender Offer is not conditioned upon a minimum amount of 2020 Convertible Notes being tendered and we cannot assure that the Tender Offer will be subscribed for in any amount.

See Note 9, “Long-Term Debt and Other Liabilities”, to our unaudited condensed consolidated financial statements for additional information.

[Table of Contents](#)**Key Business Metrics**

Our management regularly reviews financial and operating metrics, including the following key operating metrics for the CA-NA, CA-ROW and BA segments, to evaluate the performance of our business and our success in executing our business plan, make decisions regarding resource allocation and corporate strategies, and evaluate forward-looking projections.

Commercial Aviation North America		
	For the Three Months Ended March 31,	
	2019	2018
Aircraft online (at period end)	2,412	2,840
Satellite	718	486
ATG	1,694	2,354
Total aircraft equivalents (average during the period)	2,519	2,912
Net annualized average monthly service revenue per aircraft equivalent (annualized ARPA) (in thousands)	\$ 126	\$ 103

Commercial Aviation Rest of World		
	For the Three Months Ended March 31,	
	2019	2018
Aircraft online (at period end)	641	414
Total aircraft equivalents (average during the period)	550	339
Net annualized ARPA (in thousands)	\$ 136	\$ 159

- *Aircraft online.* We define aircraft online as the total number of commercial aircraft on which our equipment is installed and service has been made commercially available as of the last day of each period presented. We assign aircraft to CA-NA or CA-ROW at the time of contract signing as follows: (i) all aircraft operated by North American airlines and under contract for ATG or ATG-4 service are assigned to CA-NA, (ii) all aircraft operated by North American airlines and under a contract for satellite service are assigned to CA-NA or CA-ROW based on whether the routes flown by such aircraft under the contract are anticipated to be predominantly within or outside of North America at the time the contract is signed, and (iii) all aircraft operated by non-North American airlines and under a contract are assigned to CA-ROW. All aircraft online for the CA-ROW segment are equipped with our satellite equipment. The decline in CA-NA's aircraft online is due to the deinstallation of our equipment from certain American Airlines aircraft during 2018 and the three month period ended March 31, 2019.
- *Aircraft equivalents.* We define aircraft equivalents for a segment as the number of commercial aircraft online (as defined above) multiplied by the percentage of flights flown by such aircraft within the scope of that segment, rounded to the nearest whole aircraft and expressed as an average of the month-end figures for each month in the period. This methodology takes into account the fact that during a particular period certain aircraft may fly routes outside the scope of the segment to which they are assigned for purposes of the calculation of aircraft online. The decline in CA-NA's aircraft equivalents is due to the deinstallation of our equipment from certain American Airlines aircraft during 2018 and the three month period ended March 31, 2019.
- *Net annualized average monthly service revenue per aircraft equivalent ("ARPA").* We define net annualized ARPA as the aggregate service revenue plus monthly service fees, some of which are reported as a reduction to cost of service revenue for that segment for the period, less revenue share expense and other transactional expenses which are included in cost of service revenue for that segment, divided by the number of months in the period, and further divided by the number of aircraft equivalents (as defined above) for that segment during the period, which is then annualized and rounded to the nearest thousand.

	Business Aviation	
	For the Three Months Ended March 31,	
	2019	2018
Aircraft online (at period end)		
Satellite	5,135	5,288
ATG	5,348	4,803
Average monthly service revenue per aircraft online		
Satellite	\$ 237	\$ 251
ATG	3,071	3,037
Units Sold		
Satellite	130	104
ATG	187	250
Average equipment revenue per unit sold (in thousands)		
Satellite	\$ 40	\$ 41
ATG	61	62

- *Satellite aircraft online.* We define satellite aircraft online as the total number of business aircraft for which we provide satellite services as of the last day of each period presented.
- *ATG aircraft online.* We define ATG aircraft online as the total number of business aircraft for which we provide ATG services as of the last day of each period presented.
- *Average monthly service revenue per satellite aircraft online.* We define average monthly service revenue per satellite aircraft online as the aggregate satellite service revenue for the period divided by the number of months in the period, divided by the number of satellite aircraft online during the period (expressed as an average of the month-end figures for each month in such period).
- *Average monthly service revenue per ATG aircraft online.* We define average monthly service revenue per ATG aircraft online as the aggregate ATG service revenue for the period divided by the number of months in the period, divided by the number of ATG aircraft online during the period (expressed as an average of the month-end figures for each month in such period).
- *Units sold.* We define units sold as the number of satellite or ATG units for which we recognized revenue during the period.
- *Average equipment revenue per satellite unit sold.* We define average equipment revenue per satellite unit sold as the aggregate equipment revenue earned from all satellite units sold during the period, divided by the number of satellite units sold.
- *Average equipment revenue per ATG unit sold.* We define average equipment revenue per ATG unit sold as the aggregate equipment revenue from all ATG units sold during the period, divided by the number of ATG units sold.

[Table of Contents](#)

Key Components of Consolidated Statements of Operations

There have been no material changes to our key components of unaudited condensed consolidated statements of operations and segment profit (loss) as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (“MD&A”) in our 2018 10-K.

Off-Balance Sheet Arrangements

We do not have any obligations that meet the definition of an off-balance sheet arrangement.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of our unaudited condensed consolidated financial statements and related disclosures require us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related exposures. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. In some instances, we could reasonably use different accounting estimates, and in some instances results could differ significantly from our estimates. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe that the assumptions and estimates associated with revenue recognition, long-lived assets, indefinite-lived assets and stock-based compensation have the greatest potential impact on our unaudited condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in MD&A in our 2018 10-K.

Recent Accounting Pronouncements

See Note 2, “Recent Accounting Pronouncements,” to our unaudited condensed consolidated financial statements for additional information.

Results of Operations

The following table sets forth, for the periods presented, certain data from our unaudited condensed consolidated statements of operations. The information contained in the table below should be read in conjunction with our unaudited condensed consolidated financial statements and related notes.

Unaudited Condensed Consolidated Statement of Operations Data (in thousands)

	For the Three Months Ended March 31,	
	2019	2018
Revenue:		
Service revenue	\$165,012	\$150,678
Equipment revenue	34,537	81,147
Total revenue	<u>199,549</u>	<u>231,825</u>
Operating expenses:		
Cost of service revenue (exclusive of items shown below)	68,121	74,947
Cost of equipment revenue (exclusive of items shown below)	29,731	52,293
Engineering, design and development	24,728	29,777
Sales and marketing	12,318	15,901
General and administrative	22,454	25,159
Depreciation and amortization	30,749	35,919
Total operating expenses	<u>188,101</u>	<u>233,996</u>
Operating income (loss)	<u>11,448</u>	<u>(2,171)</u>
Other (income) expense:		
Interest income	(1,149)	(1,076)
Interest expense	32,554	30,554
Other income	(3,365)	(505)
Total other expense	<u>28,040</u>	<u>28,973</u>
Loss before income taxes	<u>(16,592)</u>	<u>(31,144)</u>
Income tax provision (benefit)	207	(3,725)
Net loss	<u>\$ (16,799)</u>	<u>\$ (27,419)</u>

[Table of Contents](#)

Three Months Ended March 31, 2019 and 2018

Revenue:

Revenue by segment and percent change for the three month periods ended March 31, 2019 and 2018 were as follows (*in thousands, except for percent change*):

	For the Three Months Ended March 31,		% Change
	2019	2018	2019 over 2018
Service Revenue:			
CA-NA	\$ 92,027	\$ 88,783	3.7%
BA	53,213	47,650	11.7%
CA-ROW	19,772	14,245	38.8%
Total Service Revenue	\$165,012	\$150,678	9.5%
Equipment Revenue:			
CA-NA	\$ 4,042	\$ 55,038	(92.7%)
BA	17,336	21,185	(18.2%)
CA-ROW	13,159	4,924	167.2%
Total Equipment Revenue	\$ 34,537	\$ 81,147	(57.4%)
Total Revenue:			
CA-NA	\$ 96,069	\$143,821	(33.2%)
BA	70,549	68,835	2.5%
CA-ROW	32,931	19,169	71.8%
Total Revenue	\$199,549	\$231,825	(13.9%)

Commercial Aviation North America:

CA-NA revenue decreased to \$96.1 million for the three month period ended March 31, 2019, as compared with \$143.8 million for the prior year period, primarily due to a decrease in equipment revenue offset in part by an increase in service revenue.

Equipment revenue decreased to \$4.0 million for the three month period ended March 31, 2019, as compared with \$55.0 million for the prior year period, primarily due to the transition to the airline-directed model by one airline in January 2018 which increased revenue by approximately \$45.4 million for the three month period ended March 31, 2018; see Note 1, "Basis of Presentation" for additional information. Equipment revenue also decreased due to less activity under airline-directed models.

A summary of the components of CA-NA's service revenue for the three month period ended March 31, 2019 and 2018 is as follows (*in thousands, except for percent change*):

	For the Three Months Ended March 31,		% Change
	2019	2018	2019 over 2018
Connectivity revenue ⁽¹⁾	\$79,818	\$82,040	(2.7%)
Entertainment and CAS revenue	12,209	6,743	81.1%
Total service revenue	\$92,027	\$88,783	3.7%

(1) Includes non-session related revenue of \$1.4 million and \$1.3 million, respectively, for the three month periods ended March 31, 2019 and 2018.

CA-NA service revenue increased to \$92.0 million for the three month period ended March 31, 2019, as compared with \$88.8 million for the prior year period due to an increase in entertainment and CAS revenue offset in part by a decrease in connectivity revenue.

CA-NA entertainment and CAS revenue increased to \$12.2 million for the three month period ended March 31, 2019, as compared with \$6.7 million for the prior year period due primarily to the recognition of product development-related revenue for one of our airline partners.

[Table of Contents](#)

Connectivity revenue decreased to \$79.8 million for the three month period ended March 31, 2019, as compared with \$82.0 million for the prior year period due to the decommissioning of certain American Airlines aircraft during 2018 and the three month period ended March 31, 2019, as aircraft equivalents decreased to 2,519 for the three month period ended March 31, 2019 from 2,912 for the prior year period.

Net annualized ARPA increased to \$126 thousand for the three month period ended March 31, 2019, as compared with \$103 thousand for the prior year period. Net annualized ARPA increased, in part, due to the product development-related revenue mentioned above. The connectivity take rate, which is the number of sessions expressed as a percentage of passengers, increased to 13.9% for the three month period ended March 31, 2019, as compared with 10.5% for the prior year period, reflecting increased passenger adoption including the impact of third party-paid and airline-paid offerings, primarily under the airline-directed model. Average revenue per session decreased to \$6.80 for the three month period ended March 31, 2019, as compared with \$7.72 for the prior year period, due to shifts in product mix, third party-paid and airline-paid offerings primarily under the airline-directed model.

We expect service revenue for CA-NA to decrease in the near-term primarily due to the decommissioning of certain American Airlines aircraft in 2018 and 2019.

As the recognition of CA-NA equipment revenue is a function of equipment installation schedules, equipment revenue will be driven by our ability to execute our existing airline partner contracts and enter into new contracts.

Business Aviation:

BA revenue increased to \$70.5 million for the three month period ended March 31, 2019, as compared with \$68.8 million for the prior year period due to an increase in service revenue offset in part by a decrease in equipment revenue.

BA service revenue increased to \$53.2 million for the three month period ended March 31, 2019, as compared with \$47.7 million for the prior year period primarily due to additional customers subscribing to our Gogo Biz (ATG) service. The number of ATG aircraft online increased 11.3% to 5,348 as of March 31, 2019, as compared with 4,803 as of March 31, 2018.

BA equipment revenue decreased to \$17.3 million for the three month period ended March 31, 2019, as compared with \$21.2 million for the prior year period due primarily to a decrease in ATG equipment revenue.

Under a sales program for AVANCE equipment that started in 2016, we shipped seven AVANCE units under this program and recognized \$0.5 million of previously deferred equipment revenue during the three months ended March 31, 2018, while we recognized no such revenue in 2019.

Commercial Aviation Rest of World:

CA-ROW revenue increased to \$32.9 million for the three month period ended March 31, 2019, as compared with \$19.2 million for the prior year period, due to an increase in both service and equipment revenue.

CA-ROW service revenue increased to \$19.8 million for the three month period ended March 31, 2019, as compared with \$14.2 million for the prior year period, due to an increase in aircraft equivalents. Net annualized ARPA for the CA-ROW segment decreased to \$136 thousand for the three month period ended March 31, 2019, as compared with \$159 thousand for the prior year period due to an increase in aircraft online from new airline partners.

CA-ROW equipment revenue increased to \$13.2 million for the three month period ended March 31, 2019, as compared with \$4.9 million for the prior year period primarily due to more installations in 2019 as compared with 2018.

As the recognition of CA-ROW equipment revenue is a function of equipment installation schedules, equipment revenue will be driven by our ability to execute our existing airline partner contracts and enter into new contracts.

Table of Contents

Cost of Service Revenue:

Cost of service revenue by segment and percent for the three month periods ended March 31, 2019 and 2018 were as follows (*in thousands, except for percent change*):

	For the Three Months Ended March 31,		% Change 2019 over 2018
	2019	2018	
CA-NA	\$36,425	\$46,553	(21.8%)
BA	13,052	11,114	17.4%
CA-ROW	18,644	17,280	7.9%
Total	<u>\$68,121</u>	<u>\$74,947</u>	<u>(9.1%)</u>

CA-NA cost of service revenue decreased to \$36.4 million for the three month period ended March 31, 2019, as compared with \$46.6 million for the prior year period due to decreases in revenue share, operational costs, ATG network costs, de-icing-related costs and increased amortization of deferred airborne lease incentives offset in part by increased satellite service fees.

BA cost of service revenue increased to \$13.1 million for the three month period ended March 31, 2019, as compared with \$11.1 million for the prior year period. The increase was primarily due to ATG network costs.

CA-ROW cost of service revenue increased to \$18.6 million for the three month period ended March 31, 2019, as compared with \$17.3 million for the prior year period primarily due to an increase in satellite and network fees.

We expect cost of service revenue for CA-NA to plateau over time mainly due to increased satellite service fees for additional aircraft operating on our satellite network, offset by a reduction in operational costs.

As we expand our CA-ROW business, we expect to incur additional cost of service revenue in CA-ROW, reflecting increased satellite usage, operations and network related expenses. However, we expect to see increased utilization of our network as we install additional aircraft.

Cost of Equipment Revenue:

Cost of equipment revenue by segment and percent change for the three month periods ended March 31, 2019 and 2018 were as follows (*in thousands, except for percent change*):

	For the Three Months Ended March 31,		% Change 2019 over 2018
	2019	2018	
CA-NA	\$ 1,591	\$35,486	(95.5%)
BA	11,398	12,456	(8.5%)
CA-ROW	16,742	4,351	284.8%
Total	<u>\$29,731</u>	<u>\$52,293</u>	<u>(43.1%)</u>

Cost of equipment revenue decreased to \$29.7 million for the three month period ended March 31, 2019, as compared with \$52.3 million for the prior year period.

The decrease in CA-NA for the three month period ended March 31, 2019, as compared with the prior year period was due the transition to the airline-directed model by one airline in January 2018, which included cost of equipment revenue of approximately \$26.1 million for the three month period ended March 31, 2018, while we had no such activity in 2019; see Note 1, "Basis of Presentation" for additional information. The remaining decrease in equipment revenue was due to less airline-directed model activity.

The decrease in BA was due to a decrease in equipment revenue and changes in product mix.

The increase in CA-ROW was due to the increase in equipment revenue under airline-directed models.

We expect that our cost of equipment revenue will vary with changes in equipment revenue.

Table of Contents**Engineering, Design and Development Expenses:**

Engineering, design and development expenses decreased 17.0% to \$24.7 million for the three month period ended March 31, 2019, as compared with \$29.8 million for the prior year period due to decreased expenses in all three segments. Engineering, design and development expenses for the CA-NA and CA-ROW segments decreased due to lower spend on various programs and personnel-related costs.

We expect consolidated engineering, design and development expenses to decrease as a percentage of consolidated service revenue over time.

Sales and Marketing Expenses:

Sales and marketing expenses decreased 22.5% to \$12.3 million for the three month period ended March 31, 2019, as compared with \$15.9 million for the prior year period due to decreases in all three segments. Consolidated sales and marketing expenses as a percentage of total consolidated revenue was 6.2% for the three month period ended March 31, 2019, as compared with 6.9% for the prior year period.

We expect consolidated sales and marketing expenses to decrease as a percentage of consolidated service revenue over time.

General and Administrative Expenses:

General and administrative expenses decreased 10.8% to \$22.5 million for the three month period ended March 31, 2019, as compared with \$25.2 million for the prior year period due primarily to a decrease in CA-NA and offset in part by an increase in BA. The decrease in CA-NA is due primarily to a reduction in personnel-related costs. Consolidated general and administrative expenses as a percentage of total consolidated revenue was 11.3% for the three month period ended March 31, 2019, as compared with 10.9% for the prior year period.

We expect general and administrative expenses to decrease as a percentage of consolidated service revenue over time.

Segment Profit (Loss):

CA-NA's segment profit increased 1,321.6% to \$23.5 million for the three month period ended March 31, 2019, as compared with \$1.7 million for the prior year period due to the changes as discussed above.

BA's segment profit increased 3.6% to \$33.5 million for the three month period ended March 31, 2019, as compared with \$32.3 million for the prior year period primarily due to the changes as discussed above.

CA-ROW's segment loss decreased 15.3% to \$19.1 million for the three month period ended March 31, 2019, as compared with \$22.6 million for the prior year period due to the changes as discussed above.

Depreciation and Amortization:

Depreciation and amortization expense decreased 14.4% to \$30.7 million for the three month period ended March 31, 2019, as compared with \$35.9 million for the prior year period due to accelerated depreciation expense for certain upgrades and decommission programs that completed in early 2018.

We expect that our depreciation and amortization expense will vary in the future depending upon the number of installations under the turnkey model.

Other (Income) Expense:

Other (income) expense and percent change for the three month period ended March 31, 2019 and 2018 were as follows (*in thousands, except for percent change*):

	For the Three Months Ended March 31,		% Change
	2019	2018	2019 over 2018
Interest income	\$ (1,149)	\$ (1,076)	6.8%
Interest expense	32,554	30,554	6.5%
Other income	(3,365)	(505)	(566.3%)
Total	<u>\$28,040</u>	<u>\$28,973</u>	<u>(3.2%)</u>

Total other expense decreased to \$28.0 million for the three month period ended March 31, 2019, as compared with \$29.0 million for the prior year period due to \$3.2 million of net proceeds for a litigation settlement offset in part by higher average debt levels outstanding during the current year as compared with the prior year period.

[Table of Contents](#)

We expect our interest expense to increase in 2019 as compared to 2018 due to higher average debt outstanding because of the issuances of the 2022 Convertible Notes in November 2018 and the associated accretion expense and amortization of deferred financing fees and the issuances of the 2024 Senior Secured Notes in April and May 2019 and the associated amortization of deferred financing costs. These increases will be partially offset by the absence of interest relating to the 2022 Senior Secured Notes, which will be redeemed on May 15, 2019, and any repurchases of 2020 Convertible Notes pursuant to the Tender Offer. See Note 9, “Long-Term Debt and Other Liabilities,” in our unaudited condensed consolidated financial statements for additional information.

Income Taxes:

The effective income tax rates for the three month periods ended March 31, 2019 and 2018 were (1.2%) and 12.0%, respectively. For the three month period ended March 31, 2019, our income tax expense was not significant primarily due to the recording of a valuation allowance against our net deferred tax assets. An income tax benefit was recorded for the three month period ended March 31, 2018 resulting from a reduction in our valuation allowance of approximately \$4.0 million due to the application of provisions of H.R. 1, commonly known as the Tax Cuts and Jobs Act (“U.S. Tax Reform”), to our evaluation of our deferred tax assets.

