
**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 June 30, 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)

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

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

As of August 5, 2019, 88,068,387 shares of \$0.0001 par value common stock were outstanding.

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Gogo Inc.

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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)

	June 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 181,867	\$ 184,155
Short-term investments	—	39,323
Total cash, cash equivalents and short-term investments	181,867	223,478
Accounts receivable, net of allowances of \$5,357 and \$500, respectively	113,975	134,308
Inventories	151,533	193,045
Prepaid expenses and other current assets	30,458	34,695
Total current assets	477,833	585,526
Non-current assets:		
Property and equipment, net	549,908	511,867
Goodwill and intangible assets, net	81,161	83,491
Operating lease right-of-use assets	68,702	—
Other non-current assets	104,544	84,212
Total non-current assets	804,315	679,570
Total assets	\$ 1,282,148	\$ 1,265,096
Liabilities and Stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 29,617	\$ 23,860
Accrued liabilities	185,193	213,111
Deferred revenue	30,551	38,571
Deferred airborne lease incentives	24,737	24,145
Total current liabilities	270,098	299,687
Non-current liabilities:		
Long-term debt	1,092,321	1,024,893
Deferred airborne lease incentives	137,231	129,086
Non-current operating lease liabilities	97,619	—
Other non-current liabilities	48,486	80,191
Total non-current liabilities	1,375,657	1,234,170
Total liabilities	1,645,755	1,533,857
Commitments and contingencies (Note 12)		
Stockholders' deficit		
Common stock, par value \$0.0001 per share; 500,000,000 shares authorized at June 30, 2019 and December 31, 2018; 88,116,072 and 87,678,812 shares issued at June 30, 2019 and December 31, 2018, respectively; and 88,062,965 and 87,560,694 shares outstanding at June 30, 2019 and December 31, 2018, respectively	9	9
Additional paid-in-capital	971,130	963,458
Accumulated other comprehensive loss	(2,217)	(3,554)
Accumulated deficit	(1,332,529)	(1,228,674)
Total stockholders' deficit	(363,607)	(268,761)
Total liabilities and stockholders' deficit	\$ 1,282,148	\$ 1,265,096

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 June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue:				
Service revenue	\$173,731	\$159,056	\$ 338,743	\$309,734
Equipment revenue	39,954	68,402	74,491	149,549
Total revenue	<u>213,685</u>	<u>227,458</u>	<u>413,234</u>	<u>459,283</u>
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	71,494	73,650	139,615	148,597
Cost of equipment revenue (exclusive of items shown below)	35,571	64,350	65,302	116,643
Engineering, design and development	26,912	28,409	51,640	58,186
Sales and marketing	12,994	15,427	25,312	31,328
General and administrative	27,081	21,133	49,535	46,292
Depreciation and amortization	29,967	31,938	60,716	67,857
Total operating expenses	<u>204,019</u>	<u>234,907</u>	<u>392,120</u>	<u>468,903</u>
Operating income (loss)	<u>9,666</u>	<u>(7,449)</u>	<u>21,114</u>	<u>(9,620)</u>
Other (income) expense:				
Interest income	(1,230)	(1,328)	(2,379)	(2,404)
Interest expense	36,150	30,641	68,704	61,195
Loss on extinguishment of debt	57,962	—	57,962	—
Other (income) expense	443	374	(2,922)	(131)
Total other expense	<u>93,325</u>	<u>29,687</u>	<u>121,365</u>	<u>58,660</u>
Loss before income taxes	<u>(83,659)</u>	<u>(37,136)</u>	<u>(100,251)</u>	<u>(68,280)</u>
Income tax provision (benefit)	304	71	511	(3,654)
Net loss	<u>\$ (83,963)</u>	<u>\$ (37,207)</u>	<u>\$ (100,762)</u>	<u>\$ (64,626)</u>
Net loss attributable to common stock per share—basic and diluted	<u>\$ (1.04)</u>	<u>\$ (0.47)</u>	<u>\$ (1.25)</u>	<u>\$ (0.81)</u>
Weighted average number of shares—basic and diluted	<u>80,702</u>	<u>79,783</u>	<u>80,575</u>	<u>79,718</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		For the Six Months	
	Ended June 30,		Ended June 30,	
	2019	2018	2019	2018
Net loss	\$(83,963)	\$(37,207)	\$(100,762)	\$(64,626)
Currency translation adjustments, net of tax	927	(1,379)	1,337	(2,213)
Comprehensive loss	\$(83,036)	\$(38,586)	\$(99,425)	\$(66,839)