We expect our income tax provision to increase in future periods to the extent we become profitable.

Non-GAAP Measures

In our discussion below, we discuss certain non-GAAP financial measurements, including Adjusted EBITDA, Free Cash Flow and Unlevered Free Cash Flow as defined below. Management uses Adjusted EBITDA, Free Cash Flow and Unlevered Free Cash Flow for business planning purposes, including managing our business against internally projected results of operations and measuring our performance and liquidity. These supplemental performance measures also provide another basis for comparing period-to-period results by excluding potential differences caused by non-operational and unusual or non-recurring items. These supplemental performance measurements may vary from and may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA, Free Cash Flow and Unlevered Free Cash Flow are not recognized measurements under accounting principles generally accepted in the United States, or GAAP; when analyzing our performance with Adjusted EBITDA or liquidity with Free Cash Flow or Unlevered Free Cash Flow, as applicable, investors should (i) evaluate each adjustment in our reconciliation to the corresponding GAAP measure, and the explanatory footnotes regarding those adjustments, (ii) use Adjusted EBITDA in addition to, and not as an alternative to, net loss attributable to common stock as a measure of operating results, and (iii) use Free Cash Flow or Unlevered Free Cash Flow in addition to, and not as an alternative to, consolidated net cash provided by (used in) operating activities when evaluating our liquidity.

Definition and Reconciliation of Non-GAAP Measures

EBITDA represents net income (loss) attributable to common stock before interest expense, interest income, income taxes, depreciation expense and amortization of other intangible assets.

Adjusted EBITDA represents EBITDA adjusted for (i) stock-based compensation expense, (ii) amortization of deferred airborne lease incentives, (iii) amortization of STC costs, (iv) the accounting impact of the transition to the airline-directed model and (v) proceeds from litigation settlement. Our management believes that the use of Adjusted EBITDA eliminates items that, management believes, have less bearing on our operating performance, thereby highlighting trends in our core business which may not otherwise be apparent. It also provides an assessment of controllable expenses, which are indicators management uses to determine whether current spending decisions need to be adjusted in order to meet financial goals and achieve optimal financial performance.

We believe the exclusion of stock-based compensation expense from Adjusted EBITDA is appropriate given the significant variation in expense that can result from using the Black-Scholes model to determine the fair value of such compensation. The fair value of our stock options is determined using the Black-Scholes model and varies based on fluctuations in the assumptions used in this model, including inputs that are not necessarily directly related to the performance of our business, such as the expected volatility, the risk-free interest rate and the expected life of the options. Therefore, we believe the exclusion of this cost provides a clearer view of the operating performance of our business. Further, stock option grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time. While we believe that investors should have information about any dilutive effect of outstanding options and the cost of that compensation, we also believe that stockholders should have the ability to consider our performance using a non-GAAP financial measure that excludes these costs and that management uses to evaluate our business.

[Table of Contents](#)

We believe the exclusion of the amortization of deferred airborne lease incentives and amortization of STC costs from Adjusted EBITDA is useful as it allows an investor to view operating performance across time periods in a manner consistent with how management measures segment profit and loss (see Note 15, “Business Segments and Major Customers,” for a description of segment profit (loss) in our unaudited condensed consolidated financial statements). Management evaluates segment profit and loss in this manner, excluding the amortization of deferred airborne lease incentives and amortization of STC costs, because such presentation reflects operating decisions and activities from the current period, without regard to the prior period decision or the form of connectivity agreements.

We believe it is useful for an understanding of our operating performance to exclude the accounting impact of the transition by one of our airline partners to the airline-directed model from Adjusted EBITDA because of the non-recurring nature of this activity.

We believe the exclusion of litigation proceeds from Adjusted EBITDA is appropriate as this is non-recurring in nature and represents an infrequent financial benefit to our operating performance.

We also present Adjusted EBITDA as a supplemental performance measure because we believe that this measure provides investors, securities analysts and other users of our financial statements with important supplemental information with which to evaluate our performance and to enable them to assess our performance on the same basis as management.

Free Cash Flow represents net cash provided by (used in) operating activities, less purchases of property and equipment and the acquisition of intangible assets. We believe Free Cash Flow provides meaningful information regarding the Company’s liquidity.

Unlevered Free Cash Flow represents Free Cash Flow adjusted for cash interest payments and interest income. We believe that Unlevered Free Cash Flow provides an additional view of the Company’s liquidity, excluding the impact of our capital structure.

Gogo Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except per share amounts)
(unaudited)

	For the Three Months Ended March 31,	
	2019	2018
Adjusted EBITDA:		
Net loss attributable to common stock (GAAP)	\$(16,799)	\$ (27,419)
Interest expense	32,554	30,554
Interest income	(1,149)	(1,076)
Income tax provision (benefit)	207	(3,725)
Depreciation and amortization	30,749	35,919
EBITDA	45,562	34,253
Stock-based compensation expense	4,327	4,386
Amortization of deferred airborne lease incentives	(8,953)	(7,630)
Amortization of STC costs	320	172
Transition to airline-directed model	—	(19,302)
Proceeds from litigation settlement	(3,215)	—
Adjusted EBITDA	<u>\$ 38,041</u>	<u>\$ 11,879</u>
Free Cash Flow:		
Net cash used in operating activities (GAAP) ⁽¹⁾	\$ (6,156)	\$ (46,205)
Consolidated capital expenditures ⁽¹⁾	(27,711)	(62,658)
Free cash flow	(33,867)	(108,863)
Cash paid for interest ⁽¹⁾	46,163	49,911
Interest income ⁽²⁾	(1,149)	(1,076)
Unlevered free cash flow	<u>\$ 11,147</u>	<u>\$ (60,028)</u>

⁽¹⁾ See unaudited condensed consolidated statements of cash flows.

⁽²⁾ See unaudited condensed consolidated statements of operations.

Material limitations of Non-GAAP measures

Although EBITDA, Adjusted EBITDA and Free Cash Flow are measurements frequently used by investors and securities analysts in their evaluations of companies, EBITDA, Adjusted EBITDA, Free Cash Flow and Unlevered Free Cash Flow each have limitations as an analytical tool, and you should not consider them in isolation or as a substitute for, or more meaningful than, amounts determined in accordance with GAAP.

Some of these limitations include:

- EBITDA and Adjusted EBITDA do not reflect interest income or expense;
- EBITDA and Adjusted EBITDA do not reflect cash requirements for our income taxes;
- EBITDA and Adjusted EBITDA do not reflect depreciation and amortization, which are significant and unavoidable operating costs given the level of capital expenditures needed to maintain our business;
- Adjusted EBITDA does not reflect non-cash components of employee compensation;
- Free Cash Flow and Unlevered Free Cash Flow do not represent the total increase or decrease in our cash balance for the period; and
- since other companies in our or related industries may calculate these measures differently from the way we do, their usefulness as comparative measures may be limited.

[Table of Contents](#)**Liquidity and Capital Resources**

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

	For the Three Months Ended March 31,	
	2019	2018
Net cash used in operating activities	\$ (6,156)	\$ (46,205)
Net cash provided by (used in) investing activities	11,707	(32,499)
Net cash used in financing activities	(740)	(688)
Effect of foreign exchange rate changes on cash	(276)	75
Net increase (decrease) in cash, cash equivalents and restricted cash	4,535	(79,317)
Cash, cash equivalents and restricted cash at the beginning of period	191,116	203,729
Cash, cash equivalents and restricted cash at the end of period	<u>\$195,651</u>	<u>\$124,412</u>
Supplemental information:		
Cash, cash equivalents and restricted cash at the end of period	\$195,651	\$124,412
Less: current restricted cash	1,535	738
Less: non-current restricted cash	5,426	6,635
Cash and cash equivalents at the end of the period	<u>\$188,690</u>	<u>\$117,039</u>
Short-term investments	\$ —	\$182,633

We have historically financed our growth and cash needs primarily through the issuance of common stock, non-convertible debt, senior convertible preferred stock, convertible debt, term facilities and cash from operating activities. We continually evaluate our ongoing capital needs in light of increasing demand for our services, capacity requirements, evolving technologies in our industry and related strategic, operational and technological opportunities. We actively consider opportunities to raise additional capital in the public and private markets utilizing one or more of the types of capital raising transactions through which we have historically financed our growth and cash needs, as well as other means of capital raising not previously used by us.

Liquidity:

Excluding the impact of our initial public offering, our prior credit facility, the 2022 Convertible Notes, the 2020 Convertible Notes, the 2022 Senior Secured Notes and the 2024 Senior Secured Notes, to date we have not generated positive cash flows on a consolidated basis. However, based on our current plans, we believe that our cash, cash equivalents and cash flows provided by operating activities will be sufficient to meet our near- and long-term operating obligations, including our capital expenditure requirements. As detailed in Note 9, "Long-Term Debt and Other Liabilities," in November 2018 and April 2019, we entered into financing transactions that extended the maturity of our senior secured indebtedness to 2024 and generated funds sufficient to repay, repurchase or retire the \$162 million of 2020 Convertible Notes that remain outstanding. Our intent is to continue to access the capital markets to refinance our future debt obligations on an as-needed basis.

The 2024 Indenture contains covenants that limit the ability of GIH and its subsidiaries to incur additional indebtedness. Further, market conditions and/or our financial performance may limit our access to additional sources of equity or debt financing, or our ability to pursue potential strategic alternatives. As a result, we may be unable to finance growth of our business to the extent that our cash, cash equivalents and short-term investments and cash generated through operating activities prove insufficient or we are unable to raise additional financing through the issuance of additional equity, permitted incurrences of debt by us or by GIH and its subsidiaries, or the pursuit of potential strategic alternatives.

For additional information on the 2022 Senior Secured Notes, the 2022 Convertible Notes, the 2020 Convertible Notes and the 2024 Senior Secured Notes, see Note 9, "Long-Term Debt and Other Liabilities," to our unaudited condensed consolidated financial statements.

[Table of Contents](#)

Cash flows used in Operating Activities:

The following table presents a summary of our cash flows from operating activities for the periods set forth below (*in thousands*):

	For the Three Months Ended March 31,	
	2019	2018
Net loss	\$(16,799)	\$(27,419)
Non-cash charges and credits	42,384	24,401
Changes in operating assets and liabilities	(31,741)	(43,187)
Net cash used in operating activities	<u>\$ (6,156)</u>	<u>\$(46,205)</u>

For the three month period ended March 31, 2019, cash used in operating activities was \$6.2 million as compared with net cash used in operating activities of \$46.2 million of cash used in operating activities in the prior year period. The principal contributors to the change in operating cash flows were:

- A \$28.6 million change in net loss adjusted for non-cash charges and credits and
- A \$11.4 million change in cash flows related to operating assets and liabilities resulting from:
 - An increase in cash flows due to the following:
 - Changes in CA-NA's and CA-ROW's inventories as we allocated a lower portion of our uninstalled airborne equipment to inventory due to the transition of one of our airline partners from the airline-directed model to the turnkey model in the first quarter of 2019;
 - Changes in CA-NA's and CA-ROW's accounts receivable due primarily to the timing of collections;
 - Changes in CA-NA's and BA's prepaid expenses due to the timing of payments.
 - Offset in part by a decrease in cash flows due to the following:
 - Changes in all three segments' accrued liabilities due primarily to the timing of payments;
 - Changes in CA-NA's and CA-ROW's contract assets due to more activity under our airline-directed model during the current year as compared with the prior year; and
 - Changes in CA-NA's accounts payable due to the timing of payments.

Cash flows provided by (used in) Investing Activities:

Cash provided by (used in) investing activities is primarily for capital expenditures related to airborne equipment, cell site construction, software development, and data center upgrades. See "— Capital Expenditures" below. Additionally, cash provided by (used in) investing activities includes net changes in our short-term investments of a cash inflow of \$39.3 million and \$30.2 million, respectively, for the three month periods ended March 31, 2019 and 2018.

Cash flows provided by (used in) Financing Activities:

Cash used in financing activities for the three month period ended March 31, 2019 was \$0.7 million primarily due to deferred financing costs associated with the issuances of the 2024 Senior Secured Notes, which occurred in April and May 2019, and financing lease payments.

Cash used in financing activities for the three month period ended March 31, 2018 was \$0.7 million primarily due to financing lease payments.

Capital Expenditures

Our operations continue to require significant capital expenditures, primarily for technology development, equipment and capacity expansion. Capital expenditures for the CA-NA and CA-ROW segments include the purchase of airborne equipment for the turnkey model, which correlates directly to the roll out and/or upgrade of service to our airline partners' fleets. Capital spending is also associated with the expansion of our ATG and satellite network and data centers. We capitalize software development costs related to network technology solutions, the Gogo platform and new product/service offerings. We also capitalized costs related to the build out of our office locations.

[Table of Contents](#)

Capital expenditures for the three month periods ended March 31, 2019 and 2018 were \$27.7 million and \$62.7 million, respectively. The decrease in capital expenditures was primarily due to a decrease in airborne equipment purchases as well as a decrease in capitalized software.

We expect that our capital expenditures will vary in the future depending upon the number of installations under the turnkey model.

Other

Contractual Commitments: We have agreements with vendors to provide us with transponder and teleport satellite services that vary in length and amount. See Note 12, "Commitments and Contingencies," to our unaudited condensed consolidated financial statements for additional information.

We have agreements with various vendors under which we have remaining commitments to purchase satellite-based systems, certifications and development services. Such commitments will become payable as we receive the equipment or certifications, or as development services are provided.

A contract with one of our airline customers required us to provide the airline customer with a cash rebate of \$1.8 million in June 2018, which has not yet been paid.

Leases and Cell Site Contracts: We have lease agreements relating to certain facilities and equipment, which are considered operating leases. See Note 11, "Leases," to our unaudited condensed consolidated financial statements for additional information.

The revenue share paid to our airline partners represents operating lease payments and are deemed to be contingent rental payments, as the payments due to each airline are based on a percentage of our CA-NA and CA-ROW service revenue generated from that airline's passengers, which is unknown until realized. As such, we cannot estimate the lease payments due to an airline at the commencement of our contract with such airline. Rental expense related to the arrangements with commercial airlines included in cost of service revenue is primarily comprised of these revenue share payments offset by the amortization of the deferred airborne lease incentive discussed above. See Note 11, "Leases," to our unaudited condensed consolidated financial statements for additional information.

Indemnifications and Guarantees: In accordance with Delaware law, we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The maximum potential amount of future payments we could be required to make under this indemnification is uncertain and may be unlimited, depending upon circumstances. However, our Directors' and Officers' insurance does provide coverage for certain of these losses.

In the ordinary course of business we may occasionally enter into agreements pursuant to which we may be obligated to pay for the failure of performance of others, such as the use of corporate credit cards issued to employees. Based on historical experience, we believe that the risk of sustaining any material loss related to such guarantees is remote.

We have entered into a number of agreements, including our agreements with commercial airlines, pursuant to which we indemnify the other party for losses and expenses suffered or incurred in connection with any patent, copyright, or trademark infringement or misappropriation claim asserted by a third party with respect to our equipment or services. The maximum potential amount of future payments we could be required to make under these indemnification agreements is uncertain and is typically not limited by the terms of the agreements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is currently confined to our cash and cash equivalents, short-term investments and our debt. We have not used derivative financial instruments for speculation or trading purposes. The primary objectives of our investment activities are to preserve our capital for the purpose of funding operations while at the same time maximizing the income we receive from our investments without significantly increasing risk. To achieve these objectives, our investment policy allows us to maintain a portfolio of cash equivalents and short-term investments through a variety of securities, including U.S. Treasuries, U.S. Government Agency Securities, and Money Market Funds. Our cash and cash equivalents as of March 31, 2019 and December 31, 2018 primarily included amounts in bank deposit accounts and Money Market Funds. We believe that a change in average interest rates would not materially affect our interest income and results of operations by a material amount.

The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on the overall economic activity, nor do they consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ.

Interest: Our earnings are affected by changes in interest rates due to the impact those changes have on interest income generated from our cash, cash equivalents and short-term investments. Our cash and cash equivalents as of March 31, 2019 and December 31, 2018 included amounts in bank deposit accounts and money market funds; and as of December 31, 2018 our short-term investments consisted of U.S. Treasury bills. We believe we have minimal interest rate risk; a 10% change in the average interest rate on our portfolio would have reduced interest income for the three month periods ended March 31, 2019 and 2018 by an immaterial amount.

Inflation: We do not believe that inflation has had a material effect on our results of operations. However, there can be no assurance that our business will not be affected by inflation in the future.

Seasonality: Our results of operations for any interim period are not necessarily indicative of those for any other interim period for the entire year because the demand for air travel, including business travel, is subject to significant seasonal fluctuations. We generally expect overall passenger opportunity to be greater in the second and third quarters compared to the rest of the year due to an increase in leisure travel offset in part by a decrease in business travel during the summer months and holidays. We expect seasonality of the air transportation business to continue, which may affect our results of operations in any one period.

ITEM 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of March 31, 2019. Based upon this evaluation, our Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2019.

(b) Changes in Internal Control over Financial Reporting

There have been no changes to our internal control over financial reporting in connection with the evaluation required by Rules 13a-15(f) and 15d-15(f) under the Exchange Act during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Linksmart Litigation - On April 20, 2018, Linksmart Wireless Technology, LLC filed suit against us and eight of our airline partners in the U.S. District Court for the Central District of California alleging that our redirection server and login portal infringe a patent owned by the plaintiff. We are required under our contracts with these airlines to indemnify them for defense costs and any liabilities resulting from the suit. The Court has stayed the suits against our airline customers pending resolution of the suit against Gogo. Linksmart has also filed suit against other defendants asserting the same patent. One of these defendants has filed an inter parties review against the asserted patent and must meet a certain threshold to continue. Linksmart sought to stay the suit against Gogo until the earlier of (i) a decision by the U.S. Patent and Trade Office that the threshold for review has not been met and that the review may not continue or (ii) if the review continues, its resolution. We agreed and the court has granted our request to stay our case until the first to occur of such events. Cases against the other defendants have also been stayed pending the inter parties review. The outcome of the inter parties review and this matter overall is inherently uncertain. No amounts have been accrued for any potential losses under this matter, as we cannot reasonably predict the outcome of the litigation or any potential losses.

Securities Litigation - On June 27, 2018, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Northern District of Illinois, Eastern Division styled *Pierrelouis v. Gogo Inc.*, naming the Company, its former Chief Executive Officer and Chief Financial Officer and its current Chief Financial Officer and President, Commercial Aviation as defendants purportedly on behalf of all purchasers of our securities from February 27, 2017 through May 4, 2018. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, alleging misrepresentations or omissions by us purporting to relate to our 2Ku antenna's reliability and installation and remediation costs. The plaintiffs seek to recover from us and the individual defendants an unspecified amount of damages. In December 2018 the plaintiffs filed an amended complaint and in February 2019, we filed a motion to dismiss such amended complaint. In April 2019 the plaintiffs filed a response to our motion. We intend to file a reply in May 2019 at which time the motion will be submitted to the Court for a ruling. We believe that the claims are without merit and intend to defend them vigorously. In accordance with Delaware law, we will indemnify the individual named defendants for their defense costs and any damages they incur in connection with the suit. We have filed a claim with the issuer of our Directors' and Officers' insurance policy with respect to this suit. No amounts have been accrued for any potential losses under this matter, as we cannot reasonably predict the outcome of the litigation or any potential losses.

Derivative Litigation - On September 25, 2018 and September 26, 2018, two purported stockholders of the Company filed substantively identical derivative lawsuits in the United States District Court for the Northern District of Illinois, Eastern Division, styled *Nanduri v. Gogo Inc.* and *Hutsenpiller v. Gogo Inc.*, respectively. Both lawsuits were purportedly brought derivatively on behalf of us and name us as a nominal defendant and name as defendants each member of the Company's Board of Directors, its former Chief Executive Officer and Chief Financial Officer and its current Chief Executive Officer, Chief Financial Officer and President, Commercial Aviation. The complaints assert claims under Section 14(a) of the Securities Exchange Act of 1934, breach of fiduciary duty, unjust enrichment, and waste of corporate assets, and allege misrepresentations or omissions by us purporting to relate to our 2Ku antenna's reliability and installation and remediation costs, as well as allegedly excessive bonuses, stock options, and other compensation paid to current Officers and Directors and excessive severance paid to former Officers. The two lawsuits were consolidated and are stayed pending the Court's ruling on the motion to dismiss in the class action suit. We believe that the claims are without merit and intend to defend them vigorously. The plaintiffs seek to recover, on our behalf, an unspecified amount of damages from the individual defendants. We have filed a claim with the issuer of our Directors' and Officers' insurance policy with respect to these suits. No amounts have been accrued for any potential costs under this matter, as we cannot reasonably predict the outcome of the litigation or any potential costs.

From time to time we may become involved in other legal proceedings arising in the ordinary course of our business. We cannot predict with certainty the potential for or outcome of any future litigation. Regardless of the outcome of any particular litigation and the merits of any particular claim, litigation can have a material adverse impact on our company due to, among other reasons, any injunctive relief granted, which could inhibit our ability to operate our business, amounts paid as damages or in settlement of any such matter, diversion of management resources and defense costs.

[Table of Contents](#)

ITEM 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our 2018 10-K.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

a) Sales of Unregistered Securities

None.

b) Use of Proceeds from Public Offering of Common Stock

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

On May 7, 2019, the Issuers issued \$20 million aggregate principal amount of Additional Notes under the 2024 Indenture. The Issuers' 9.875% Senior Secured Notes due 2024 were previously issued in an aggregate principal amount of \$905 million on April 25, 2019 (the "Initial Notes" and, the Initial Notes, together with the Additional Notes, the "Notes"). We intend to use the net proceeds from the issuance of the Additional Notes for general corporate purposes. The Additional Notes and the Initial Notes have terms that are substantially identical, except with respect to the issue date and issue price, and are treated as a single series for all purposes under the 2024 Indenture and the security documents, each as amended or supplemented, that govern the Notes.

In connection with the issuance of the Additional Notes, the Issuers and the 2024 Guarantors entered into a Reaffirmation Agreement, dated May 7, 2019 (the "Reaffirmation Agreement"), reaffirming the parties' obligations as specified in the Collateral Agreement, dated as of April 25, 2019, among the Issuers and the 2024 Guarantors in favor of U.S. Bank National Association, as Trustee, and U.S. Bank National Association, as Collateral Agent, whereby the Issuers and the 2024 Guarantors granted a security interest in substantially all of their assets to secure all obligations of the Issuers and the 2024 Guarantors under the Initial Notes, the 2024 Indenture and the guarantees, as applicable. In connection with the entry into the Reaffirmation Agreement, the Issuers entered into an Additional Secured Debt Designation Agreement, dated May 7, 2019 (the "Designation"), receipt of which was acknowledged by U.S. Bank National Association, as Collateral Agent. As a result of the Reaffirmation Agreement and the Designation, U.S. Bank National Association, as Trustee, and the holders of the Additional Notes benefit from the pledge of the collateral under the Collateral Agreement.

The foregoing descriptions of the Reaffirmation Agreement and the Designation do not purport to be complete and are qualified in their entirety by reference to the full text of such documents.

ITEM 6. Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
4.10	Second Supplemental Indenture, dated as of April 25, 2019, between Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., Gogo Inc., the Subsidiary Guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to Form 8-K filed on April 25, 2019 (File No. 001-35975)).
4.11	Indenture, dated as of April 25, 2019, between Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., Gogo Inc., the Subsidiary Guarantors party thereto and U.S. Bank National Association, as trustee and collateral agent (incorporated by reference to Exhibit 4.3 to Form 8-K filed on April 25, 2019 (File No. 001-35975)).

Table of Contents

- 4.12 [Form of 9.875% Senior Secured Note due 2024 \(incorporated by reference to Exhibit 4.4 to Form 8-K filed on April 25, 2019 \(File No. 001-35975\)\).](#)
- 4.13 [Form of Crossing Lien Intercreditor Agreement \(incorporated by reference to Exhibit 4.2 to Form 8-K filed on April 25, 2019 \(File No. 001-35975\)\).](#)
- 4.14 [First Supplemental Indenture, dated as of May 3, 2019, by and among Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., each of the guarantors party thereto and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.1 to Form 8-K filed on May 3, 2019 \(File No. 001-35975\)\).](#)
- 10.1.57 † [Airbus Linefit Statement of Work, dated as of February 18, 2019, to the Amended and Restated Product Development and Manufacturing Agreement, dated as of April 1, 2016, between Gogo LLC and ThinKom Solutions, Inc.](#)
- 10.1.58 † [Boeing Linefit Statement of Work, dated as of February 18, 2019, to the Amended and Restated Product Development and Manufacturing Agreement, dated as of April 1, 2016, between Gogo LLC, and ThinKom Solutions, Inc.](#)
- 10.1.59 † [Letter Agreement for Services, dated as of December 20, 2018, by and between ThinKom Solutions, Inc. and Gogo LLC.](#)
- 10.1.60 † [Product Enhancement and License Agreement, dated as of December 5, 2018, by and between Gogo LLC and ThinKom Solutions, Inc.](#)
- 10.1.61 † [Delta Air Lines Inc. Statement of Work No. 5, dated as of January 16, 2019, to the 2Ku In-Flight Connectivity Services Agreement, dated as of April 1, 2015, by and between Delta Air Lines Inc. and Gogo LLC.](#)
- 10.2.20# [Employment Agreement, dated as of January 1, 2008, between Aircell LLC and Marguerite Elias.](#)
- 10.2.21# [Amendment No. 1 to the Employment Agreement, between Aircell LLC and Marguerite Elias, effective as of December 31, 2008.](#)
- 10.2.22# [Amendment No. 2 to the Employment Agreement, between Gogo LLC \(f/k/s Aircell LLC\) and Marguerite Elias, effective as of November 30, 2017.](#)
- 10.2.23# [Change in Control Severance Agreement, dated as of March 6, 2013, by and between Gogo Inc. and Marguerite M. Elias.](#)
- 10.2.24# [Amendment No. 1 to the Change in Control Severance Agreement, between Gogo LLC \(f/k/s Aircell LLC\) and Marguerite Elias, effective as of November 30, 2017.](#)
- 10.8.12 [Collateral Agreement, dated as of April 25, 2019, among Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., Gogo Inc. and the Subsidiary Guarantors party thereto, in favor of U.S. Bank National Association, as collateral agent \(incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 25, 2019 \(File No. 001-35975\)\).](#)
- 10.8.13 [Collateral Agency Agreement, dated as of April 25, 2019, among Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., Gogo Inc., the Subsidiary Guarantors party thereto, and U.S. Bank National Association, as trustee and collateral agent \(incorporated by reference to Exhibit 10.2 to Form 8-K filed on April 25, 2019 \(File No. 001-35975\)\).](#)
- 10.8.14 [Patent Security Agreement, dated as of April 25, 2019, by Gogo LLC, in favor of U.S. Bank National Association, as collateral agent \(incorporated by reference to Exhibit 10.3 to Form 8-K filed on April 25, 2019 \(File No. 001-35975\)\).](#)
- 10.8.15 [Trademark Security Agreement, dated as of April 25, 2019, among Gogo LLC and Gogo Business Aviation LLC, in favor of U.S. Bank National Association, as collateral agent \(incorporated by reference to Exhibit 10.4 to Form 8-K filed on April 25, 2019 \(File No. 001-35975\)\).](#)
- 10.8.16 [Copyright Security Agreement, dated as of April 25, 2019, by Gogo LLC, in favor of U.S. Bank National Association, as collateral agent \(incorporated by reference to Exhibit 10.5 to Form 8-K filed on April 25, 2019 \(File No. 001-35975\)\).](#)
- 10.8.17 [Reaffirmation Agreement, dated as of May 7, 2019, among Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., Gogo Inc. and the Subsidiary Guarantors party thereto.](#)
- 10.8.18 [Additional Secured Debt Designation, dated as of May 7, 2019, between Gogo Intermediate Holdings LLC and Gogo Finance Co. Inc. as acknowledged by U.S. Bank National Association.](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14\(a\) and 15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14\(a\) and 15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

Table of Contents

32.1*	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

† Certain provisions of this exhibit have been omitted pursuant to Item 601 (b)(10)(iv) of Regulation S-K.

* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Indicates management contract or compensatory plan or arrangement.

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 9, 2019

Gogo Inc.

/s/ Oakleigh Thome

Oakleigh Thome
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Barry Rowan

Barry Rowan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT THE CONFIDENTIAL PORTION HAS BEEN OMITTED PURSUANT TO ITEM 601(b)(10)(iv) WHEREBY CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED:
 [***]

AIRBUS LINE FIT TESTING & DOCUMENTATION STATEMENT OF WORK

This Statement of Work (“SOW”) is entered into as of February 18, 2019 (the “Effective Date”) and is governed by the Amended and Restated Product Development and Manufacturing Agreement dated April 1, 2016, between Gogo LLC (“Gogo”), and ThinKom Solutions, Inc. (“ThinKom”) (the “Agreement”). Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement. Described within this SOW is the project, which consists of the Deliverables to be provided by ThinKom, ThinKom responsibilities, and the related Gogo responsibilities to be provided in accordance with the terms of this SOW. To the extent there is any contradiction, inconsistency or ambiguity between the terms of this SOW and the Agreement, this SOW will govern.

1. PROJECT BACKGROUND

The Airbus testing and documentation project is a follow-on effort to Gogo’s next generation hardware program. The goal of the SOW is to obtain Airbus hardware qualification. This SOW contains the testing and documentation deliverables flowed down by Airbus.

This SOW covers the following key areas:

1. References
2. Project Scope
3. Work
4. Program Milestones
5. Data Requirements List
6. Test Units
7. Project Management and Coordination
8. Finance and Payment

2. REFERENCES

The following is a list of reference documents to be used for the [***] Airbus qualification.

[***]

3. PROJECT SCOPE

This SOW describes the effort requested by Gogo to ThinKom for Airbus qualification testing and documentation of [***]. ThinKom shall perform all tasks required to test and qualify the [***] to the Airbus requirements of this SOW.

Any changes to this SOW, or increase in cost, must be mutually agreed to and authorized in writing by Gogo Project Manager and ThinKom Program Manager (See Section 8).

The scope of this program will be considered successfully complete upon Gogo’s approval/acceptance of the test report(s) and Airbus data requirements.

For the purposes of this SOW, Section 7.1 of the Agreement shall govern all Technology designations and notifications for any applicable exchanges up until the December 5, 2018 effectivity of the Product Enhancement and License Agreement (“PELA”) executed by the Parties. Any applicable exchanges after the December 5, 2018 effectivity of the PELA shall be governed by the PELA; however, the Parties agree that the deadline for the initiation of any Technology claims pursuant to the PELA, related to this SOW shall be March 31, 2019.

4. WORK

ThinKom will be responsible for the qualification testing and data requirements of the [***] for Gogo. The work to be completed by ThinKom is given in the following details:

1. ThinKom shall conduct qualification testing of the [***], in accordance with the Airbus requirements, and Gogo documents.
2. Line Fit Qualification, including but not limited to QTPs and QTRs, shall include the ThinKom part numbers and may also include the Gogo reference numbers of ThinKom’s part numbers.
3. Gogo and/or Airbus shall have the opportunity to observe testing.

4. ThinKom shall support Gogo or Airbus concerns during testing
5. ThinKom shall generate formal test reports for Gogo's approval/acceptance.
6. ThinKom shall generate required data documentation related to the qualification testing for Gogo's approval/acceptance.
7. If the [***] fail testing, and it is determined that the failure is the result of ThinKom design error or is a failure of a component that is within ThinKom's responsibilities, then ThinKom shall be responsible to make changes and for the cost of making changes to the design to enable it to pass testing and provide a Qualification Failure Report (QFR) with [***] of failure, or as soon thereafter as practical.
8. ThinKom shall be responsible for associated program management activities performed in accordance with this SOW including establishing and maintaining a project schedule, providing project status and monitoring program risks (in addition to providing associated mitigation plans)
9. ThinKom shall conduct and successfully complete program milestones
10. ThinKom shall produce required deliverables as specified in Section 6, in order to successfully closeout each program milestone
11. ThinKom shall produce required quantities of test units and spares for the qualification testing, which will be purchased by Gogo under a separate purchase order.
12. ThinKom shall support any Gogo Failure Analysis or Conformity with Airbus on test articles.
13. ThinKom shall produce a HALT Test Plan for each LRU.
14. ThinKom shall conduct a HALT Program with an agreed upon quantity of each LRU for test which will be purchased by Gogo under a separate purchase order. ThinKom shall also provide HALT Plan and Report documents.

5. PROGRAM TESTING MILESTONES

1. Gogo has furnished Test Format
2. Qualification Test Procedures (QTPs) have been submitted by ThinKom
3. Qualification Test Report (QTR) Submit: date per Table 6-1.

It shall be the responsibility of ThinKom to conduct and adhere to the criteria and Deliverables as specified herein for each milestone.

5.1 QTP Submittal

ThinKom has generated Airbus QTPs designed to verify that [***] meet all the Airbus requirements. The QTPs have been written in Gogo's approved format and have been approved by Airbus.

5.2 Qualification TRR

A Test Readiness Review (TRR) is conducted to determine if the system under review is ready to proceed into formal testing by confirming the test procedures are complete and verify their compliance with Airbus requirements. A TRR is normally conducted before each major test configuration item including hardware and software and provides management with the assurance that a system has undergone a thorough test process and is ready for turnover to the next test phase.

The TRR assesses test objectives, test methods and procedures, scope of tests, and safety and confirms that required test resources have been properly identified and coordinated to support planned tests. The TRR verifies the traceability of planned tests to program requirements and user needs. The TRR also assesses the system under review for development maturity, cost/ schedule effectiveness, and risk to determine readiness to proceed to formal testing.

TRR success criteria includes the following:

[***]

The purpose of the TRR is to identify and establish (at a minimum) the following:

- Qualification Test Procedure(s)
 - Final Environmental Qualification Test Procedure
 - Final Electrical Qualification Test Procedure
 - Final Structure Qualification Test Procedure (Crash Safety)
- Final Requirements Verification Matrix

The following Deliverables have been provided to Gogo:

Table 5-2: Document Deliverables

Deliverable ID	Deliverable Title	Document Number (If available)	Format
1.0	TRR Slides	N/A	.ppt
2.0	Final Environmental Qualification Test Procedure	TBD	.doc

3.0 Final Electrical Qualification Test Procedure
4.0 Final Requirements Verification Matrix

TBD
TBD

.doc
.xls

5.3 QTR Submittal

Upon completion of testing, ThinKom shall submit Formal Test Reports to Gogo no more than [***] days after the conclusion of testing. The QTRs shall be written in Gogo's approved format. Gogo shall review and provide acceptance to Formal Test Report.

5.4 QTR Acceptance/Closeout

Once provided to and approved by Gogo, these QTRs will be provided to Airbus for their approval. It shall be the responsibility of ThinKom to make any specified changes to the QTRs to meet the Airbus requirements for approval within [***] of receiving comments from Gogo/OEM. The milestone dates for QTR submittals are planned to allow adequate time to complete the iterative process of review, comment incorporation, re-review and approval. ThinKom and Gogo acknowledge that there will be some waivers required from Airbus, including, but not limited to [***].

6. DATA REQUIREMENTS LIST

In addition to qualification testing, Airbus requires multiple data documents (specified in Table 6-1 below) that detail various aspects relating to design and operability of the [***]. ThinKom shall provide those documents listed in Tables 6-1. ThinKom will provide a component maintenance manual (CMM). This CMM shall provide Level 2 maintenance instructions in the Gogo approved vendor format.

Table 6-1: Airbus Document Requirements List

[***]

7. Test Units

Qualification Hardware is defined as follows:

Red Label unit – An equivalent to a black label unit with regards to design maturity and capability. However, a Red Label unit [***]. While a Red Label unit has hardware that is equivalent to the final product, some software may have known open items. In this SOW, Red Label Units will be delivered for use by Gogo for internal testing and used by ThinKom for qualification testing. Red Label Units shall be built per ThinKom’s production processes.

There shall be [***] units that can be tested simultaneously for Qual testing.

There shall be [***] Antenna units that can be tested simultaneously for Qual testing.

There shall be [***] Antenna units that can be tested simultaneously for Qual testing.

There shall be [***] units that will be used as spares.

There shall be [***] Antenna units that will be used as spares.

The above are estimated quantities and the actual quantities required will be purchased on a separate purchase order.

8. PROJECT MANAGEMENT AND COORDINATION

a. Single Point of Contact

All contractual correspondence will be transmitted through a single point of contact for Gogo and ThinKom. The single point of contact for Gogo is the Gogo Project Manager, and for the ThinKom it is ThinKom Program Manager. The key program personnel and contacts are:

[***]

b. Status Reports and Meetings

ThinKom shall use Microsoft Project as its project-scheduling tool. ThinKom shall create a detailed project plan that will specify task dependencies within the project as well as dependencies on Gogo’s activities and commercial item availability. Using this plan as the primary tool, ThinKom will be able to modify task orders and priorities as necessary should changes occur regarding hardware availability or functionality. ThinKom will be able to determine whether the allocation of additional human resources to the project would benefit the schedule and will be able to provide Gogo with weekly updates to the schedule status.

c. Scope Management

During the period of this contract ThinKom shall notify the Gogo Project Manager, in writing, of any activity that is requested that is not covered in the stated requirements for this work scope. If the Gogo Project Manager determines that the work activity is outside the scope of this SOW, then further discussions will be held to clearly define the new requirements and its impact to schedule and cost. If appropriate, this SOW will be amended to address the work scope change. No payment will be made for activities performed outside of the scope of this SOW without the written consent of the Gogo Project Manager and ThinKom Program Manager.

d. Weekly Review

A weekly project review meeting will be held between Gogo staff and ThinKom staff to cover the following topics in order to ensure successful project execution:

- 1) Weekly project status and plan

-
- 2) Resolution of previous issues
 - 3) New issues, action items, and risks

Additional meetings may be scheduled as requested by Gogo or ThinKom.

e. Site Visitation

Gogo will, at Gogo's expense, have the option to travel to ThinKom for any of the weekly meetings, testing or conformities.

9. FINANCE AND PAYMENT

Invoices must reference the appropriate Purchase Order Number, line item, and description. Testing and other services included to deliver all of the required documents will be paid using a Time & Material arrangement. The labor rate is [***]. Red Label hardware provided to support the development and qualification contemplated under this SOW will be charged by ThinKom to Gogo at the rates of [***]. The fees for the efforts under this SOW with the exclusion of hardware costs shall not exceed [***] without written consent of the Customer Program Manager and ThinKom Program Manager. ThinKom shall invoice monthly with payments due [***] from receipt of invoice.

IN WITNESS, WHEREOF the parties hereto, by their duly authorized representatives, have executed this Agreement as of the date first set forth above.