See the Notes to Unaudited Condensed Consolidated Financial Statements

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

	For the Six Months Ended June 30,	
	2019	2018
Operating activities:		
Net loss	\$(100,762)	\$ (64,626)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	60,716	67,857
Loss on asset disposals, abandonments and write-downs	4,425	6,529
Gain on transition to airline-directed model	—	(21,551)
Deferred income taxes	89	(3,911)
Stock-based compensation expense	8,645	8,599
Amortization of deferred financing costs	2,573	2,083
Accretion and amortization of debt discount and premium	8,374	9,204
Loss on extinguishment of debt	57,962	—
Changes in operating assets and liabilities:		
Accounts receivable	20,730	(23,522)
Inventories	(5,297)	(6,223)
Prepaid expenses and other current assets	6,409	(4,472)
Contract assets	(20,313)	(14,469)
Accounts payable	5,736	9,263
Accrued liabilities	(7,295)	6,498
Deferred airborne lease incentives	(1,486)	(2,986)
Deferred revenue	(3,858)	1,223
Accrued interest	(28,375)	—
Warranty reserves	948	5,355
Other non-current assets and liabilities	(3,686)	(3,880)
Net cash provided by (used in) operating activities	<u>5,535</u>	<u>(29,029)</u>
Investing activities:		
Purchases of property and equipment	(33,598)	(103,599)
Acquisition of intangible assets—capitalized software	(8,647)	(11,567)
Purchases of short-term investments	—	(39,323)
Redemptions of short-term investments	39,323	128,924
Other, net	360	—
Net cash used in investing activities	<u>(2,562)</u>	<u>(25,565)</u>
Financing activities:		
Proceeds from issuance of senior secured notes	920,683	—
Redemption of senior secured notes	(741,360)	—
Repurchase of convertible notes	(158,954)	—
Payment of debt issuance costs	(22,645)	—
Payments on financing leases	(383)	(1,187)
Stock-based compensation activity	(178)	(257)
Net cash used in financing activities	<u>(2,837)</u>	<u>(1,444)</u>
Effect of exchange rate changes on cash	(378)	(373)
Decrease in cash, cash equivalents and restricted cash	<u>(242)</u>	<u>(56,411)</u>
Cash, cash equivalents and restricted cash at beginning of period	191,116	203,729
Cash, cash equivalents and restricted cash at end of period	<u>\$ 190,874</u>	<u>\$ 147,318</u>
Cash, cash equivalents and restricted cash at end of period	\$ 190,874	\$ 147,318
Less: current restricted cash	1,035	1,738
Less: non-current restricted cash	7,972	5,160
Cash and cash equivalents at end of period	<u>\$ 181,867</u>	<u>\$ 140,420</u>
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 86,420	\$ 49,911
Cash paid for taxes	412	374
Noncash Investing and Financing Activities:		
Purchases of property and equipment in current liabilities	\$ 16,014	\$ 19,001
Purchases of property and equipment paid by commercial airlines	9,914	4,816

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 June 30, 2019					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Par Value				
Balance at March 31, 2019	87,797,614	\$ 9	\$967,727	\$ (3,144)	\$(1,248,566)	\$(283,974)
Net loss	—	—	—	—	(83,963)	(83,963)
Currency translation adjustments, net of tax	—	—	—	927	—	927
Stock-based compensation expense	—	—	4,318	—	—	4,318
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	183,446	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(456)	—	—	(456)
Issuance of common stock in connection with employee stock purchase plan	81,905	—	336	—	—	336
Repurchase of 2020 Convertible Notes	—	—	(795)	—	—	(795)
Balance at June 30, 2019	<u>88,062,965</u>	<u>\$ 9</u>	<u>\$971,130</u>	<u>\$ (2,217)</u>	<u>\$(1,332,529)</u>	<u>\$(363,607)</u>
	For the Three Months Ended June 30, 2018					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Par Value				
Balance at March 31, 2018	87,007,075	\$ 9	\$903,045	\$ (1,767)	\$(1,092,623)	\$(191,336)
Net loss	—	—	—	—	(37,207)	(37,207)
Currency translation adjustments, net of tax	—	—	—	(1,379)	—	(1,379)
Stock-based compensation expense	—	—	4,213	—	—	4,213
Issuance of common stock upon exercise of stock options	2,500	—	21	—	—	21
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	256,537	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(601)	—	—	(601)
Issuance of common stock in connection with employee stock purchase plan	85,188	—	393	—	—	393
Impact of the adoption of ASC 606	—	—	—	—	(2,316)	(2,316)
Balance at June 30, 2018	<u>87,351,300</u>	<u>\$ 9</u>	<u>\$907,071</u>	<u>\$ (3,146)</u>	<u>\$(1,132,146)</u>	<u>\$(228,212)</u>