GOGO LLC

By: /s/ Anthony J Haro
Name: Anthony J Haro
Title: VP Supply Chain
Date: 3/7/2019

THINKOM SOLUTIONS, INC

By: /s/ Greg Otto
Name: Greg Otto
Title: VP Sales & Marketing
Date: 2/20/2019

Appendix A
LRU Outline Drawing Requirements

a. An LRU Outline Drawing shall be provided for each LRU

[***]

AIRBUS TESTING & DOCUMENTATION SOW

Page 6 of 6

THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT THE CONFIDENTIAL PORTION HAS BEEN OMITTED PURSUANT TO ITEM 601(b)(10)(iv) WHEREBY CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED:
 [***]

BOEING LINE FIT TESTING & DOCUMENTATION STATEMENT OF WORK

This Statement of Work (“SOW”) is entered into as of February 18, 2019 (the “Effective Date”) and is governed by the Amended and Restated Product Development and Manufacturing Agreement dated April 1, 2016, between Gogo LLC (“Gogo”), and ThinKom Solutions, Inc. (“ThinKom”) (the “Agreement”). Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement. Described within this SOW is the project, which consists of the Deliverables to be provided by ThinKom, ThinKom responsibilities, and the related Gogo responsibilities to be provided in accordance with the terms of this SOW. To the extent there is any contradiction, inconsistency or ambiguity between the terms of this SOW and the Agreement, this SOW will govern.

1. PROJECT BACKGROUND

The Boeing testing and documentation project is a follow-on effort to Gogo’s next generation hardware program. The goal of the SOW is to obtain Boeing hardware qualification. This SOW contains the testing and documentation deliverables flowed down by Boeing.

This SOW covers the following key areas:

1. References
2. Project Scope
3. Work
4. Program Milestones
5. Data Requirements List
6. Test Units
7. Project Management and Coordination
8. Finance and Payment

2. REFERENCES

The following is a list of reference documents to be used for the ThinKom [***] Boeing qualification. The ThinKom Line Fit [***] shall hereinafter collectively be referred to as [***].

[***]

3. PROJECT SCOPE

This SOW describes the effort requested by Gogo to ThinKom for Boeing qualification testing and documentation of the [***]. ThinKom shall perform all tasks required to test and qualify the [***] to the Boeing requirements of this SOW.

Any changes to this SOW, or increase in cost, must be mutually agreed to and authorized in writing by Gogo Project Manager and ThinKom Program Manager (See Section 8).

The scope of this program will be considered successfully complete upon Gogo’s approval/acceptance of the test report(s) and Boeing data requirements.

For the purposes of this SOW, Section 7.1 of the Agreement shall govern all Technology designations and notifications for any applicable exchanges up until the December 5, 2018 effectivity of the Product Enhancement and License Agreement (“PELA”) executed by the Parties. Any applicable exchanges after the December 5, 2018 effectivity of the PELA shall be governed by the PELA; however, the Parties agree that the deadline for the initiation of any Technology claims pursuant to the PELA, related to this SOW shall be March 31, 2019.

4. WORK

ThinKom will be responsible for the qualification testing and data requirements of the [***] for Gogo. The work to be completed by ThinKom is given in the following details:

1. ThinKom shall conduct qualification testing of the [***], in accordance with the Boeing requirements, and Gogo documents.
2. Line Fit Qualification, including but not limited to QTPs and QTRs, shall include the ThinKom part numbers and may also include the Gogo reference numbers of ThinKom’s part numbers.

-
3. Gogo and/or Boeing shall have the opportunity to observe testing.
 4. ThinKom shall support Gogo or Boeing concerns during testing
 5. ThinKom shall generate formal test reports for Gogo's approval/acceptance.
 6. ThinKom shall generate required data documentation related to the qualification testing for Gogo's approval/acceptance.
 7. If the [***] fail testing, and it is determined that the failure is the result of ThinKom design error or is a failure of a component that is within ThinKom's responsibilities, then ThinKom shall be responsible to make changes and for the cost of making changes to the design to enable it to pass testing and provide a Qualification Failure Report (QFR) with [***] of failure, or as soon thereafter as practical.
 8. ThinKom shall be responsible for associated program management activities performed in accordance with this SOW including establishing and maintaining a project schedule, providing project status and monitoring program risks (in addition to providing associated mitigation plans)
 9. ThinKom shall conduct and successfully complete program milestones
 10. ThinKom shall produce required deliverables as specified in Section 6, in order to successfully closeout each program milestone
 11. ThinKom shall produce required quantities of test units and spares for the qualification testing, which will be purchased by Gogo under a separate purchase order.
 12. ThinKom shall be responsible for associated program management activities performed in accordance with this SOW including establishing and maintaining a project schedule, providing project status and monitoring program risks (in addition to providing associated mitigation plans)
 13. ThinKom shall support any Gogo Failure Analysis or Conformity with Boeing on test articles.

5. PROGRAM MILESTONES

1. Gogo has provided Qualification Test Procedure format
2. Qualification Test Procedure (QTP) Submit: Date per Table 6-1
3. Qualification TRR: [***]
4. Qualification Test Report (QTR) Submit: Date per Table 6-1

It shall be the responsibility of ThinKom to conduct and adhere to the criteria and deliverables as specified herein for each milestone.

5.1 Qualification Test Procedure (QTP) Submit

ThinKom shall generate Boeing qualification test procedures (QTPs) that are designed to verify that the [***] meet all the Boeing requirements. The QTP shall be written in the Gogo-provided format. Once provided to and approved by Gogo, these QTPs will be delivered to Boeing for their approval. It shall be the responsibility of ThinKom to make any specified changes to the QTPs to meet the Boeing requirements for approval as soon as practical after receiving comments from Gogo/OEM. The milestone date for QTP submittals are planned to allow adequate time to complete the iterative process of review, comment incorporation, re-review and approval.

5.2 Qualification TRR

A Test Readiness Review (TRR) is conducted to determine if the system under review is ready to proceed into formal testing by confirming the test procedures are complete and verify their compliance with Boeing requirements. A TRR is normally conducted before each major test configuration item including hardware and software and provides management with the assurance that a system has undergone a thorough test process and is ready for turnover to the next test phase.

The TRR assesses test objectives, test methods and procedures, scope of tests, and safety and confirms that required test resources have been properly identified and coordinated to support planned tests. The TRR verifies the traceability of planned tests to program requirements and user needs. The TRR also assesses the system under review for development maturity, cost/ schedule effectiveness, and risk to determine readiness to proceed to formal testing.

TRR success criteria includes the following:

[***]

The purpose of the TRR is to identify and establish (at a minimum) the following:

- Qualification Test Procedure(s)
 - Final Environmental Qualification Test Procedure
 - Final Electrical Qualification Test Procedure
 - Final Structure Qualification Test Procedure (Crash Safety)
- Final Requirements Verification Matrix

The following deliverables shall be provided to Gogo [***] prior to TRR:

Table 5-2: Document Deliverables

Deliverable ID	Deliverable Title	Document Number (If available)	Format
1.0	TRR Slides	N/A	.ppt
2.0	Final Environmental Qualification Test Procedure	TBD	.doc
3.0	Final Electrical Qualification Test Procedure	TBD	.doc
4.0	Final Structure Qualification Test Procedure (Crash Safety)	TBD	.doc
5.0	Final Requirements Verification Matrix	TBD	.xls

Prior to proceeding with formal test, ThinKom's Qualification Test Procedure must be reviewed and approved by Gogo.

ThinKom is responsible for advising Gogo no less than [***] prior to the start of qualification testing to allow Gogo time to schedule a test witness from Gogo. Gogo is responsible for scheduling and coordinating a test witness at ThinKom's facility or an approved ThinKom designated facility, should Gogo desire to do so.

5.3 Qualification Test Report (QTR) Submittal

Upon completion of testing, ThinKom shall submit Formal Test Reports to Gogo no more than [***] after the conclusion of testing. The QTRs shall be written in the Gogo-approved format. Gogo shall review and provide acceptance to Formal Test Report.

5.4 QTR Acceptance/Closeout

Once provided to and approved by Gogo, these QTRs will be provided to Boeing for their approval. It shall be the responsibility of ThinKom to make any specified changes to the QTRs to meet the Boeing requirements for approval as soon as practical after receiving comments from Gogo/OEM. The milestone dates for QTR submittals are planned to allow adequate time to complete the iterative process of review, comment incorporation, re-review and approval.

6. DATA REQUIREMENTS LIST

In addition to qualification testing, Boeing requires multiple data documents that detail various aspects relating to design and operability of the [***]. ThinKom shall provide those documents listed in Tables 6-1, written per formats of Boeing document [***]

Table 6-1: Boeing Document Requirements List

[***]

7. Test Units

Qualification Hardware is defined as follows:

Red Label unit – An equivalent to a black label unit with regards to design maturity and capability. However, a Red Label unit [***]. While a Red Label unit has hardware that is equivalent to the final product, some software may have known open items. In this SOW, Red Label Units will be delivered for use by Gogo for internal testing and used by ThinKom for qualification testing. Red Label Units shall be built per ThinKom's production processes.

There shall be [***] of each LRU that can be tested simultaneously for Qual testing.

There shall be [***] of each LRU that will be used as spares.

[***] of each LRU are required in total for the formal qualification effort.

The above are estimated quantities and the actual quantities required will be purchased on a separate purchase order.

8. PROJECT MANAGEMENT AND COORDINATION

a. Single Point of Contact

All contractual correspondence will be transmitted through a single point of contact for Gogo and ThinKom. The single point of contact for Gogo is the Gogo Project Manager, and for ThinKom it is the ThinKom Program Manager. The key program personnel and contacts are:

[***]

b. Status Reports and Meetings

ThinKom shall use Microsoft Project as its project-scheduling tool. ThinKom shall create a detailed project plan that will specify task dependencies within the project as well as dependencies on Gogo's activities and commercial item availability. Using this plan as the primary tool, ThinKom will be able to modify task orders and priorities as necessary should changes occur regarding hardware availability or functionality. ThinKom will be able to determine whether the allocation of additional human resources to the project would benefit the schedule and will be able to provide Gogo with weekly updates to the schedule status.

c. Scope Management

During the period of this contract ThinKom shall notify the Gogo Project Manager, in writing, of any activity that is requested that is not covered in the stated requirements for this work scope. If the Gogo Project Manager determines that the work activity is outside the scope of this SOW, then further discussions will be held to clearly define the new requirements and its impact to schedule and cost. If appropriate, this SOW will be amended to address the work scope change. No payment will be made for activities performed outside of the scope of this SOW without the written consent of the Gogo Project Manager and the ThinKom Program Manager.

d. Weekly Review

A weekly project review meeting will be held between Gogo staff and ThinKom staff to cover the following topics in order to ensure successful project execution:

- 1) Weekly project status and plan
- 2) Resolution of previous issues
- 3) New issues, action items, and risks

Additional meetings may be scheduled as requested by Gogo or ThinKom.

e. Site Visitation

Gogo will, at Gogo's expense, have the option to travel to ThinKom for any of the weekly meetings, testing or conformities.

9. FINANCE AND PAYMENT

Invoices must reference the appropriate Purchase Order Number, line item, and description. Testing and other services included to deliver all of the required documents will be paid using a Time & Material arrangement. The labor rate is [***]. Red Label hardware provided to support the development and qualification contemplated under this SOW will be charged by ThinKom to Gogo at the rates of [***]. The fees for the efforts under this SOW with the exclusion of hardware costs shall not exceed [***] without written consent of the Customer Program Manager and ThinKom Program Manager. ThinKom shall invoice monthly with payments due [***] from receipt of invoice.

IN WITNESS, WHEREOF the parties hereto, by their duly authorized representatives, have executed this Agreement as of the date first set forth above.

GOGO LLC

THINKOM SOLUTIONS, INC.

By: /s/ Anthony J. Haro
Name: Anthony J. Haro
Title: VP, Supply Chain

By: /s/ Greg Otto
Name: Greg Otto
Title: VP Sales & Marketing

BOEING TESTING & DOCUMENTATION SOW

Page 6 of 6



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THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT THE CONFIDENTIAL PORTION HAS BEEN OMITTED PURSUANT TO ITEM 601(b)(10)(iv) WHEREBY CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED: [*]**

Mr. Mark Silk
ThinKom Solutions, Inc.
4881 West 145th Street
Hawthorne, CA 90250

December 20, 2018

Dear Mark,

Pursuant to our recent discussions, this letter serves to capture the agreements reached with respect to the various items covered herein and shall be used as the construct for servicing 2Ku antennas that have already been shipped to Gogo and which are returned to ThinKom under RMA to receive either a top and/or bottom cover for the period starting November 1, 2018 through December 31, 2019. It also includes production pricing for incorporating the integrated base plate with new bottom cover and top cover into production antennas (the [***]). Terms used herein that are not defined shall have the meaning attributed to them in the Amended and Restated PDMA executed by the Parties.

1. Pricing for Covers.

ThinKom shall sell to Gogo, at the pricing set forth herein, a bottom (and optionally a top) antenna cover for each 2Ku antenna returned to ThinKom for Antenna Support Services (defined below), as authorized by Gogo. The price per bottom antenna cover is [***] and the price per top antenna cover is [***]. ThinKom shall install the cover(s) selected by Gogo on each 2Ku antenna delivered to ThinKom for Antenna Support Services. ThinKom shall provide the Gogo-elected Antenna Support Services as set forth in Section 2 below.

2. Antenna Support Services.

ThinKom shall provide the Antenna Support Services elected by Gogo. The service options are described in this Section 2. "Antenna Support Services" means the ThinKom services used to test, repair, replace and upgrade certain aspects of a 2Ku antenna. Depending on the level of remediation, if any, required to return a 2Ku antenna to compliance with its specification, Gogo may elect either "Full Service" or "Basic Service" support for a 2Ku antenna. Each support service is described in more detail below:

(a) "Full Service" support includes the following:

[***]



(b) "Basic Service" support includes the following:

[***]

Full Service support is provided by ThinKom to Gogo at a price of [***] per 2Ku antenna plus the [***] cost of the bottom cover for a total cost of [***] per antenna. The additional cost to include the installation of the optional top cover to the Full Service support is [***] per antenna, making the total cost for the Full Service support with both bottom and top cover [***] per antenna. Basic Service support is provided by ThinKom to Gogo at a price of [***] per 2Ku antenna plus the [***] cost of the bottom cover for a total cost of [***] per antenna. Basic Service support with both top and bottom cover is provided by ThinKom to Gogo at a price [***] per 2Ku antenna plus [***] for the bottom cover and [***] for the top cover, making the total cost [***]. A 2Ku antenna returned to its Gogo-designated destination following Full Service Antenna Support Services shall be warranted in accordance with the warranty provided under the Amended and Restated PDMA for [***] from the date of return shipment or the remaining warranty period on such antenna, whichever is longer. The warranty period shall not be extended for 2Ku antennas for which only the Basic Service support is provided.

If an antenna is received for Basic Service support, and does not pass the Friction Testing requirements, ThinKom will notify Gogo that the unit will require Full Service support in order to be returned to service. Any such change in work scope will be reflected in a purchase order, or purchase order change, issued by Gogo to ThinKom, authorizing such work.

3. Conversion to [***]

For any antenna which is undergoing the Full Service outlined above, Gogo can direct ThinKom to convert the given antenna from [***], provided that Gogo's direction to ThinKom occurs prior to the start of the re-assembly step of the Full Service for such antenna. The additional cost for this conversion is [***] per antenna and the conversion includes the new integrated base plate with bottom cover. For clarity, an antenna receiving Full Service processing and being converted to the [***] would be at a total cost of [***] (which includes [***] for the Full Service processing and [***] for the integrated base plate with bottom cover). Direction to convert an antenna into the [***] will be reflected in a purchase order, or a modification to an existing purchase order, issued by Gogo to ThinKom, authorizing such work.

4. Additional Work.

If during the provision of Antenna Support Services ThinKom identifies additional repair work (other than minor repairs) required to bring the subject 2Ku antenna back up to specification, ThinKom shall identify in writing to Gogo the nature of the required repairs and an estimate of costs and time to perform the related work. Such cost estimates for replacement parts listed in Appendix A shall conform with



the pricing set forth in Appendix A to this letter. Gogo may engage ThinKom to perform the related work by issuing ThinKom a purchase order, or a modification to an existing purchase order, authorizing such work.

5. Shipping.

Shipping charges to and from the ThinKom facility in connection with Antenna Support Services will be the responsibility of Gogo either via direct payment to Gogo’s selected courier or by reimbursement to ThinKom for such shipping charges incurred by ThinKom. To the extent ThinKom is return shipping a 2Ku antenna following the provision of Antenna Support Services, ThinKom shall make such shipments using Gogo’s selected courier and mode, or such other means as requested by Gogo, including a request for expedited shipping. For the avoidance of doubt, shipping for purposes other than Antenna Support Services, such as, for example, warranty claims, shall remain subject to the shipping terms set out in the Amended and Restated PDMA. ThinKom represents that at capacity, it will return ship [***] per week, based on ThinKom receiving an adequate stock of antennas to support this ship rate.

6. New Production [***].

- (a) **The [***].** The new [***] configuration incorporates the new integrated base plate with a bottom cover. ThinKom agrees to provide a new production [***] configuration to Gogo at a cost increase of [***] above the baseline [***] price. The [***] unit pricing set forth below in Table 1 shall remain valid for as long as the current [***] unit pricing per the Amended and Restated PDMA remains valid. The total price for a new production [***] with new configuration as described above is as follows:

Table 1

[***]	[***]
[***]	[***]
[***]	[***]

- (b) **The [***].** The new [***] configuration incorporates a retrofit top cover onto a new production [***] . ThinKom agrees to provide the [***] configuration to Gogo at a cost increase of [***] above the baseline -[***] price (Table 1). The [***] unit pricing set forth below in Table 2 shall remain valid for as long as the current [***] unit



pricing per the Amended and Restated PDMA remains valid. The total price for a new production [***] with new configuration as described above is as follows:

Table 2

[***]	[***]
[***]	[***]
[***]	[***]

7. Payment Terms.

Notwithstanding anything to the contrary in the Amended and Restated PDMA, ThinKom may invoice Gogo for any top and bottom covers, Antenna Support Services, and related repair work following completion of such services and return shipment of a 2Ku antenna to Gogo’s designated destination. ThinKom shall submit all invoices to caaccounts payable@gogoair.com. Gogo shall pay any undisputed invoice no later than [***] following receipt of such invoice.

Except as specifically set forth herein (or as set forth in any other written amendments which may be entered into between the Parties), all of the terms and conditions of the Amended and Restated PDMA remain unmodified and in full force and effect. No waiver, modification, or addition to this letter shall be valid unless in writing and signed by the parties hereto

If you agree with the terms set forth above, please sign in the space provided below and return an executed copy of the letter to my attention.

Very Truly Yours
Gogo LLC

By: /s/ Anthony J. Haro

Agreed to and accepted:
ThinKom Solutions, Inc.

By: /s/ Mark J. Silk



APPENDIX A

[***]

THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT THE CONFIDENTIAL PORTION HAS BEEN OMITTED PURSUANT TO ITEM 601(b)(10)(iv) WHEREBY CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED:
[***]

PRODUCT ENHANCEMENT AND LICENSE AGREEMENT

THIS PRODUCT ENHANCEMENT AND LICENSE AGREEMENT (this “Agreement”) is entered into as of December 5, 2018 (the “Effective Date”) by and between Gogo LLC, a Delaware limited liability company (“Gogo”) and ThinKom Solutions, Inc., a California corporation (“ThinKom”) (Gogo and ThinKom are sometimes referred to in this Agreement as the “Parties”).

RECITALS

A. The Parties have previously entered into that certain Amended and Restated Product Development and Manufacturing Agreement dated as of April 1, 2016 (the “PDMA”) pursuant to which ThinKom has agreed to develop, manufacture, test and deliver the Products described therein. Capitalized terms not otherwise defined herein shall have the meaning given to such terms in the PDMA.

B. In connection with the PDMA, Gogo has requested that ThinKom modify the [***] (collectively, the “TK Products”) for the purpose of supporting Line-Fit opportunities at the airframe manufacturers Boeing and Airbus, and ThinKom is willing and desirous of performing such modification work, subject to the terms and conditions of this Agreement.

[***]

C. ThinKom acknowledges, based on Gogo’s representations, that the D series specifications listed as part of the Line Fit Requirements in Paragraph 2 of this agreement are Gogo Technology. These specifications are used to develop ThinKom’s Product Design Specification for modified TK Products to meet the Line Fit Requirements and are not actual components of modified TK Products.

D. ThinKom desires to receive, and Gogo has agreed to provide, ThinKom with a license to use Project Technology and certain, specified Gogo Technology as described in the license granted in Section 1 hereof, and in consideration of ThinKom’s good faith efforts to perform the services described in Section 2 hereof.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, together with the mutual covenants contained herein, ThinKom and Gogo agree as follows:

1. License.

(a) Grant of License. Gogo hereby grants to ThinKom, and ThinKom hereby accepts from Gogo, a perpetual, non-exclusive, royalty-free, irrevocable, worldwide license (the “License”), to [***] (collectively, the “Granted Rights”). The Granted Rights include the creation of works that are derived from, based upon or that incorporate, in whole or in part, any future enhancements, derivations or modifications to the Licensed Technology designed and/or made by ThinKom. The

[***]

Technology that is excluded from the foregoing License is comprised of the following (collectively, the “Excluded Technology”):

(i) Any future enhancements, derivations, or modifications to Technology designed by or on behalf of Gogo independent of ThinKom, which are not used in any ThinKom products; and

(ii) Any use of any technology that constitutes a breach of the exclusivity covenants in Paragraph 9 of the PDMA and Paragraph 5 of Exhibit A-2 of the PDMA; and

(iii) Any right of ThinKom to assign, sublicense, use, perform, copy, modify, display, reproduce, market, sell, or distribute any Project Technology or Gogo Technology other than as part of a ThinKom hardware product, and except as explicitly provided for in Section 5(a) of this Agreement.

For the avoidance of doubt, nothing in this Agreement shall be construed to limit the exclusivity granted by ThinKom to Gogo under the PDMA.

(b) Definitions. As used herein, the following defined terms shall have the meanings set forth below:

“Licensed Technology” means [***].

“Claimed Gogo IP” means [***], and any continuations, continuations-in-parts, divisionals, reissues, reexaminations, and foreign counterparts of the foregoing patents and patent application, and any U.S. or foreign patents or patent applications claiming priority from any of the foregoing patents or patent application.

“Gogo Specifications” means any specifications related to Line-Fit Requirements or the product specifications, requirements and modifications of ThinKom products sold by ThinKom to Gogo pursuant to the PDMA or other agreed transaction document.

(c) Gogo Representations. Gogo hereby represents and warrants to ThinKom that: (i) to Gogo’s knowledge Gogo possesses the legal right to license the Licensed Technology to ThinKom in accordance with Section 1(a) above (subject to any ownership rights or claims of ThinKom), and (ii) to Gogo’s knowledge, such License does not infringe on any third party’s Proprietary Rights, or constitute a breach of any agreement to which Gogo, or its affiliates, are bound, and Gogo is not aware of any claim or assertion by any individual or entity that the Licensed Technology infringes on any third party’s rights.

(d) Term of License-Perpetual. The term of License granted hereunder shall commence as of the Effective Date, and shall continue in perpetuity, regardless of any ultimate determination of ownership of Proprietary Rights in and to any Licensed Technology in favor of Gogo, and regardless of whether the PDMA or this Agreement has been terminated, and regardless of whether there remains any contractual or other relationship between Gogo and ThinKom, or their respective affiliates, successors or assigns, and regardless of the reasons or causes giving rise to the end of such relationship.

(e) [***].

[***]

2. TK Product Enhancement Work. ThinKom hereby agrees that it will perform and fund the design and prequalification testing required to modify the TK Products per ThinKom's Product Design Specification, as updated for the Line-Fit Requirements, all at no cost to Gogo ("TK Product Enhancements"). ThinKom will work in good faith to meet the Line-Fit Requirements for ThinKom products developed by ThinKom. "Line Fit Requirements" means the requirements defined in: (i) the specifications of the [***], and any iterations to these specifications agreed by the Parties, and (ii) any additional requirements or specifications agreed to in writing by ThinKom, as may be required by the Boeing and Airbus Line-Fit Testing & Documentation statements of work (as updated from time to time). In addition:

(a) Subject to review and approval by ThinKom of any additional requirements, ThinKom may also fund the modification of its designs to support Line-Fit opportunities with Bombardier and/or Embraer.

(b) Gogo agrees to furnish, at no cost to ThinKom, any 2Ku related equipment, including, but not limited to any fairing, adapter plate, radome, or other equipment that may be reasonably required (as determined by the Parties) to run the risk reduction, prequalification tests, and shall provide all system level test documentation relating to the modified TK Products necessary for ThinKom to obtain Parts Manufacturer Approval ("PMA") via tests and computations for such modified TK Products.

(c) In the event that Gogo requests ThinKom to run additional pre-qualification tests after the parties have agreed that the initial pre-qualification tests have concluded, or any system level tests (including procedure development and execution of any tests) that Gogo desires ThinKom to coordinate or manage, [***], [***].

(d) For formal qualification tests, Gogo will pay ThinKom for all hardware required, test plan development, outside test lab costs and other related costs and efforts. For these efforts, Gogo shall pay ThinKom the labor rate of [***], and shall reimburse ThinKom for all costs relating to such work at [***].

3. Line Fit Product Pricing. For the orders placed through [***] for deliveries through [***], ThinKom agrees to the following LRU pricing for Line Fit production LRUs:

[***][***][***]

4. Ka Antenna Systems. For the term of the PDMA, as may be extended from time to time, ThinKom agrees to make available to Gogo at most favored nation pricing and terms, for comparable volumes, Ka antenna systems or components (e.g. individual LRUs) thereof for the commercial air transport market, including ThinKom's [***] and potentially other Ka antenna systems. Notwithstanding the foregoing, ThinKom may grant third parties exclusive rights to purchase specific Ka antenna systems, or components thereof, other than ThinKom's [***], or components thereof.

5. Notice of Future Ownership Claims. The Parties agree as follows:

(a) In the event that Gogo believes that any Technology delivered or developed by ThinKom after the Effective Date, or incorporated into a product delivered by ThinKom to Gogo after the Effective Date, in connection with the PDMA or otherwise should be classified as Project Technology or Gogo Technology, then Gogo shall provide written notice of such characterization and the justification for its characterization no later than [***] following the date on which such Technology is (i) presented to or made available to Gogo in a written format as part of a scheduled meeting between the Parties, such as a TIM, PDR, or CDR and emailed to Gogo's VP of Supply Chain [***] and VP of Engineering [***] as

[***]

updated by Gogo in writing from time to time, or (ii) included as part of a product delivered by ThinKom to Gogo, whichever occurs first (the “Gogo Technology Notice”). If ThinKom disputes such characterization in the Gogo Technology Notice, then ThinKom shall provide written notice of its disagreement and the justification therefor within [***] following receipt of the Gogo Notice (the “ThinKom Notice”). If the Parties are thereafter unable to reach an agreement within [***] following the delivery of the ThinKom Notice, then the dispute shall be resolved in accordance with Section 7(k) and (l) of this Agreement. If Gogo does not provide such notice within the time frame required by this Section 5(a), then ThinKom may presume that the subject Technology in question does not comprise Gogo Technology or Project Technology, and ThinKom shall be free to license or sell such Technology for which Gogo failed to provide a Gogo Technology Notice to third parties and/or incorporate such Technology into other ThinKom products, free of any restrictions, or claims of infringement or misappropriation by Gogo. Notwithstanding the foregoing sentence, ThinKom shall not grant a license to such Technology to a party that is then adverse to Gogo in a litigation involving such Technology; provided, however, that such limitation does not apply to the sale or licensing of a ThinKom product that includes such Technology, nor shall it void any sale or license of such Technology to a party adverse to Gogo that occurred prior to the delivery of written notice from Gogo to ThinKom of a written assertion of intellectual property rights by Gogo against such party.

(b) In the event that ThinKom believes that any Technology delivered or developed by ThinKom after the Effective Date, or incorporated into a product delivered by ThinKom to Gogo after the Effective Date, in connection with the PDMA or otherwise should be classified as Project Technology then ThinKom shall provide written notice of such characterization and justification for its characterization no later than [***] following the date on which such information is delivered or first made available to Gogo in a formal written format (the “ThinKom Project Technology Notice”). If Gogo disputes such characterization in the ThinKom Project Technology Notice, then Gogo shall provide written notice of its disagreement and the justification therefor within [***] following receipt of the ThinKom Project Technology Notice (the “Gogo Project Technology Notice”). If the Parties are thereafter unable to reach an agreement within [***] following the delivery of the Gogo Project Technology Notice, then the dispute shall be resolved in accordance with the dispute resolution mechanism outlined in Section 7(k) and (l) of this Agreement.

(c) Any claims relating to Technology delivered or developed by ThinKom prior to the Effective Date, or incorporated into a product delivered by ThinKom before the Effective Date, shall be governed and evaluated by the notice requirements set forth in Sections 7.1 and 7.3 of the PDMA. Any dispute concerning such claims relating to periods prior to the Effective Date shall be resolved in accordance with the dispute resolution mechanism outlined in Section 7(k) and (l) of this Agreement.

(d) Any claims relating to Technology delivered or developed by ThinKom after the Effective Date, or incorporated into a product delivered by ThinKom after the Effective Date, shall be governed and evaluated by the notice requirements set forth in this Section 5. Any dispute concerning such claims relating to periods after the Effective Date shall be resolved in accordance with the dispute resolution mechanism outlined in Section 7(k) and (l) of this Agreement.

6. No Waiver of Rights.

(a) The Parties have entered into this Agreement in order to allow each Party to conduct its business without waiting for, or being subject to, any future determination of the rights and obligations in and to the ownership characterization of any Technology, or any elements of the Products developed pursuant to the PDMA, and each Party does so on the condition that the granting and acceptance of the License shall not be construed in any way to limit a Party’s ability to adjudicate the

[***]

intellectual property ownership rights of either party, except as expressly provided herein. Any such adjudication, however, shall not reduce or alter the right of ThinKom in and to the Licensed Technology as described in Section 1 above.

[***]

7. Miscellaneous.

(a) Entire Agreement. This Agreement, together with the PDMA, sets forth the entire understanding and agreement among the Parties as to matters covered herein and therein and supersedes any prior understanding, agreement or statement (written or oral) of intent among the Parties with respect to the subject matter hereof.

(b) Successors. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns.

(c) Authority. The Parties signing this Agreement represent that they are duly authorized to execute this Agreement and to bind their respective Parties to the terms and conditions set forth in this Agreement.

(d) Further Assurances. ThinKom and Gogo agree to execute such further documentation and perform such further actions, including the recordation of such documentation with appropriate authorities, as may be reasonably requested by any other Party hereto to evidence and effectuate further the purposes and intents set forth in this Agreement.

(e) Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Electronic signatures of this Agreement shall have the same legal effect as originals.

(f) Notices. All notices, demands, instructions, waivers, consents or other communications to be provided pursuant to this Agreement shall be delivered in accordance with the notice procedures set forth in the PDMA, except as otherwise stated herein.

(g) Waiver and Agreement. No waiver shall be deemed to have been made by any Party of any of its rights under this Agreement unless the same is in writing and is signed on its behalf by an authorized signatory. Any amendment of this Agreement must be effected by an instrument in writing signed by the Parties.

(h) Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not materially affected in any manner adverse to any Party.

(i) Conflict. In the event of a conflict between the express terms of this Agreement and the express terms of the PDMA, the terms of this Agreement shall control. Except as specifically set forth herein (or as set forth in any other written amendments which may be entered into between the Parties), all of the terms and conditions of the PDMA remain unmodified and in full force and effect.

[***]

(j) Remedies Cumulative. The Parties' rights under this Agreement are cumulative to (and do not exclude or restrict) any other rights except as otherwise explicitly provided in this Agreement. Those rights may be exercised concurrently or separately as the law allows. The exercise of one remedy is not to be treated as an election of that remedy or as having precluded the exercise of another remedy.

(k) Dispute Resolution Procedures. The Parties agree to attempt to resolve any disputes, claims or controversies arising out of this Agreement or the relationship of the Parties by first engaging in the following process: Prior to filing litigation, the Party contemplating such a filing will notify the other Party in writing setting forth the basis for the dispute ("Dispute Notice"). Within [***] following receipt of such Dispute Notice, the other Party shall respond setting forth the basis for its position ("Response Notice"). If the dispute remains unresolved, a representative(s) of the Parties with decision making authority shall meet either in person or by videoconference within [***] following delivery of the Response Notice in a good faith effort to resolve the dispute. If the dispute remains unresolved following such meeting, then either Party shall be entitled to commence litigation pursuant to the terms of this Agreement, but not sooner than [***] following the delivery of the Response Notice. If a Party does not comply with the foregoing procedures, then that Party shall not be entitled to recover fees and costs that might otherwise be available under Section 7(n) below. No Party shall be required to follow the foregoing dispute resolution procedures in this Section 7(k) when filing its responsive pleading (i.e., its answer, cross-complaint or third party complaint in the same action). Nothing herein precludes the parties from raising issues related to a dispute under this Agreement at any time in advance of a litigation while retaining its rights under Section 7(n).

(l) Venue. If any dispute or difference arises between the Parties (including but not limited to the ownership of Proprietary Rights under the PDMA or this Agreement), the Parties hereby consent to the exclusive jurisdiction of the U. S. District Court for the Southern District of New York for any disputes between the Parties.

(m) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to conflicts of laws principles).

(n) Attorneys' Fees. The prevailing party in any litigation between the Parties shall be entitled to recover from the other Party all reasonable attorneys' fees, expert witness fees and court costs incurred in connection with the litigation, subject to compliance with the provisions of Section 7(k) above.

[SIGNATURES ON NEXT PAGE]

[***]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first above written.

GOGO LLC, a Delaware limited liability company

By: /s/ Anthony J. Haro
Name: Anthony J. Haro
Title: VP, Supply Chain

THINKOM SOLUTIONS, INC.,
a California corporation

By: /s/ Mark J. Silk
Name: Mark J. Silk
Title: President

[SIGNATURE PAGE TO PRODUCT ENHANCEMENT AND LICENSE AGREEMENT]

THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT THE CONFIDENTIAL PORTION HAS BEEN OMITTED PURSUANT TO ITEM 601(b)(10)(iv) WHEREBY CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED:

[***]

**Statement of Work #5
To the 2Ku In-Flight Connectivity Services Agreement
Between
Delta Air Lines, Inc. and Gogo LLC
Dated April 1, 2015**

Statement of Work Date: January 16th, 2019

This Statement of Work #5 (the "Statement of Work") is entered into as of the date set forth above (the "Effective Date"), and is pursuant to the 2Ku In-Flight Connectivity Services Agreement between Delta Air Lines, Inc. ("Delta") and Gogo LLC ("Contractor") dated April 1, 2015 (as amended, the "Agreement"), where the Statement of Work is subject to and incorporates by reference the provisions of the Agreement. Capitalized terms used without definition in this Statement of Work have the meanings assigned to them in the Agreement. To the extent there is any contradiction, inconsistency or ambiguity between the terms of this Statement of Work and the Agreement, this Statement of Work will govern.

WHEREAS, Delta and Contractor are parties to the Agreement under which Contractor provides installation of certain equipment and provision of services related to Contractor's 2Ku Connectivity Services;

WHEREAS, Delta and Contractor desire to provide for 2Ku Connectivity Services on certain Fleet Type A/C;

NOW, THEREFORE, in consideration of the foregoing premises and covenants contained herein, Delta and Contractor agree as follows:

1. Addition of Fleet Type A/C. Pursuant to Section 2.3 of the Agreement, the A/C listed in the chart below shall be added to the Agreement as an Additional Fleet Type A/C to those listed in the Agreement. The addition or more A/C to this Additional Fleet Type will be addressed in subsequent Amendments to this Statement of Work.

[***]

2. All such A/C shall be deemed "Domestic A/C".

3. Certification Services. If not superseded by another agreement between the Parties within [***] of the Effective Date, the Parties agree to negotiate in good faith to reach a commercial resolution regarding Delta's responsibility for [***] or/ [***], as defined in section 5.2.4 of the Agreement, (if any) for this Additional Fleet Type.

4. Effectiveness. This Statement of Work #5 will be effective as of the Effective Date.

IN WITNESS WHEREOF, the parties have caused this Statement of Work #5 to be executed by their duly authorized representatives as of the Effective Date.

Delta:

DELTA AIR LINES, INC., a Delaware corporation

By: /s/ Jerry Rose

Name: Jerry Rose

Title: GM

Date: 1/23/2019

Contractor:

GOGO LLC, a Delaware limited liability company

By: /s/ Ben Murphy

Name: Ben Murphy

Title: VP Accounts

Date: 2/1/2019

1250 N. Arlington Heights Road
Suite 500
Itasca, IL 60143
Tel: 630-647-1400
Fax: 630-285-0191

EMPLOYMENT AGREEMENT

This Employment Agreement is entered into on this 1st day of January, 2008 (this "*Agreement*") by and between AIRCELL LLC, 1250 N. Arlington Heights Road, Suite 500, Itasca Illinois, 60143 (the "*Company*"), and MARGUERITE M. ELIAS, [***] ("*Executive*") Upon occurrence of the Effective Date (as defined below), this Agreement shall supersede and replace all other agreements, whether oral or written, related to the terms of Executive's employment with the Company. Certain capitalized terms used herein have the meanings given to them in Section 19 hereof.

AGREEMENT:

In consideration of the mutual covenants contained herein, the parties agree as follows:

1. Employment. The Company hereby agrees to employ Executive, and Executive hereby accepts such employment, upon the terms and conditions set forth herein, and agrees to perform duties as assigned by the Board of Directors of AC Holdco LLC (the "Board of Directors").

2. Capacity and Duties. As of the Effective Date (1/1/2008), Executive shall be employed by the Company as its Senior Vice President and General Counsel. During Executive's employment with the Company, Executive shall perform the duties and bear the responsibilities commensurate with Executive's position and shall serve the Company faithfully and to the best of Executive's ability, under the direction of the Company's President & Chief Executive Officer. Executive's actions shall at all times be such that they do not discredit the Company or its products and services, and Executive shall not engage in any business activity or activities that require significant personal services by Executive or that, in the sole judgment of the Company, may conflict with the proper performance of Executive's duties hereunder. Executive shall devote all Executive's working time, working attention, and working energies to the business of the Company.