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 Six Months Ended June 30, 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	—	—	—	—	(100,762)	(100,762)
Currency translation adjustments, net of tax	—	—	—	1,337	—	1,337
Stock-based compensation expense	—	—	8,645	—	—	8,645
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	345,113	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(807)	—	—	(807)
Issuance of common stock in connection with employee stock purchase plan	157,158	—	629	—	—	629
Repurchase of 2020 Convertible Notes	—	—	(795)	—	—	(795)
Impact of the adoption of ASC 842	—	—	—	—	(3,093)	(3,093)
Balance at June 30, 2019	<u>88,062,965</u>	<u>\$ 9</u>	<u>\$971,130</u>	<u>\$ (2,217)</u>	<u>\$(1,332,529)</u>	<u>\$(363,607)</u>
	For the Six Months Ended June 30, 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	—	—	—	—	(64,626)	(64,626)
Currency translation adjustments, net of tax	—	—	—	(2,213)	—	(2,213)
Stock-based compensation expense	—	—	8,599	—	—	8,599
Issuance of common stock upon exercise of stock options	2,500	—	21	—	—	21
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	363,872	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(1,127)	—	—	(1,127)
Issuance of common stock in connection with employee stock purchase plan	141,000	—	849	—	—	849
Impact of the adoption of ASC 606	—	—	—	—	21,849	21,849
Balance at June 30, 2018	<u>87,351,300</u>	<u>\$ 9</u>	<u>\$907,071</u>	<u>\$ (3,146)</u>	<u>\$(1,132,146)</u>	<u>\$(228,212)</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 and six month periods ended June 30, 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 June 30, 2019 and December 31, 2018.

Reclassifications—To conform with the current year presentation, \$652 thousand of the current portion of financing lease liabilities has been combined with accrued liabilities within our unaudited condensed consolidated balance sheet as of December 31, 2018.

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 previously sold equipment that are still under a warranty period, which is included within accrued liabilities.

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

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	213,111	9,019	222,130
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 June 30, 2019, the aggregate amount of the transaction price in our contracts allocated to the remaining unsatisfied performance obligations is approximately \$784 million, most of which relates to our commercial aviation contracts. Approximately \$101 million represents future equipment revenue that is expected to be recognized within the next one to three years. The remaining \$683 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 June 30, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	\$ 90,233	\$ 21,656	\$54,176	\$166,065
Entertainment, CAS and other	6,169	917	580	7,666
Total service revenue	<u>\$ 96,402</u>	<u>\$ 22,573</u>	<u>\$54,756</u>	<u>\$173,731</u>
Equipment revenue				
ATG	\$ 5,636	\$ —	\$12,344	\$ 17,980
Satellite	3,329	14,144	3,809	21,282
Other	360	—	332	692
Total equipment revenue	<u>\$ 9,325</u>	<u>\$ 14,144</u>	<u>\$16,485</u>	<u>\$ 39,954</u>
Customer type				
Airline passenger and aircraft owner/operator	\$ 55,900	\$ 6,767	\$54,756	\$117,423
Airline, OEM and aftermarket dealer	36,883	27,680	16,485	81,048
Third party	12,944	2,270	—	15,214
Total revenue	<u>\$105,727</u>	<u>\$ 36,717</u>	<u>\$71,241</u>	<u>\$213,685</u>

	For the Three Months Ended June 30, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	\$ 88,833	\$ 14,548	\$47,831	\$151,212
Entertainment, CAS and other	6,913	637	294	7,844
Total service revenue	<u>\$ 95,746</u>	<u>\$ 15,185</u>	<u>\$48,125</u>	<u>\$159,056</u>
Equipment revenue				
ATG	\$ 2,254	\$ —	\$20,497	\$ 22,751
Satellite	21,650	18,460	4,461	44,571
Other	—	—	1,080	1,080
Total equipment revenue	<u>\$ 23,904</u>	<u>\$ 18,460</u>	<u>\$26,038</u>	<u>\$ 68,402</u>
Customer type				
Airline passenger and aircraft owner/operator	\$ 54,718	\$ 5,097	\$48,125	\$107,940
Airline, OEM and aftermarket dealer	49,141	26,311	26,038	101,490
Third party	15,791	2,237	—	18,028
Total revenue	<u>\$119,650</u>	<u>\$ 33,645</u>	<u>\$74,163</u>	<u>\$227,458</u>

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

	For the Six Months Ended June 30, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	\$170,051	\$ 40,510	\$106,861	\$317,422
Entertainment, CAS and other	18,378	1,835	1,108	21,321
Total service revenue	<u>\$188,429</u>	<u>\$ 42,345</u>	<u>\$107,969</u>	<u>\$338,743</u>
Equipment revenue				
ATG	\$ 8,508	\$ —	\$ 23,679	\$ 32,187
Satellite	3,959	27,303	9,044	40,306
Other	900	—	1,098	1,998
Total equipment revenue	<u>\$ 13,367</u>	<u>\$ 27,303</u>	<u>\$ 33,821</u>	<u>\$ 74,491</u>
Customer type				
Airline passenger and aircraft owner/operator	\$110,249	\$ 12,618	\$107,969	\$230,836
Airline, OEM and aftermarket dealer	67,796	53,171	33,821	154,788
Third party	23,751	3,859	—	27,610
Total revenue	<u>\$201,796</u>	<u>\$ 69,648</u>	<u>\$141,790</u>	<u>\$413,234</u>