3. Compensation.

(a) Base Salary. The Company shall pay to Executive as base compensation for all of the services to be rendered by Executive under this Agreement a salary at the rate of \$220,000.00 per annum (the "*Base Salary*"), payable in accordance with such normal payroll practices as are adopted by the Company from time to time, subject to withholdings for federal, state and local taxes, FICA and other withholding required by applicable law, regulation or ruling. In addition, Executive shall be eligible for an annual bonus with a target of thirty percent (30%) of Base Salary. The amount of such annual bonus, if any, shall be decided by the Chief Executive Officer, subject to the approval of the Board of Directors and shall be based upon achievement of both personal and corporate objectives. The Base Salary shall be reviewed by the Chief Executive Officer at least annually. Unless the Company and Executive mutually agree otherwise, Executive's annual salary shall not be reduced by more than ten percent (10%) of Executive's then current Base Salary unless as part of an overall compensation reduction at the Company that impacts salaries of all executives of the Company.

(b) **Reimbursement of Expenses, Company Facilities.** The Company shall pay or reimburse Executive for all reasonable, ordinary and necessary travel and other expenses incurred by Executive in the performance of Executive's obligations under this Agreement, in accordance with the Company's travel and expense reimbursement policies for management employees. The Company shall provide to Executive, at the Company's principal place of business, the necessary office facilities and equipment to perform Executive's obligations under this Agreement

(c) **Relocation Benefits.** *N/A*

(d) **Vacation and Personal Time Off.** Executive shall be entitled to personal time off consistent with the Company's policy as in effect on December 31, 2007, and to a minimum of four (4) weeks of vacation per year.

(e) **Benefits.** Executive shall be eligible to participate in all normal company benefits including the Company's 401(k), retirement, medical, dental and life and disability insurance plans and programs in accordance with the terms thereof.

(f) **Directors and Officers Insurance.** Customary officers and directors' liability insurance shall be obtained and maintained by the Company for reasonable and customary coverage of the Company and Executive, at no cost to Executive.

(g) **Long Term Incentive Plan.** Executive shall be entitled to receive .075% (125,000 units) of Profit Participation Shares pursuant to the Company's standard terms and conditions as set forth in the grant notice and AC Management LLC's Limited Liability Company Agreement ("**LLC Agreement**") (collectively the "**Long Term Incentive Plan**"). Subject to Executive's continued employment hereunder, 1/16 of the Profit Participation Shares shall vest upon grant, with the balance vesting in fifteen equal quarterly installments beginning March 7, 2008 and ending September 7, 2011. The Profit Participation Shares shall be subject to full acceleration upon a "**Change in Control**" as defined in the LLC Agreement.

4. Confidentiality; Ownership of Confidential Information and Inventions.

(a) **Receipt of Confidential Information.** Executive's employment by the Company creates a relationship of confidence and trust between Executive and the Company with respect to certain information applicable to the business of the Company and its clients or customers. Executive acknowledges that during Executive's employment by the Company and as a result of the confidential relationship with the Company established thereby, Executive shall be receiving Confidential Information and that the Confidential Information is a highly valuable asset of the Company.

(b) **Nondisclosure.** During Executive's employment with the Company and at all times thereafter, regardless of the reason for the termination of such employment, Executive shall retain in strict confidence and shall not use for any purpose whatsoever or divulge, disseminate, or disclose to any third party (other than in the furtherance of the business purposes of the Company and with the Company's prior written consent) all Confidential Information, all of which is deemed confidential and proprietary.

(c) **Disclosure.** Executive shall inform the Company promptly and fully of all Inventions by a written report, setting forth in detail a description of the Invention, the procedures used and the results achieved. Executive shall submit a report upon completing any studies or research projects undertaken on the Company's behalf, whether or not Executive believes that project has resulted in an Invention. Executive agrees to keep and maintain adequate and current records (in the form of notes, sketches, drawings and in any other form that may be required by the Company) of all Inventions, which records shall be available to and remain the sole property of the Company at all times.

(d) Ownership; Cooperation. All Confidential Information and Inventions shall be and remain the sole property of the Company. Executive promptly shall execute and deliver to the Company any instruments deemed necessary by it to effect disclosure and assignment of all Inventions to the Company including, without limitation, assignment agreements satisfactory to the Company. Upon request of the Company, during and after Executive's employment with the Company, Executive shall execute patent, copyright, trademark, mask work or other applications and any other instruments deemed necessary by the Company for the prosecution of such patent applications or the acquisition of letters patent or registration of copyrights, trademarks or mask works in the United States and foreign countries based on such Inventions; *provided, however,* that if Executive incurs any expenses in connection with the foregoing obligation after Executive's employment with the Company is terminated, the Company shall compensate Executive at a reasonable rate for the time actually spent by Executive at the Company's request in satisfying such obligation.

(e) Works for Hire. To the extent the Inventions consist of original works of authorship which are made by Executive (solely or jointly with others) within the scope of Executive's employment and which are protectable by copyright, Executive acknowledges that all such original works of authorship are "works for hire" as that term is defined in the United States Copyright Act (17 U.S.C., Section 101).

5. Covenants-Not-to-Compete. In consideration of Executive's continued employment as an executive of the Company and in consideration of the Company's obligations contained in this Agreement, including, without limitation, its agreeing to grant the Profit Participation Shares described in Section 3(g) and pay severance benefits in the circumstances specified in Section 9(a), and because Executive shall have access to Confidential Information, including, without limitation, Trade Secrets, Executive hereby covenants as follows:

(a) Covenants. Without the prior written consent of the Board, (x) during Executive's employment with the Company and (y) for one (1) year after leaving the employment of the Company, whether voluntarily or involuntarily, Executive shall not directly or indirectly, personally, by agency, as an employee, officer or director, through a corporation, partnership, limited liability company, or by any other artifice or device:

(i) Own, manage, operate, control, work for, provide services to, employ, have any financial interest in, consult to, lend Executive's name to or engage in any capacity in any enterprise, business, company or other entity (whether existing or newly established) engaged in a Competitive Business, whether in anticipation of monetary compensation or otherwise;

(ii) Hire, solicit or otherwise induce any current or former employee of the Company or any of its Affiliates to terminate his or her employment with the Company or such Affiliate or to engage in any Competitive Business, or intentionally interfere with the relationship of the Company or any of its Affiliates with any such employee or former employee;

(iii) Solicit or service in any way in connection with or relating to a Competitive Business, on behalf of Executive or on behalf of or in conjunction with others, any supplier, client or customer, or prospective supplier, client, or customer, who has been solicited or serviced by the Company or any of its Affiliates; or

(iv) Assist others in doing anything prohibited by clause (i), (ii) or (iii) above; in each case anywhere in the United States. The covenants in this Section 5(a) shall be specifically enforceable. However, the covenants in this Section 5(a) shall not be construed to prohibit the ownership of not more than one percent of the equity of any publicly-held entity engaged in direct competition with the Company, so long as Executive is not otherwise engaged with such entity in any of the other activities specified in Section 5(a)(i) through (iv) above.

(b) **Severability of Covenants.** For purposes of this Section 5, Executive and the Company intend that the covenants contained in Section 5 shall be construed as separate covenants, one for each activity and each geographic area. If one or more of these covenants are adjudicated to be unenforceable, such unenforceable covenant shall be deemed eliminated from this Section 5 to the extent necessary to permit the remaining separate covenants to be enforced.

(c) **Acknowledgment.** Executive acknowledges that the covenants made by Executive in this Agreement are intended to protect the legitimate business interests of the Company and not to prevent or interfere with Executive's ability to earn a living.

6. **Injunctive Relief; Legal Fees.** If Executive violates any of the provisions of Section 4 or 5 hereof (the "**Applicable Sections**"), the Company shall be entitled to seek and, if awarded by a court or arbitrator, obtain immediate and permanent injunctive relief in addition to all other rights and remedies it may have, it being agreed that a violation of the Applicable Sections would cause the Company irreparable harm, and the damages which the Company would sustain upon such violation are difficult or impossible to ascertain in advance. If the Company takes legal action to enforce the covenants contained in the Applicable Sections, or to enjoin Executive from violating the Applicable Sections, as part of its damages, the prevailing party shall be entitled to recover its reasonable legal costs and expenses for bringing and maintaining any such action from the losing party.

7. **No Conflict.** Executive represents and warrants to the Company that Executive's employment with the Company will not violate any other agreement or arrangement Executive has or may have had with any other former employer. Executive covenants that under no circumstances shall Executive disclose to the Company or use for the benefit of the Company any confidential or proprietary information of any former employer or other third party, and Executive shall hold all such information in confidence, and shall comply with the terms of any and all applicable agreements between Executive and the third party with respect to such information.

8. **Termination.** Executive and the Company each acknowledge that either party has the right to terminate Executive's employment with the Company at any time for any reason whatsoever, with or without cause, pursuant to the following:

(a) **Termination by the Company Without Cause.** Upon thirty (30) days' written notice to Executive, or at the Company's discretion, pay in lieu of notice;

(b) **Disability.** Upon thirty (30) days' written notice to Executive, or at the Company's discretion, pay in lieu of notice, if Executive is prevented from performing Executive's duties by reason of illness or incapacity for a continuous period of 120 days;

(c) **Death.** Immediately upon the death of Executive; or

(d) Termination by the Company for Cause. Immediately upon a showing of "Cause", which for purposes of this Agreement shall mean Executive's (1) willful gross misconduct or gross or persistent negligence in the discharge of her duties; (2) act of dishonesty or concealment; (3) breach of her fiduciary duty or duty of loyalty to the Company; (4) a material breach of Section 4 or 5 hereof; (5) any other material breach by Executive of this Agreement, which breach has not been cured by Executive within thirty (30) days after written notice of such breach is given to Executive by the Company; (6) commission of repeated acts of substance abuse which are materially injurious to the Company; (7) commission of a criminal offense involving money or other property of the Company (excluding traffic or other similar violations); or (8) commission of a criminal offense that would, if committed in the State of Colorado, constitute a felony under the laws of the State of Colorado or the United States of America.

(e) Voluntary Resignation. Executive may terminate Executive's employment under this Agreement upon thirty (30) days' written notice to the Company. The Company, at its discretion, may waive the thirty (30) day notice requirement, and in such event shall be required to make any payments in lieu of notice.

9. Termination Benefits.

(a) Termination by the Company Without Cause. If Executive is terminated under Section 8(a), and upon execution of a separation agreement containing a general release of all claims against the Company, the Company shall pay Executive an amount equal to Executive's Base Salary under Section 3(a) at the time of such termination as follows: (i) If Executive's employment is terminated pursuant to Section 8(a) during the 1st two years of employment, Executive shall be paid for a period of six (6) months; and (ii) if Executive's employment is terminated pursuant to Section 8(a) after the second year of employment, Executive shall be paid for a period of one (1) year (each of (i) and (ii) a "**Severance Payment**") The Severance Payment shall be payable in installments, by direct deposit, in accordance with the Company's normal payroll practices. In addition, during any Severance Payment period, should Executive timely elect to continue coverage pursuant to COBRA, the Company agrees to reimburse Executive for the COBRA premiums due to maintain health insurance coverage that is substantially equivalent to that which he received immediately prior to Executive's termination. The Company shall also pay Executive (i) any salary earned but unpaid prior to termination and all accrued but unused personal time, (ii) any business expenses incurred but not reimbursed as of the date of termination and (iii) any award under the annual bonus program referred to in Section 3(a) that has been approved by the Chief Executive Officer and the Company's Board of Directors but not paid prior to termination

(b) Other Termination. In all other cases, the Company's obligation to make payments hereunder shall cease upon such termination, except the Company shall pay Executive (i) any salary earned but unpaid prior to termination and all accrued but unused personal time, (ii) any business expenses incurred but not reimbursed as of the date of termination and (iii) any award under the annual bonus program referred to in Section 3(a) that has been approved by the Chief Executive Officer and the Company's Board of Directors but not paid prior to termination.

(c) Survival of Obligations. Executive's obligations pursuant to Sections 4 and 5 shall survive the expiration of the term of Executive's employment under this Agreement or any early termination thereof.

(d) Returns. Upon termination of Executive's employment under this Agreement, or as otherwise requested by the Company, immediately upon the Company's request, Executive shall return to the Company all of the Company keys, credit cards, product samples, records, data, notes, reports, proposals, lists of existing and proposed customers, correspondence, specifications, drawings, blue-prints, sketches, materials, equipment, other documents or property, together with all copies thereof belonging to the Company, its successors or assigns, and all Confidential Information (in all media) in Executive's possession or under Executive's control.

10. Notices. All notices, reports, records or other communications which are required or permitted to be given to the parties under this Agreement shall be sufficient in all respects if given in writing and delivered in person, by telecopy, by overnight courier, or by registered or certified mail, postage prepaid, return receipt requested, to the receiving party at the address listed on the first page of this Agreement, or to such other address as such party may have given to the other by notice pursuant to this Section 10. In the case of any such communications to the Company, such communications shall also be delivered to the Board of Directors. Notice shall be deemed given on the date of delivery, in the case of personal delivery or telecopy, or on the delivery or refusal date, as specified on the return receipt, in the case of overnight courier or registered or certified mail.

11. Further Assurances. The parties shall cooperate fully with each other and execute such further instruments, documents and agreements, and shall give such further written assurances, as may be reasonably requested by one another to better evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intent and purposes of this Agreement. Without limiting the generality of the foregoing, Executive shall cooperate fully in assisting the Company to comply with contractual obligations of the Company to third parties regarding Inventions, Trade Secrets and copyrights.

12. Waiver of Breach. A waiver by the Company of a breach of any provision of this Agreement by Executive shall not operate or be construed as a waiver of any subsequent breach by Executive.

13. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois. Any action pursuant to Section 4 or 5 above may be brought in the Courts in the State of Illinois, and by execution of this Agreement, Executive irrevocably submits to such jurisdiction.

14. Arbitration.

(a) Any dispute arising in connection with this Agreement or Executive's employment with the Company, except for equitable or injunctive actions pursuant to Section 4 or 5 above, or claims by Executive for workers' compensation, unemployment compensation or benefits under a Company benefits plan, shall be submitted to final and binding arbitration. Judgment upon any award rendered by arbitration may be entered in any court having jurisdiction thereof.

(b) The arbitrator shall be selected by the mutual agreement of the parties. Any arbitrator selected shall be a professional having at least ten years of experience in labor or employment related practice areas. If the amount in dispute exceeds \$250,000, the parties shall select, by mutual agreement, a panel of three arbitrators, rather than one arbitrator, to resolve the dispute.

(c) The arbitration shall be conducted in Chicago, Illinois (unless the corporate headquarters of the Company shall have been moved to another location, in which case the arbitration shall be conducted in such location). Reasonable discovery shall be permitted as determined by the arbitrator or arbitrators. Both parties to an arbitration shall have the right to be represented by counsel. The attorneys' fees and costs of the arbitrator and arbitration proceedings are to be shared equally between the parties, and all other costs and attorneys' fees are to be paid by the party incurring such costs and fees.

(d) Except as otherwise provided herein, this arbitration procedure is the exclusive remedy for any contractual, non-contractual or statutory claim of any kind, including claims arising under federal, state and local statutory law, including, but not limited to, the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 621 *et seq.*; Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e *et seq.*; the Americans with Disabilities Act, 42 U.S.C. § 12101 *et seq.*; the Employee Retirement Income Security Act, 29 U.S.C. § 1001 *et seq.*; the Colorado Anti-Discrimination Act of 1957, C.R.S. § 24-34-401 *et seq.*; the Colorado Wage Payment Act, C.R.S. § 8-4-100 *et seq.*; and common law or equitable claims alleging breach of contract, defamation, fraud, outrageous conduct, promissory estoppel, violation of public policy, wrongful discharge or any other tort, contract or equitable theory. Executive agrees to exhaust any and all internal dispute resolution procedures established by the Company prior to pursuing arbitration under this Agreement.

15. Severability. If any provision of this Agreement shall be held by any Court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the enforceability of all other provisions of this Agreement shall be unimpaired.

16. Binding Agreement. Executive shall not delegate or assign any of Executive's rights or obligations under this Agreement. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by Executive, the Company and the Company's successors and assigns; *provided, however,* that the Company may not assign this Agreement to any other person or entity without the prior written consent of Executive except (a) to AC HoldCo LLC or (b) in connection with a sale, assignment or other transfer by the Company of all or a substantial portion of its assets or business, in each of which events assignment of this Agreement is expressly permitted without the consent of Executive.

17. Merger; Amendment. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and no other statement, representation, warranty or covenant has been made by either party except as expressly set forth herein. This Agreement may be amended at any time, *provided* that such amendment is in writing and is signed by each of the parties.

18. Nature of Employment. EXECUTIVE IS EMPLOYED WITH THE COMPANY FOR NO SPECIFIC TERM OF EMPLOYMENT AND IS EMPLOYED AT THE WILL OF THE COMPANY. NOTHING IN THIS AGREEMENT SHALL IN ANY WAY RESTRICT EXECUTIVE'S RIGHT OR THE RIGHT OF THE COMPANY TO TERMINATE EXECUTIVE'S EMPLOYMENT AT ANY TIME, FOR ANY REASON OR FOR NO REASON, WITH OR WITHOUT CAUSE AND WITH OR WITHOUT NOTICE.

19. Definitions. In addition to terms defined above and elsewhere in this Agreement, the following terms shall have the meanings set forth below:

"Affiliate" means (i) any parent or subsidiary of the Company and (ii) any person or entity that directly or indirectly one or more intermediaries, controls, is controlled by or is under common control with, the Company. For purposes definition, the terms "controls," "is controlled by" or "is under common control with" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

“Air-to-Ground Communication” means (i) data and/or voice communications directly or indirectly between an aircraft and the ground, including communications between an aircraft and the ground transmitted in whole or in part by satellite and/or voice communications within an aircraft, including all communications to or from the cabin and/or the cockpit aircraft, (iii) any and all related products and services and (iv) any and all products and services directly supportive thereof. For the avoidance of doubt, Air-to-Ground Communications does not include communications by satellite that does involve communication to or from an aircraft.

“Competitive Business” means any business engaged in (i) providing Air-to-Ground Communications, (ii) assembling, manufacturing, installing or selling equipment involved in or relating to Air-to-Ground Communications or (iii) any business or activities that are substantially in competition with any other businesses in which the Company or any of Affiliates engages in during Executive’s employment or is actively contemplating entering into during Executive’s employment. For purposes of this Agreement, in the event that a Competitive Business includes an organization with separate and distinct business units, to the extent possible, and upon the written approval of the Company, the term Competitive Business may be limited to only those business units(s) or persons of the Competitive Business that are in, related to or become engaged in, or related to the business of Air-to-Ground Communications.

“Confidential Information” means all information relating to the Company, its Affiliates and their respective customers and suppliers considered by the Company or its Affiliates to be confidential and proprietary including, without limitation business plans, research, development and marketing strategies, customer names and lists, product and service prices and lines, processes, designs, formulae, methods, financial information, costs and supplies and (b) the Trade Secrets (as defined below). Confidential Information may include information which has been acquired or created by Executive or has otherwise become known to Executive through Executive’s employment with Company. Confidential Information may also include information belonging to the Company’s clients, customers or suppliers. “Confidential Information” shall not include the foregoing that is or becomes (i) in the public domain other than through acts by Executive, (ii) already lawfully in Executive’s possession at the time of disclosure by the Company as evidenced by Executive’s written records, (iii) disclosed to Executive by a third party who is not prohibited from disclosing the information pursuant to any fiduciary, contractual or other duty to any person or (iv) required by law, rule, regulation or court order to be disclosed.

“Effective Date” means January 1, 2008.

“Existing Proprietary Rights” means all inventions, original works of authorship, developments, improvements and secrets that Executive has, alone or jointly with others, made, conceived, developed or reduced to practice or caused made, conceived, developed or reduced to practice prior to the Effective Date, whether or not patentable or registrable under patent, copyright or similar statutes, a list of which is attached to this Agreement as Exhibit A.

“Inventions” means discoveries, concepts, ideas, methods, formulae, techniques, developments, know-how, inventions and improvements, whether or not patentable or registrable under patent, copyright or similar statutes, conceived of or m Executive at any time, whether before, during or after business hours, or with the use of the Company’s facilities, materials or personnel, either solely or jointly with others after the Effective Date and during Executive’s employment by the Company and if based on or related to the Company’s business, including, without limitation, existing and planned products and services and future products and services of the Company and its Affiliates.

“Trade Secrets” means any and all technology and information relating to the Company’s and its Affiliates’ business or their respective patents, methods, formulae, software, know-how, designs, products, processes, services, research develop inventions, systems, engineering and manufacturing which have been designated as secret or confidential or are the subject of efforts that are reasonable under the circumstances to maintain their secrecy or confidentiality and which are sufficiently secret to derive economic value, actual or potential, from not being generally known to other persons.

The parties have executed this Agreement on the date first above written, effective as of the Effective Date.

COMPANY:

AIRCELL LLC

Date: /s/ Jack Blumenstein

Name: Jack Blumenstein
President and Chief Executive Officer

EXECUTIVE:

Date: /s/ Marguerite M. Elias

Name: Marguerite M. Elias

EXHIBIT A
Existing Proprietary Rights

None.

**AMENDMENT NUMBER ONE TO
EMPLOYMENT AGREEMENT**

WHEREAS, AirCell LLC (the "Company") and Margee Elias (the "Executive") have heretofore entered into an Employment Agreement dated as of January 1, 2008 (the "Agreement"); and

WHEREAS, the Company and the Executive desire to amend the Agreement to comply with final regulations issued under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

NOW, THEREFORE, pursuant to Section 17 of the Agreement, the Agreement is hereby amended as follows, effective as of January 1, 2009:

1. Section 3(a) of the Agreement is hereby amended by deleting the second sentence thereof, and inserting the following sentence in its place:

In addition, Executive shall be eligible for an annual bonus with a target of thirty percent (30%) of Base Salary under an annual bonus program that shall be administered by the Board of Directors, pursuant to which the annual bonus payable with respect to any fiscal year shall be paid within the 2½-month period beginning on the first day after the end of such fiscal year.

2. Section 9(a) of the Agreement is hereby amended by inserting the phrase ", not later than 45 days after the date of such termination," immediately after the phrase "upon execution of a separation agreement," where it appears in the first sentence thereof.

3. The Agreement is hereby amended by renumbering Sections 15 through 19, and all references thereto, as Sections 16 through 20, respectively, and by adding the following new Section 15, to read as follows:

15. Section 409A. This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “ Code”), and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409 A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation § 1.409A-1 (b)(4). In the event the terms of this Agreement would subject Executive to taxes or penalties under Section 409A of the Code (“409A Penalties”), the Company and Executive shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible. To the extent any amounts under this Agreement are payable by reference to Executive’ s “termination of employment,” such term shall be deemed to refer to Executive’ s “separation from service,” within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Agreement, if Executive is a “ specified employee,” as defined in Section 409A of the Code, as of the date of Executive’ s separation from service, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Executive’ s separation from service and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of Executive’ s separation from service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of the separation from service or (b) the date of Executive’ s death. Any reimbursement payable to Executive pursuant to this Agreement shall be conditioned on the submission by Executive of all expense reports reasonably required by the Company under any applicable expense reimbursement policy, and shall be paid to Executive promptly following receipt of such expense reports, but in no event later than the last day of the calendar year following the calendar year in which Executive incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer and the Executive has executed this instrument as of this 31st day of December, 2008.

AirCell LLC

By: /s/ Margee Elias

Margee Elias

/s/ Margee Elias

Margee Elias

AMENDMENT NUMBER TWO TO
EMPLOYMENT AGREEMENT

This Amendment Number Two to Employment Agreement (the "Amendment") between Gogo LLC (f/k/a Aircell LLC) (the "Company") and Margee Elias (the "Executive") is dated as of November 30, 2017.

WHEREAS, the Company and Executive have heretofore entered into an Employment Agreement dated as of January 1, 2008, as amended by Amendment Number One thereto dated as of December 31, 2008 (the "Agreement"); and

WHEREAS, the Company and the Executive desire to amend the Agreement to add a provision on resignation for Good Reason (as defined hereinafter), among other things.

NOW, THEREFORE, pursuant to Section 17 of the Agreement, the Agreement is hereby amended as follows, effective as of November 30, 2017:

1. Section 3(a) of the Agreement is hereby amended by deleting the penultimate sentence ("The annual bonus payable with respect to any fiscal year shall be paid no later than 2 1/2 months following the end of such fiscal year") in its entirety.
2. Section 3 (d) of the Agreement is hereby deleted in its entirety and replaced with the following: "**(d) Discretionary Time Off.** The Company has no formal vacation or time off policy with set time off amounts and accruals. Instead, Executive will have the flexibility to take time off as determined by Executive, subject to the approval of the CEO."
3. Section 4 (b) of the Agreement is hereby amended by adding the following sentence at the end of the provision: "Notwithstanding anything in this Agreement to the contrary, nothing contained in this Agreement limits the Executive's ability to communicate with or participate in any investigation or proceeding regarding possible violations of U.S. Federal securities laws that may be conducted by the U.S. Securities and Exchange Commission, the U.S. Department of Justice, the U.S. Consumer Financial Protection Bureau or the U.S. Commodity Futures Trading Commission."
4. Section 8 (d) (6) of the Agreement is hereby deleted in its entirety and is replaced with the following: "(6) commission of one or more acts of substance abuse which are materially injurious to the Company".
5. Section 8 of the Agreement is hereby amended by adding the following new subparagraph (f): "**Resignation for Good Reason.** Executive may terminate his or her employment under this Agreement immediately upon a showing of "Good Reason," which for purposes of this Agreement shall mean (1) a reduction by the Company in Executive's Base Salary; (2) a material diminution of Executive's duties or responsibilities such that such duties and responsibilities, when viewed in the aggregate, are not at least commensurate with those duties and responsibilities normally associated with and appropriate to her position; (3) the relocation of Executive's principal place of employment to a geographic location more than fifty (50) miles from the Company's headquarters as of the Effective Date; or (4) any material breach by the Company of its obligations to Executive hereunder. In the event that Executive believes that circumstances constituting "Good Reason" have occurred and Executive wishes to terminate his/her employment as a result of such occurrence, Executive must provide the Company written notice within 3 days

from the initial existence of the occurrence. If within 30 days following the Company's receipt of such notice it corrects the circumstances constituting "Good Reason," then Executive shall not be entitled to terminate his/her employment under this Section 8(f) as a result of such circumstances. Furthermore, Executive shall not be entitled to terminate her employment under this Section 8(f) as a result of any circumstances constituting "Good Reason" unless his/ her resignation occurs within 30 days following the expiration of the Company's cure period."

6. Section 9 subparagraph (a) of the Agreement is hereby amended by deleting the sub-heading "(a)" and the first two full sentences in their entirety and substituting the following: "**(a) Termination by the Company Without Cause or Resignation for Good Reason.** If Executive is terminated under Section 8(a) or resigns for Good Reason under Section 8 (f), and following the execution (and expiration of any revocation period), not later than 45 days following the termination date, of a separation agreement containing a general release of all claims against Parent, the Company, and its Affiliates, the Company shall pay Executive an amount equal to Executive's Base Salary under Section 3 (a) at the time of such termination for a period of one (1) year, payable installments as set forth hereinafter (each such payment a "Severance Payment"). The Severance Payment shall be payable in installments, by direct deposit, in accordance with the Company's normal payroll practices. The first installment of the Severance Payments shall be made on the first payroll date after the execution (and expiration of any revocation period) of such separation agreement or, if the 45-day period following the termination date spans two calendar years and the Severance Payment is subject to Section 409A of the Internal Revenue Code, after such 45-day period, and shall include all installments of the Severance Payments that would have been paid if the general release of claims had been fully effective on the termination date."
7. Except as amended by this Amendment, the Agreement remains in full force and effect.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer and the Executive has executed this instrument as of this 4th day April, 2018

Gogo LLC

By: /s/ Oakleigh Thorne

Name: Oakleigh Thorne

Executive:



**FORM OF
CHANGE IN CONTROL SEVERANCE AGREEMENT**

This Change in Control Severance Agreement is entered into on this 6th day of March 2013 (this "**Agreement**") by and between Gogo Inc., a Delaware corporation (the "**Company**"), and Marguerite M. Elias ("**Executive**"). Certain capitalized terms used herein have the meanings given to them in Section 16 hereof.

RECITALS:

WHEREAS, the Board of Directors of the Company (the "**Board**") considers the maintenance of a sound management to be essential to protecting and enhancing the best interests of the Company and its stockholders and, in this connection, recognizes that the possibility of a Change in Control may exist from time to time, and that this possibility, and the uncertainty and questions it may raise among management, may result in the departure or distraction of management personnel to the detriment of Gogo and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to encourage the continued attention and dedication of members of management of the Company and its Subsidiaries to their assigned duties without the distraction which may arise from the possibility of a Change in Control.

AGREEMENT:

In consideration of the mutual covenants contained herein, the parties agree as follows:

1. At-Will Employment. The Company and Executive acknowledge that the Executive's employment is and shall continue to be at-will, as defined under applicable law. If the Executive's employment terminates for any reason, the Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement or the Employment Agreement, or as may otherwise be established under the then-existing employee benefit plans or policies of the Company and its Subsidiaries at the time of termination.

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2. Change in Control and Severance Benefits.

(a) **Severance Payments.** If Executive's employment is terminated as a result of a Qualifying Termination, the Company shall pay Executive an amount equal to the sum of (i) twelve (12) months of Executive's Base Salary, pursuant to Section 9(a) of the Employment Agreement (the "**Basic Separation Payment**"), and (ii) six (6) months of Executive's Base Salary plus an amount equal to the product of (x) 1/12 of Executive's Target Bonus and (y) the number of months in the Severance Period (the, "**Additional Payment**"). Notwithstanding anything to the contrary in the Employment Agreement, the Company shall pay the Additional Payment together with the Basic Separation Payment (collectively, the "**Severance Payment**"), in cash in a single lump sum payment, within ten (10) days following the Date of Termination. In addition, during the eighteen (18) months following the Date of Termination or, if a shorter period, the maximum period permitted by law, should Executive timely elect to continue coverage pursuant to COBRA, the Company agrees to reimburse Executive for the COBRA premiums due to maintain health insurance coverage that is substantially equivalent to that which he or she received immediately prior to Executive's termination (the "**COBRA Payments**"). The Company shall also pay Executive (A) any salary earned but unpaid prior to termination and all accrued but unused paid time off or vacation, (B) any business or reimbursable relocation expenses incurred but not reimbursed as of the Date of Termination in accordance with the applicable business expense reimbursement policy of the Company, effective on the Date of Termination, and (C) any award under the Annual Bonus Program that has been approved by the Company's Chief Executive Officer and the Board but not paid prior to termination.

(b) **Option Acceleration.** If Executive's employment is terminated as a result of a Qualifying Termination, then the vesting and exercisability of each Award shall be automatically accelerated in full as of the Date of Termination. The Award shall continue to be exercisable in accordance with the Executive's Award Agreement, including without any limitation any provisions that provide that in connection with a Change in Control, an Award may be surrendered and cancelled in exchange for a cash payment.

(c) **Other Termination.** If the Executive's employment terminates other than as a result of a Qualifying Termination, the Executive shall not be entitled to receive severance or other benefits hereunder, but may be eligible for such severance and benefits (if any) as may then be available under the Employment Agreement and the then-existing severance and benefit plans and policies of the Company and its Subsidiaries.

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(d) No Mitigation Requirement. The Executive shall not be required to mitigate the amount provided for in this section by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this section be reduced by the amount of any compensation earned by the Executive as the result of employment by another employer, or by any set-off, counterclaim, recoupment, or other claim, right or action the Company may have against the Executive.

3. Notices. All notices, reports, records or other communications which are required or permitted to be given to the parties under this Agreement shall be sufficient in all respects if given in writing and delivered in person, by telecopy, by overnight courier, or by registered or certified mail, postage prepaid, return receipt requested, to the Company at its corporate headquarters to the attention of the Corporate Secretary and to the Executive at the home address most recently provided by Executive to the Company, or, in the case of either party, to such other address as such party may have given to the other by notice pursuant to this Section 3. Notice shall be deemed given on the date of delivery, in the case of personal delivery or telecopy, or on the delivery or refusal date, as specified on the return receipt, in the case of overnight courier or registered or certified mail. Any termination by the Company or any of its Subsidiaries for Cause or by Executive for Good Reason shall be communicated by a notice of termination ("**Notice of Termination**") to the other party given in accordance with this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. The failure by the Company or Executive to include in the notice any fact or circumstance which contributes to a showing of Cause or Good Reason, respectively, shall not waive any right of the Company or the Executive, as the case may be, hereunder, or preclude the Company or the Executive, as the case may be, from asserting such fact or circumstance in enforcing its or his or her rights hereunder.

4. Limitation of Benefits.

(a) Change in Control Prior to an IPO. Notwithstanding anything to the contrary contained in this Agreement, to the extent that, upon a Change in Control

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prior to an IPO of the Company, any of the payments and benefits provided for under this Agreement or any other agreement or arrangement between the Company or their respective affiliates and the Executive (collectively, the "**Payments**") would constitute a "parachute payment" within the meaning of section 2800 of the Code (a "**Parachute Payment**"), the amount of such Payments shall be reduced to the amount (the "**Safe Harbor Amount**") that would result in no portion of the Payments being subject to the excise tax imposed pursuant to section 4999 of the Code (the "**Excise Tax**"). If, upon a Change in Control prior to an IPO of the Company, the Parachute Payments that would otherwise be reduced or eliminated, as the case may be, pursuant to this Section 4 could be paid without the loss of a deduction under Section 2800 of the Code if the shareholder approval exception to treatment as a Parachute Payment can be and is satisfied, then the Company shall use its reasonable best efforts to cause such Parachute Payments to be submitted for and to seek such approval in accordance with Section 2800(b)(5)(B) prior to the Change in Control giving rise to such Parachute Payments.

(b) Change in Control Following an IPO. If upon a Change in Control following an IPO, any Payments would constitute Parachute Payments, then, if and solely to the extent that reducing the benefits payable hereunder, would result in the Executive receiving a greater amount, on an after-tax basis, taking into account any Excise Tax and all applicable income, employment and other taxes payable on such amounts, the amounts payable hereunder shall be reduced or eliminated, as the case may be, so that the total amount of Parachute Payments received by the Executive do not exceed the Safe Harbor Amount.

(c) Any such reduction in the amount of compensation or benefits effected pursuant to this Section 4 shall first come from the Additional Payment and then, in order and in each case, solely to the extent necessary, from the Basic Separation Payment, the COBRA Payments and the benefit of the option acceleration provided in Section 2(b).

5. Restrictive Covenants. Notwithstanding anything to the contrary in this Agreement, Sections 4, 5, 6 and 7 of the Executive's Employment Agreement shall remain in full force and effect.

6. Further Assurances. The parties shall cooperate fully with each other and execute such further instruments, documents and agreements, and shall give such further written assurances, as may be reasonably requested by one another to better evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intent and purposes of this Agreement.

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7. Applicable Law. This Agreement shall be governed by and construed in accordance with internal laws, but not the conflicts of law rules, of the State of Illinois.

8. Arbitration.

(a) Any dispute arising in connection with this Agreement shall be submitted to final and binding arbitration. Judgment upon any award rendered by arbitration may be entered in any court having jurisdiction thereof.

(b) The arbitrator shall be selected by the mutual agreement of the parties. Any arbitrator selected shall be a professional having at least ten years of experience in labor or employment related practice areas. If the amount in dispute exceeds \$250,000, the parties shall select, by mutual agreement, a panel of three arbitrators, rather than one arbitrator, to resolve the dispute.

(c) The arbitration shall be conducted in Chicago, Illinois (unless the corporate headquarters of the Company shall have been moved to another location, in which case the arbitration shall be conducted in such location). Reasonable discovery shall be permitted as determined by the arbitrator or arbitrators. Both parties to an arbitration shall have the right to be represented by counsel. The Company shall be responsible for paying all administrative fees, costs and expenses associated with the arbitration, including filing fees, the arbitrator's fees, and the expense of the arbitration proceedings, with all other costs and attorneys' fees to be paid by the party incurring such costs and fees (subject to any reimbursement pursuant to Section 9).

(d) Except as otherwise provided herein, this arbitration procedure is the exclusive remedy for any contractual, non-contractual or statutory claim of any kind, including claims arising under federal, state and local statutory law, including, but not limited to, the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 621 *et seq.*; Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e *et seq.*; the Americans with Disabilities Act, 42 U.S.C. § 12101 *et seq.*; the Employee Retirement Income Security Act, 29 U.S.C. § 1001 *et seq.*; the Illinois Human Rights Act, 75 ILCS § 5/1-101 *et seq.*; and common law or equitable claims alleging breach of contract, defamation, fraud, outrageous conduct, promissory estoppel, violation of public policy, wrongful discharge

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or any other tort, contract or equitable theory. Executive agrees to exhaust any and all internal dispute resolution procedures established by the Company prior to pursuing arbitration under this Agreement.

9. Reimbursement of Legal Expenses. If any contest or dispute shall arise between the Company and the Executive regarding any provision of this Agreement, the Company shall reimburse the Executive for all legal fees and expenses reasonably incurred by the Executive in connection with such contest or dispute, but only if the Executive prevails to a substantial extent with respect to at least one of Executive's material claims brought and pursued in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed) to the extent the Company receives written evidence of such fees and expenses. Any such reimbursements or expenses shall be paid not later than as soon as practicable following the resolution of the dispute but in no event later than the end of the first taxable year of the Executive in which the Company and the Executive enter into a legally binding settlement of such dispute, the Company concedes that the amount is payable, or the Company is required to make such payment pursuant to a final and non-appealable judgment or other binding decision.

10. Severability. If any provision of this Agreement shall be held by any Court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the enforceability of all other provisions of this Agreement shall be unimpaired.

11. Binding Agreement. Executive shall not delegate or assign any of Executive's rights or obligations under this Agreement; provided, however, that the terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. The Company shall cause any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) or to all or substantially all of the Company's business and/or assets to assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business

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and/or assets which executes and delivers the assumption agreement described in this section or which becomes bound by the terms of the Agreement by operation of law or otherwise. This Agreement may be amended only by a written amendment executed by both parties.

12. Effect on other Agreements and Benefits. Except to the extent expressly set forth herein, any benefit or compensation to which Executive is entitled under the Employment Agreement, any other agreement between Executive and the Company or any of its Subsidiaries or any plan maintained by the Company or any of its Subsidiaries in which the Executive participates or participated shall not be modified or lessened in any way, but shall be payable according to the terms of the applicable plan or agreement. Notwithstanding the foregoing, any severance benefit received by Executive under this Agreement shall be in lieu of any severance benefits to which the Executive would otherwise be entitled under the Employment Agreement or any other severance policy or plan maintained by the Company or any of its Subsidiaries.

13. Employment Taxes. All payments made pursuant to this Agreement shall be subject to withholding of applicable income and employment taxes.