	For the Six Months Ended June 30, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue				
Connectivity	\$170,873	\$ 28,197	\$ 95,223	\$294,293
Entertainment, CAS and other	13,656	1,233	552	15,441
Total service revenue	<u>\$184,529</u>	<u>\$ 29,430</u>	<u>\$ 95,775</u>	<u>\$309,734</u>
Equipment revenue				
ATG ⁽¹⁾	\$ 47,016	\$ —	\$ 35,918	\$ 82,934
Satellite ⁽¹⁾	31,926	23,384	8,719	64,029
Other	—	—	2,586	2,586
Total equipment revenue	<u>\$ 78,942</u>	<u>\$ 23,384</u>	<u>\$ 47,223</u>	<u>\$149,549</u>
Customer type				
Airline passenger and aircraft owner/operator	\$107,642	\$ 9,826	\$ 95,775	\$213,243
Airline, OEM and aftermarket dealer ⁽²⁾	126,567	39,005	47,223	212,795
Third party	29,262	3,983	—	33,245
Total revenue	<u>\$263,471</u>	<u>\$ 52,814</u>	<u>\$142,998</u>	<u>\$459,283</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 \$56.2 million and \$60.1 million as of June 30, 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.

Our current and non-current contract asset balances totaled \$81.0 million and \$59.9 million as of June 30, 2019 and December 31, 2018, respectively. Contract assets represent the aggregate amount of revenue recognized in excess of billings for our airline-directed contracts.

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

Capitalized STC balances for our airline-directed contracts were \$19.3 million and \$16.5 million as of June 30, 2019 and December 31, 2018, respectively. The capitalized STC costs are amortized over the life of the associated airline-directed contracts as part of our engineering, design and development costs in our unaudited condensed consolidated statements of operations. Total amortization expense was \$0.3 million and \$0.6 million, respectively, for the three and six month periods ended June 30, 2019, and \$0.2 million and \$0.4 million for the respective prior-year periods.

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 June 30, 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 and six month periods ended June 30, 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 and six month periods ended June 30, 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*):

	<u>For the Three Months</u> <u>Ended June 30,</u>		<u>For the Six Months</u> <u>Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net loss	\$(83,963)	\$(37,207)	\$(100,762)	\$(64,626)
Less: Participation rights of the Forward Transactions	—	—	—	—
Undistributed losses	<u>\$(83,963)</u>	<u>\$(37,207)</u>	<u>\$(100,762)</u>	<u>\$(64,626)</u>
Weighted-average common shares outstanding-basic and diluted	<u>80,702</u>	<u>79,783</u>	<u>80,575</u>	<u>79,718</u>
Net loss attributable to common stock per share-basic and diluted	<u>\$ (1.04)</u>	<u>\$ (0.47)</u>	<u>\$ (1.25)</u>	<u>\$ (0.81)</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 June 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Work-in-process component parts	\$ 31,343	\$ 30,340
Finished goods ⁽¹⁾	120,190	162,705
Total inventory	<u>\$151,533</u>	<u>\$ 193,045</u>

(1) The change between June 30, 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).

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 June 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	June 30, 2019	December 31, 2018
Contract assets	\$ 13,056	\$ 10,423
Prepaid satellite services	5,344	7,755
Restricted cash	1,035	1,535
Other	11,023	14,982
Total prepaid expenses and other current assets	\$ 30,458	\$ 34,695

Property and equipment as of June 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	June 30, 2019	December 31, 2018
Office equipment, furniture, fixtures and other	\$ 54,626	\$ 52,320
Leasehold improvements	44,842	44,838
Airborne equipment ⁽¹⁾	720,925	642,151
Network equipment	209,189	205,463
	1,029,582	944,772
Accumulated depreciation	(479,674)	(432,905)
Total property and equipment, net	\$ 549,908	\$ 511,867

(1) The change between June 30, 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).

Other non-current assets as of June 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	June 30, 2019	December 31, 2018
Contract assets	\$ 67,937	\$ 49,517
Deferred STC costs	19,316	16,453
Restricted cash	7,972	5,426
Other	9,319	12,816
Total other non-current assets	\$ 104,544	\$ 84,212

Accrued liabilities as of June 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	June 30, 2019	December 31, 2018
Airline related accrued liabilities	\$ 66,998	\$ 53,527
Accrued interest	18,319	46,694
Employee compensation and benefits	16,987	19,463
Airborne equipment and installation costs	13,266	25,119
Accrued satellite network costs	13,472	19,557
Warranty reserve	13,357	12,291
Operating leases ⁽¹⁾	11,565	—
Other	31,229	36,460
Total accrued liabilities	\$ 185,193	\$ 213,111

(1) The change between June 30, 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 June 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	June 30, 2019	December 31, 2018
Deferred revenue	\$ 25,648	\$ 21,482
Deferred rent <i>(1)</i>	—	35,897
Asset retirement obligations	10,170	9,696
Deferred tax liabilities	2,251	2,162
Other	10,417	10,954
Total other non-current liabilities	<u>\$ 48,486</u>	<u>\$ 80,191</u>

(1) The change between June 30, 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 June 30, 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 June 30, 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 June 30, 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	\$172,712	\$ (126,801)	\$45,911	\$164,580	\$ (116,873)	\$47,707
Service customer relationship	0.8	8,081	(7,312)	769	8,081	(6,804)	1,277
Other intangible assets	7.8	3,000	(1,422)	1,578	3,000	(1,396)	1,604
OEM and dealer relationships		6,724	(6,724)	—	6,724	(6,724)	—
Total amortized intangible assets		190,517	(142,259)	48,258	182,385	(131,797)	50,588
Unamortized intangible assets:							
FCC Licenses		32,283	—	32,283	32,283	—	32,283
Total intangible assets		<u>\$222,800</u>	<u>\$ (142,259)</u>	<u>\$80,541</u>	<u>\$214,668</u>	<u>\$ (131,797)</u>	<u>\$82,871</u>

Amortization expense was \$5.1 million and \$10.5 million, respectively, for the three and six month periods ended June 30, 2019 and \$7.2 million and \$14.8 million, respectively, for the prior-year periods.

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 July 1 to December 31)	\$ 10,671
2020	\$ 17,229
2021	\$ 12,281
2022	\$ 6,100
2023	\$ 1,201
Thereafter	\$ 776

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Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

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 \$13.4 million and \$12.3 million, respectively, as of June 30, 2019 and December 31, 2018.

9. Long-Term Debt and Other Liabilities

Long-term debt as of June 30, 2019 and December 31, 2018 was as follows (*in thousands*):

	June 30, 2019	December 31, 2018
2024 Senior Secured Notes	\$ 920,800	\$ —
2022 Senior Secured Notes	—	702,670
2022 Convertible Notes	195,867	190,083
2020 Convertible Notes	3,046	149,195
Total debt	1,119,713	1,041,948
Less deferred financing costs	(27,392)	(17,055)
Total long-term debt	<u>\$1,092,321</u>	<u>\$ 1,024,893</u>

2024 Senior Secured Notes—On April 25, 2019 (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 \$905 million aggregate principal amount of 9.875% senior secured notes due 2024 (the “Initial Notes”) under an indenture (the “Base 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 “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 that may be incurred under Credit Facilities (as defined in the 2024 Indenture) by GIH or its subsidiaries that are 2024 Guarantors by \$20 million in aggregate principal amount. On May 7, 2019, the Issuers issued an additional \$20 million aggregate principal amount of 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 Initial Notes were issued at a price equal to 99.512% of their face value, and the Additional Notes were issued at a price equal to 100.5% of their face value, resulting in aggregate gross proceeds of \$920.7 million. Additionally, we received approximately \$0.1 million for interest that accrued from April 25, 2019 through May 7, 2019 with respect to the Additional Notes that will be paid out when we make our next interest payment in November 2019. 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 (or to the extent of any future asset-based lending (“ABL”) Obligations, second-priority liens on the ABL Priority Collateral) 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.

As of June 30, 2019, the outstanding principal amount of the 2024 Senior Secured Notes was \$925 million, the unaccreted debt discount was \$4.2 million and the net carrying amount was \$920.8 million.

We used a portion of the net proceeds from the issuance of the 2024 Senior Secured Notes to fund the redemption of all the outstanding 2022 Senior Secured Notes (as defined below) and to repurchase \$159 million aggregate principal amount of the 2020 Convertible Notes (as defined below). We intend to use the remaining net proceeds for general corporate purposes.

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Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

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.

We paid approximately \$22.6 million of origination fees and financing costs related to the issuance of the 2024 Senior Secured Notes, which have been accounted for as deferred financing costs. The deferred financing costs on our unaudited condensed consolidated balance sheet are being amortized over the contractual term of the 2024 Senior Secured Notes using the effective interest method. Total amortization expense was \$0.6 million for both the three and six month periods ended June 30, 2019. As of June 30, 2019, the balance of unamortized deferred financing costs related to the 2024 Senior Secured Notes was \$22.0 million 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 2024 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 2024 Senior Secured Notes, if any, in each case to the extent of the value of the collateral securing the 2024 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 2024 Senior Secured Notes and (ii) indebtedness secured on a junior priority basis by the same collateral securing the 2024 Senior Secured Notes, if any, in each case to the extent of any insufficiency in the collateral securing the 2024 Senior Secured Notes;
- structurally senior to all of our existing and future indebtedness, including our 2022 Convertible Notes and 2020 Convertible Notes (each as defined below);
- senior in right of payment to any and all of the Issuers' future indebtedness that is subordinated in right of payment to the 2024 Senior Secured Notes; and
- structurally subordinated to all of the indebtedness and other liabilities of any non-2024 Guarantors (other than the Issuers).