14. Section 409A. This Agreement is intended to comply with the requirements of Section 409A of the Code and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible. The amount referred to herein as the "Basic Separation Payment" is intended to be exempt from being treated as deferred compensation under the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9). The change in the time and form of payment of the Separation Payment from installments as provided in the Employment Agreement to a lump sum payment as provided herein is intended to comply with Section 409A in reliance on such subsection of the regulations and, as applicable, Treasury regulation §1.409A-3(c). The amount referred to herein as the "Additional Payment" is a new legally binding right created pursuant to this Agreement and is intended to be exempt from Section 409A of the Code as short-term deferral pursuant to Treasury regulation §1.409A-1(b)(4). In the event the terms of this Agreement would subject Executive to taxes or penalties under Section 409A of the Code ("**409A Penalties**"), the Company and Executive shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible. To the

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extent any amounts under this Agreement are payable by reference to Executive's "termination of employment," such term shall be deemed to refer to Executive's "separation from service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Agreement, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of Executive's separation from service, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Executive's separation from service and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of Executive's separation from service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of the separation from service or (b) the date of Executive's death. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit.

15. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

16. Definitions. In addition to terms defined above and elsewhere in this Agreement, the following terms shall have the meanings set forth below:

"Affiliate" means with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlled" and "controlling" have meanings correlative thereto.

"Annual Bonus Plan" means the annual bonus plan established by the Board in which members of management participate.

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“Award” means any options or other equity incentives awarded to the Executive under the Aircell Holdings Inc. Stock Option Plan or any other plan implemented by the Company.

“Award Agreement” means the written agreement evidencing an option grant to an optionee under the Aircell Holdings Inc. Stock Option Plan between the Company and the Executive.

“Base Salary” means the Executive’s annual base salary paid or payable by the Company or any of its Subsidiaries at the rate in effect (or required to be in effect before any diminution that is a basis of the Executive’s termination for Good Reason) on the Date of Termination.

“Cause” shall have the meaning ascribed to it in the Employment Agreement.

“Change in Control” means:

(i) the acquisition by any person, entity or “group” (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then outstanding equity interests in the Company or the combined voting power of the Company’s then outstanding voting securities, excluding acquisitions by (A) any members of the Ripplewood Investment Group, as defined in the Stockholders’ Agreement, (B) any of the Thome Affiliates, as defined in the Stockholders’ Agreement or (C) any other person or entity that was a stockholder of the Company as of the date on which this Plan was initially approved by the Board (the **“Excluded Parties”**); or

(ii) the consummation of a reorganization, merger or consolidation of the Company or the sale of all or substantially all of the assets of the Company, in each case with respect to which the Excluded Parties or any other persons who held equity interests in the Company immediately prior to such reorganization, merger, consolidation or sale do not immediately thereafter own, directly or indirectly, 50% or more of the combined voting power of the then outstanding securities of the surviving or resulting corporation or other entity; provided, however, that any such transaction consummated in connection with, or for the purpose of facilitating, an IPO shall not constitute a Change in Control hereunder.

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“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Date of Termination” means (i) if the Executive’s employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or such later date specified in the Notice of Termination, as the case may be, (ii) if the Executive’s employment is terminated by the Company other than for Cause or Disability, the date on which the Company notifies the Executive of such termination, (iii) if the Executive resigns without Good Reason, the date on which the Executive notifies the Company of such termination, and (iv) if the Executive’s employment is terminated by reason of death or Disability, the date of death of Executive or the 30th day after receipt of notice of Disability from Executive, as the case may be. Notwithstanding the foregoing, in no event shall the Date of Termination occur until the Executive experiences a “separation from service” within the meaning of Section 409A of the Code, and the date on which such separation from service occurs shall be the “Date of Termination.”

“Disability” means a condition such that the Executive by reason of physical or mental disability becomes unable to perform his or her normal duties for more than one hundred eighty (180) days in the aggregate (excluding infrequent or temporary absence due to ordinary transitory illness) during any twelve-month period.

“Employment Agreement” means the Employment Agreement, dated January 1, 2008, between Gogo LLC (f/k/a Aircell LLC) and Executive, as amended, and any other written agreement between Executive and the Company or any of its Subsidiaries.

“Good Reason” means (i) a reduction by the Company or any of its Subsidiaries in Executive’s Base Salary beyond what is permitted by Section 3(a) of the Employment Agreement or in his or her Target Bonus; (ii) a material diminution in the Executive’s position with the Company, such that the Executive is required to perform duties and responsibilities following the Change in Control which would have been assigned to a position that would have been below the level of Vice President under the title structure in effect at the Company immediately prior to the Change in Control; (iii) the relocation of Executive’s principal place of employment to a geographic location greater than fifty (50) miles from the Company’s headquarters immediately prior to the Change in Control, (iv) the occurrence of a Change in Control in which the acquiror does not assume the obligations of the Company or its Subsidiaries under the Employment Agreement; and (v) any material failure by the Company or any Subsidiary to pay the Executive any

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compensation when otherwise due under the terms of the Employment Agreement; provided, however, that Executive may resign for Good Reason only if (i) he or she has given the Company written notice of its breach within 90 days of the date that the Executive discovers such breach and (ii) the Company has not remedied such breach on or before the 30th day following the Company's receipt of such notice.

"IPO" means an initial public offering of the common stock of the Company.

"Person" means an individual, partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust, joint venture, association or other similar entity, whether or not a legal entity.

"Qualifying Termination" means:

(i) at any time within the period commencing on the date of the consummation of a Change in Control and ending twenty-four (24) months thereafter, the Executive's employment is terminated (A) involuntarily for any reason other than Cause, death or Disability or (B) by the Executive for Good Reason; or

(ii) at any time following the date the Company or any of its Affiliates enters into an agreement with a third party and the consummation of the transactions contemplated by such agreement would result in a Change in Control of the Company and prior to the date of the consummation of the Change in Control pursuant to such agreement, the Executive's employment is terminated (A) involuntarily for any reason other than Cause, death, or Disability or (B) by the Executive for Good Reason; provided, however, that in the case of each of clauses (A) and (B) the affected Executive demonstrates that such termination or circumstance leading to such termination (1) was at the request of a third party or any of their Affiliates with which the Company had entered into such agreement contemplating a Change in Control; or (2) otherwise occurred in connection with a Change in Control.

"Severance Period" shall mean eighteen months.

"Stockholders' Agreement" means the Stockholders' Agreement, dated December 31, 2009, between the Company and the stockholders who are parties thereto, as amended.

Aircell LLC, Chicago
1250 N Arlington Heights Rd. Suite 500, Itasca, IL 60143
Tel 630 647 1400 Fax 630 285 0191

Aircell LLC, Denver
1172 Century Dr. Building 8, Suite 280, Louisville, CO 80027
Tel 303 379 0200 Fax 303 379 0201

“Subsidiary” means any corporation or limited liability company in which the Company, directly or indirectly, holds a majority of the voting power of such entity’s outstanding shares of capital stock or membership interests.

“Target Bonus” means the target bonus, determined by multiplying an agreed-upon percentage times Base Salary, for which Executive is eligible under the Annual Bonus Plan at the percentage in effect (or required to be in effect before any diminution that is a basis of the Executive’s termination for Good Reason) on the Date of Termination.

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Aircell LLC, Denver
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Tel 303 379 0200 Fax 303 379 0201

The parties have executed this Agreement on the date first above written, effective as of the Effective Date.

COMPANY:

EXECUTIVE:

GOGO INC.

Date: 3/8/13

Date: 3/8/13

/s/ Michael J. Small

/s/ Marguerite Elias

Title: President and CEO
Michael J. Small

Print Name: Marguerite Elias
Marguerite Elias

Aircell LLC, Chicago
1250 N Arlington Heights Rd. Suite 500, Itasca, IL 60143
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Tel 303 379 0200 Fax 303 379 0201

AMENDMENT NUMBER ONE TO
CHANGE IN CONTROL SEVERANCE AGREEMENT

This Amendment to the Change in Control Severance Agreement (the "Amendment") between Gogo LLC (f/k/a Aircell LLC) (the "Company") and Margee Elias (the "Executive") is dated as of November 30, 2017.

WHEREAS, Company and the Executive have heretofore entered into a Change in Control Severance Agreement dated as of March 6, 2013 (the "Agreement"); and

WHEREAS, the Company and the Executive desire to amend the Agreement to include terms on the vesting of performance-based Awards in the event of a Qualifying Termination.

NOW, THEREFORE, the Agreement is hereby amended as follows, effective as of November 30, 2017:

1. Section 2(b) of the Agreement is hereby deleted in its entirety and replaced with the following:

“**(b) Award Acceleration.** If Executive’s employment is terminated as a result of a Qualifying Termination, then (i) the vesting of each Award that vests based on continued service, and the exercisability of each such Award that is a stock option, shall be automatically accelerated in full as of the Date of Termination and (ii) each Award that vests based on performance shall remain outstanding through the normal performance vesting date thereof (or, in the case of each such Award that is a stock option, until the 90th day following such normal performance vesting date) and shall vest and/or be forfeited based on the satisfaction of the applicable performance goals to the same extent as if the undersigned’s services to the Company had not ended (provided that, to the extent any such Award is subject to both performance and service-based vesting, the service-based vesting shall be automatically accelerated in full as of the Date of Termination). The Award shall continue to be exercisable in accordance with the Executive’s Award Agreement, and, with respect to Awards other than stock options and restricted stock awards, will be settled upon vesting to the extent such accelerated settlement is permitted by Section 409A of the Code or, if not so permitted, on the scheduled settlement date in accordance with the Executive’s Award Agreement, including in each case without any limitation any provisions that provide that in connection with a Change in Control, an Award may be surrendered and cancelled in exchange for a cash payment.”

2. The Section 16 definition of “Award” is deleted in its entirety and replaced with the following:

“**“Award”** means any options or other equity incentives awarded to the Executive under the Aircell Holdings Inc. Stock Option Plan, The 2013 Gogo Equity Incentive Plan, The 2016 Gogo Equity Incentive Plan or any other plan implemented by the Company (each a “Plan” and collectively the “Plans”).”

-
3. The Section 16 definition of "Award Agreement" is deleted in its entirety and replaced with the following:
 "**Award Agreement**" means the written agreement between the Company and the Executive evidencing an Award under a Plan."
 4. The Section 16 "Change in Control" definition is amended by deleting subparagraph "(i)" and replacing with the following new subparagraph:
 "(i) the acquisition by any person, entity or "group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then outstanding equity interests in the Company or the combined voting power of the Company's then outstanding voting securities, excluding acquisitions by the Thome Affiliates, as defined in the Stockholders' Agreement; or".
 5. Except as amended by this Amendment, the Agreement remains in full force and effect.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer and the Executive has executed this instrument as of the 4th day of April 2018.

Gogo LLC

By: /s/ Oakleigh Thome
 Oakleigh Thome

Executive:

/s/ Margee Elias
Margee Elias

REAFFIRMATION AGREEMENT

Reference is made to the Collateral Agency Agreement dated as of April 25, 2019 (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the “Collateral Agency Agreement”) among Gogo Inc., a Delaware corporation (the “Parent”), Gogo Intermediate Holdings LLC, a Delaware limited liability company (the “Company”), Gogo Finance Co. Inc., a Delaware corporation (the “Co-Issuer” and, together with the Company, the “Issuers”), the other Grantors from time to time party thereto, U.S. Bank National Association, as Trustee under the Indenture (as defined therein) and U.S. Bank National Association, as Collateral Agent. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Collateral Agency Agreement. This Reaffirmation Agreement is being executed and delivered as of May 7, 2019 in connection with an Additional Secured Debt Designation of even date herewith which Additional Secured Debt Designation has designated additional secured debt as Priority Lien Debt (as described therein) entitled to the benefit of the Collateral Agency Agreement.

Each of the undersigned hereby consents to the designation of additional secured debt as Priority Lien Debt as set forth in the Additional Secured Debt Designation of even date herewith and hereby confirms its respective guarantees, pledges, grants of security interests and other obligations, as applicable, under and subject to the terms of each of the Priority Lien Documents to which it is party, and agrees that, notwithstanding the designation of such additional indebtedness or any of the transactions contemplated thereby, such guarantees, pledges, grants of security interests and other obligations, and the terms of each Priority Lien Document to which it is a party, are not impaired or adversely affected in any manner whatsoever and shall continue to be in full force and effect and such additional secured debt shall be entitled to all of the benefits of such Priority Lien Documents.

Governing Law and Miscellaneous Provisions. The provisions of Article 7 of the Collateral Agency Agreement will apply with like effect to this Reaffirmation Agreement.

[signature pages follow]

IN WITNESS WHEREOF, each of the undersigned has caused this Reaffirmation Agreement to be duly executed as of the date written above.

GOGO INC.

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer and Treasurer

GOGO INTERMEDIATE HOLDINGS LLC

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer and Treasurer

GOGO FINANCE CO. INC.

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer, Treasurer and
Assistant Secretary

GOGO BUSINESS AVIATION LLC

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer and Treasurer

GOGO LLC

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer and Treasurer

[Signature page to Reaffirmation Agreement]

AC BIDCO LLC

By: /s/ Barry Rowan

Name: Barry Rowan

Title: Executive Vice President, Chief
Financial Officer, Treasurer and
Assistant Secretary

GOGO INTERNATIONAL HOLDINGS LLC

By: /s/ Barry Rowan

Name: Barry Rowan

Title: Executive Vice President, Chief
Financial Officer and Treasurer

GOGO CONNECTIVITY LTD.

By: /s/ Barry Rowan

Name: Barry Rowan

Title: Executive Vice President and
Chief Financial Officer

[Signature page to Reaffirmation Agreement]

ADDITIONAL SECURED DEBT DESIGNATION

Reference is made to the Collateral Agency Agreement dated as of April 25, 2019 (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the "Collateral Agency Agreement") among Gogo Inc., a Delaware corporation (the "Parent"), Gogo Intermediate Holdings LLC, a Delaware limited liability company (the "Company"), Gogo Finance Co. Inc., a Delaware corporation (the "Co-Issuer" and, together with the Company, the "Issuers"), the other Grantors from time to time party thereto, U.S. Bank National Association, as Trustee under the Indenture (as defined therein) and U.S. Bank National Association, as Collateral Agent. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Collateral Agency Agreement. This Additional Secured Debt Designation is being executed and delivered in order to designate additional secured debt as Priority Lien Debt entitled to the benefit of the Collateral Agency Agreement.

The undersigned, the duly appointed Executive Vice President, Chief Financial Officer and Treasurer of the Company and Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary of the Co-Issuer hereby certifies on behalf of the Issuers that:

(A) the Issuers intend to incur additional Secured Debt ("***Additional Secured Debt***") which will be Priority Lien Debt permitted by each applicable Secured Debt Document to be secured by a Priority Lien equally and ratably with all previously existing and future Priority Lien Debt;

(B) the name and address of the Secured Debt Representative for the Additional Secured Debt for purposes of Section 7.8 of the Collateral Agency Agreement is:

U.S. Bank National Association
190 S. LaSalle Street, 10th Floor
MK-IL-SLTR
Chicago, IL 60603
Attention: Global Corporate Trust
& Escrow Services
Telephone: (312) 332-6781
Facsimile: (312) 332-8009
Email: linda.garcia@usbank.com

(C) Each of the Issuers and each other Grantor has duly authorized, executed (if applicable) and recorded (or caused to be recorded) in each appropriate governmental office all relevant filings and recordations to ensure that the Additional Secured Debt is secured by the Collateral in accordance with the Security Documents;

(D) Attached as Exhibit 1 hereto is a Reaffirmation Agreement duly executed by the Issuers and each other Grantor and Guarantor, and

(E) the Issuers have caused a copy of this Additional Secured Debt Designation to be delivered to each existing Secured Debt Representative.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Issuers have caused this Additional Secured Debt Designation to be duly executed by the undersigned officer as of the date first set forth above.

GOGO INTERMEDIATE HOLDINGS LLC

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer and Treasurer

GOGO FINANCE CO. INC.

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer, Treasurer and
Assistant Secretary

[Signature page to Additional Secured Debt Designation]

ACKNOWLEDGEMENT OF RECEIPT

The undersigned, the duly appointed Collateral Agent under the Collateral Agency Agreement, hereby acknowledges receipt of an executed copy of this Additional Secured Debt Designation.

U.S. BANK NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Linda Garcia

Name: Linda E. Garcia

Title: Vice President

REAFFIRMATION AGREEMENT

Reference is made to the Collateral Agency Agreement dated as of April 25, 2019 (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the "Collateral Agency Agreement") among Gogo Inc., a Delaware corporation (the "Parent"), Gogo Intermediate Holdings LLC, a Delaware limited liability company (the "Company"), Gogo Finance Co. Inc., a Delaware corporation (the "Co-Issuer" and, together with the Company, the "Issuers"), the other Grantors from time to time party thereto, U.S. Bank National Association, as Trustee under the Indenture (as defined therein) and U.S. Bank National Association, as Collateral Agent. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Collateral Agency Agreement. This Reaffirmation Agreement is being executed and delivered as of May 7, 2019 in connection with an Additional Secured Debt Designation of even date herewith which Additional Secured Debt Designation has designated additional secured debt as Priority Lien Debt (as described therein) entitled to the benefit of the Collateral Agency Agreement.

Each of the undersigned hereby consents to the designation of additional secured debt as Priority Lien Debt as set forth in the Additional Secured Debt Designation of even date herewith and hereby confirms its respective guarantees, pledges, grants of security interests and other obligations, as applicable, under and subject to the terms of each of the Priority Lien Documents to which it is party, and agrees that, notwithstanding the designation of such additional indebtedness or any of the transactions contemplated thereby, such guarantees, pledges, grants of security interests and other obligations, and the terms of each Priority Lien Document to which it is a party, are not impaired or adversely affected in any manner whatsoever and shall continue to be in full force and effect and such additional secured debt shall be entitled to all of the benefits of such Priority Lien Documents.

Governing Law and Miscellaneous Provisions. The provisions of Article 7 of the Collateral Agency Agreement will apply with like effect to this Reaffirmation Agreement.

[signature pages follow]

IN WITNESS WHEREOF, each of the undersigned has caused this Reaffirmation Agreement to be duly executed as of the date written above.

GOGO INC.

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer and Treasurer

GOGO INTERMEDIATE HOLDINGS LLC

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer and Treasurer

GOGO FINANCE CO. INC.

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer, Treasurer and
Assistant Secretary

GOGO BUSINESS AVIATION LLC

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer and Treasurer

GOGO LLC

By: /s/ Barry Rowan
Name: Barry Rowan
Title: Executive Vice President, Chief
Financial Officer and Treasurer

[Signature page to Reaffirmation Agreement]

AC BIDCO LLC

By: /s/ Barry Rowan

Name: Barry Rowan

Title: Executive Vice President, Chief
Financial Officer, Treasurer and
Assistant Secretary

GOGO INTERNATIONAL HOLDINGS LLC

By: /s/ Barry Rowan

Name: Barry Rowan

Title: Executive Vice President, Chief
Financial Officer and Treasurer

GOGO CONNECTIVITY LTD.

By: /s/ Barry Rowan

Name: Barry Rowan

Title: Executive Vice President and
Chief Financial Officer

[Signature page to Reaffirmation Agreement]

Gogo Inc.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Oakleigh Thorne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gogo Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ Oakleigh Thome

Oakleigh Thome
President and Chief Executive Officer
(Principal Executive Officer)

Gogo Inc.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Barry Rowan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gogo Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ Barry Rowan

Barry Rowan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Gogo Inc.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Oakleigh Thorne, President and Chief Executive Officer of Gogo Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2019

/s/ Oakleigh Thorne

Oakleigh Thorne
President and Chief Executive Officer
(Principal Executive Officer)

Gogo Inc.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Barry Rowan, Executive Vice President and Chief Financial Officer of Gogo Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2019

/s/ Barry Rowan

Barry Rowan

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)