Each guarantee is a senior secured obligation of such 2024 Guarantor and is:

- effectively senior in right of payment to all existing and future senior unsecured indebtedness and indebtedness secured on a junior priority basis by the same collateral securing the guarantee, if any, of such 2024 Guarantor, in each case to the extent of the value of the collateral securing the guarantee;
- effectively equal in right of payment with all existing and future unsubordinated indebtedness and indebtedness secured on a junior priority basis by the same collateral securing the guarantee, if any, in each case to the extent of any insufficiency in the collateral securing such guarantee;
- effectively subordinated to all future ABL Obligations (as defined in the 2024 Indenture) of each 2024 Guarantor, if any, to the extent of the value of the collateral securing the ABL Priority Collateral (as defined in the 2024 Indenture) owned by such 2024 Guarantor;
- effectively senior in right of payment to all existing and future subordinated indebtedness, if any, of such 2024 Guarantor; and
- structurally subordinated to all indebtedness and other liabilities of any non-2024 Guarantor subsidiary of such 2024 Guarantor (excluding, in the case of our guarantee, the Issuers).

The security interests in certain collateral may be released without the consent of holders of the 2024 Senior Secured Notes if such collateral is disposed of in a transaction that complies with the 2024 Indenture and related security agreements, and if any grantor of such security interests is released from its obligations with respect to the 2024 Senior Secured Notes in accordance with the applicable provisions of the 2024 Indenture and related security agreements. Under certain circumstances, GIH and the 2024 Guarantors have the right to transfer certain intellectual property assets that on the Issue Date constitute collateral securing the 2024 Senior Secured Notes or the guarantees to a restricted subsidiary organized under the laws of Switzerland, resulting in the release of such collateral. In addition, the Indenture permits indebtedness incurred under the ABL Obligations to be secured on a first-priority basis by certain of the same collateral that secures the 2024 Senior Secured Notes.

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Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

The Issuers may redeem the 2024 Senior Secured Notes, in whole or in part, at any time prior to May 1, 2021, at a redemption price equal to 100% of the principal amount of the 2024 Senior Secured Notes redeemed plus the make-whole premium set forth in the 2024 Indenture as of, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date.

On or after May 1, 2021, the 2024 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 May 1 of the following years:

Year	Redemption Price
2021	104.938%
2022	102.469%
2023 and thereafter	100.000%

In addition, at any time prior to May 1, 2021, the Issuers may redeem up to 40% of the aggregate principal amount of the 2024 Senior Secured Notes with the proceeds of certain equity offerings at a redemption price of 109.875% of the principal amount redeemed, plus accrued and unpaid interest, if any, to (but not including) the date of redemption; provided, however, that 2024 Senior Secured Notes representing at least 50% of the principal amount of the 2024 Senior Secured Notes remain outstanding immediately after each such redemption.

In addition, if GIH receives cash proceeds in connection with the entry into or continuation of a strategic relationship, or equity from us in connection with the sale of stock to a complimentary business (in each case, a “strategic investment”) at any time prior to May 1, 2020, the Issuers may redeem up to \$150 million of the aggregate principal amount of the 2024 Senior Secured Notes at 103% of the principal amount of the 2024 Senior Secured Notes to be redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date with the proceeds from such strategic investment.

The 2024 Indenture contains covenants that, among other things, limit the ability of the Issuers and the 2024 Subsidiary Guarantors and, in certain circumstances, our ability, to: incur additional indebtedness; pay dividends, redeem stock or make other distributions; make investments; create restrictions on the ability of GIH’s 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. Most of these covenants will cease to apply if, and for as long as, the 2024 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 accompanied by a downgrade in the rating of the 2024 Senior Secured Notes prior to May 1, 2024, GIH is required to make an offer to repurchase for cash all of the 2024 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 2024 Senior Secured Notes issued under the 2024 Indenture to be due and payable immediately. As of June 30, 2019, no event of default had occurred.

2022 Senior Secured Notes—On June 14, 2016, 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 “2022 Subsidiary Guarantors” and, together with us, the “2022 Guarantors”), and U.S. Bank National Association, as Trustee and as 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 2022 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

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Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

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.”

On April 15, 2019, the Issuers elected to call for redemption in full all \$690 million aggregate principal amount outstanding of the 2022 Senior Secured Notes in accordance with the terms of the Indenture. The redemption was conditioned, among other things, upon the incurrence of indebtedness in connection with the issuance of the 2024 Senior Secured Notes or from one or more other sources, in an amount satisfactory to the Issuers which condition was satisfied by the issuance of the 2024 Senior Secured Notes. On April 25, 2019, the Issuers irrevocably deposited, or caused to be irrevocably deposited, with the Trustee funds solely for the benefit of the holders of the 2022 Senior Secured Notes, cash in an amount sufficient to pay principal, premium, if any, 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 an acknowledgement of satisfaction, discharge and release, dated as of April 25, 2019, among other documents, with respect to the satisfaction and discharge of the 2022 Senior Secured Notes. On May 15, 2019, the 2022 Senior Secured Notes were fully redeemed in accordance with the terms of the Indenture, and the amount deposited with the Trustee on April 25, 2019 was paid to the holders of the 2022 Senior Secured Notes. The make-whole premium paid in connection with the redemption was \$51.4 million and we wrote off the remaining unamortized deferred financing costs of \$9.1 million and the remaining debt premium of \$1.7 million relating to the 2022 Senior Secured Notes in connection with the redemption thereof, which together are included in the loss on extinguishment of debt in our unaudited condensed consolidated statements of operations for the three and six month periods ended June 30, 2019.

We paid approximately \$15.9 million of aggregate origination fees and financing costs related to the issuance of the 2022 Senior Secured Notes which were accounted for as deferred financing costs. Additionally, we paid approximately \$1.4 million of consent fees in connection with the Supplemental Indenture, which partially offset the net carrying value of the 2022 Senior Secured Notes. Total amortization expense was \$0.2 million and \$1.0 million, respectively, for the three and six month periods ended June 30, 2019, and \$0.7 million and \$1.3 million, respectively, for the prior-year periods. As noted above, the remaining unamortized deferred financing costs were written off as of May 15, 2019.

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 began 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.

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Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

As of June 30, 2019 and December 31, 2018, the outstanding principal on the 2022 Convertible Notes was \$237.8 million and \$237.8 million, respectively, the unaccreted debt discount was \$41.9 million and \$47.7 million, respectively, and the net carrying amount of the liability component was \$195.9 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 and \$0.8 million, respectively, for the three and six month periods ended June 30, 2019. Amortization expense is included in interest expense in the unaudited condensed consolidated statements of operations. As of June 30, 2019 and December 31, 2018, the balance of unamortized deferred financing costs related to the 2022 Convertible Notes was \$5.4 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;
- 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 and six month periods ended June 30, 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 2022 Convertible 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

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

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. In November 2018, in connection with the issuance of the 2022 Convertible Notes, we repurchased \$199.9 million outstanding principal amount of the 2020 Convertible Notes at par value. As a result of the repurchase, the carrying value of the 2020 Convertible Notes was adjusted by \$17.9 million to face value and included in the loss on extinguishment of debt in our consolidated statement of operations for the year ended December 31, 2018.

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 expired on May 15, 2019, resulting in the purchase of \$159.0 million of outstanding 2020 Convertible Notes. As a result of the Tender Offer, the carrying value of the 2020 Convertible Notes was adjusted by \$8.5 million to face value and unamortized deferred financing costs of \$0.6 million were expensed. These two items are included in the loss on extinguishment of debt in our unaudited condensed consolidated statements of operations for the three and six month periods ended June 30, 2019.

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 holders of 2020 Convertible Notes elect not to settle the debt through conversion, we must settle the 2020 Convertible Notes at face value. Therefore, the liability component was accreted up to the face value of the 2020 Convertible Notes, which resulted in additional non-cash interest expense being recognized in the unaudited condensed consolidated statements of operations (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 June 30, 2019 and December 31, 2018, the outstanding principal on the 2020 Convertible Notes was \$3.0 million and \$162.0 million, respectively, the unamortized debt discount was zero and \$12.8 million, respectively, and the net carrying amount of the liability component was \$3.0 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 \$0.1 million and \$0.3 million, respectively, for the three and six month periods ended June 30, 2019 and \$0.4 million and \$0.8 million, respectively, for the prior-year periods. Amortization expense is included in interest expense in the unaudited condensed consolidated statements of operations. As of June 30, 2019 and December 31, 2018, the balance of unamortized deferred financing costs related to the 2020 Convertible Notes was zero and \$0.9 million, respectively, and is included as a reduction to long-term debt in our unaudited condensed consolidated balance sheets. See Note 10, “Interest Costs,” for additional information.

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.

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Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

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 and six month periods ended June 30, 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.

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 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 \$9.0 million and \$7.0 million, respectively, as of June 30, 2019 and December 31, 2018 and primarily consist of letters of credit and cash restricted to repurchase or repay the remaining balance of the 2020 Convertible Notes. 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.

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Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

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 and six month periods ended June 30, 2019 and 2018 (*in thousands*):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Interest costs charged to expense	\$31,226	\$24,928	\$57,757	\$49,908
Amortization of deferred financing costs	1,324	1,048	2,573	2,083
Accretion of debt discount	3,858	5,368	9,392	10,592
Amortization of debt premium	(258)	(703)	(1,018)	(1,388)
Interest expense	36,150	30,641	68,704	61,195
Interest costs capitalized to property and equipment	7	3	11	15
Interest costs capitalized to software	115	75	240	107
Total interest costs	<u>\$36,272</u>	<u>\$30,719</u>	<u>\$68,955</u>	<u>\$61,317</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 June 30, 2019, there are no significant leases which have not commenced.

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 June 30, 2019	For the Six Months Ended June 30, 2019
	Operating lease cost	\$ 5,194
Financing lease cost		
Amortization of leased assets	171	376
Interest on lease liabilities	16	27
Total lease cost	<u>\$ 5,381</u>	<u>\$ 10,515</u>

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

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

	<u>For the Three Months Ended June 30, 2019</u>	<u>For the Six Months Ended June 30, 2019</u>
Supplemental cash flow information		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows used in operating leases	\$ 5,791	\$ 11,908
Operating cash flows used in financing leases	16	27
Financing cash flows used in financing leases	258	383
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	768	1,047
Weighted average remaining lease term		
Operating leases		8 years
Financing leases		1 year
Weighted average discount rate		
Operating leases		10.3%
Financing leases		8.5%

Annual future minimum lease payments as of June 30, 2019 (*in thousands*):

Years ending December 31,	<u>Operating Leases</u>	<u>Financing Leases</u>
2019 (period from July 1 to December 31)	\$ 11,301	\$ 300
2020	21,414	192
2021	21,034	—
2022	19,596	—
2023	15,765	—
Thereafter	<u>76,952</u>	<u>—</u>
Total future minimum lease payments	166,062	492
Less: Amount representing interest	(56,878)	(22)
Present value of net minimum lease payments	<u>\$ 109,184</u>	<u>\$ 470</u>
Reported as of June 30, 2019		
Accrued liabilities	\$ 11,565	\$ 467
Non-current operating lease liabilities	97,619	—
Other non-current liabilities	—	3
Total lease liabilities	<u>\$ 109,184</u>	<u>\$ 470</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*):

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

Arrangements with Commercial Airlines—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.”

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Notes to Unaudited Condensed Consolidated Financial Statements – (Continued)

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 \$6.1 million and \$15.0 million, respectively, for the three and six month periods ended June 30, 2019 and \$7.5 million and \$15.1 million, respectively, for the prior-year periods as a reduction to our cost of service revenue in our unaudited condensed consolidated statements of operations. As of June 30, 2019, deferred airborne lease incentives of \$24.7 million and \$137.2 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.

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 \$6.8 million and \$10.6 million, respectively, for the three and six month periods ended June 30, 2019 and \$6.7 million and \$13.1 million, respectively, for the prior-year periods.

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 June 30, 2019 commit us to purchase transponder and teleport satellite services totaling approximately \$59.2 million in 2019 (July 1 through December 31), \$108.8 million in 2020, \$92.3 million in 2021, \$76.2 million in 2022, \$63.1 million in 2023 and \$166.4 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.

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.

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.

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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. The suits seek an unspecified amount of damages. 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. Following the filing by one of those defendants of a petition to commence an *inter partes* review against the asserted patent in the U.S. Patent and Trademark Office, the Court stayed the litigation against such other defendant and Gogo, but such stay was lifted in July 2019 when the U.S. Patent and Trademark Office determined that the petitioner had not met the standard of proof required to commence the *inter partes* review. We believe that the plaintiff's claims are without merit and intend to defend them vigorously. The outcome of this litigation 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, and we filed our reply in May 2019. The parties are currently awaiting the Court's ruling on the motion. We believe that the claims are without merit and intend to continue 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.

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.

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Long-Term Debt:

Our financial assets and liabilities that are disclosed but not measured at fair value include the 2024 Senior Secured Notes, 2022 Convertible Notes, 2020 Convertible Notes and, while outstanding, the 2022 Senior Secured 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 2024 Senior Secured Notes, 2022 Convertible Notes, 2020 Convertible Notes, and, while outstanding, the 2022 Senior Secured 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 June 30, 2019 unaudited condensed consolidated balance sheet, excluding any issuance costs, is the amount that a market participant would be willing to lend at June 30, 2019 to an entity with a credit rating similar to ours and achieve sufficient cash inflows to cover the scheduled cash outflows under the 2024 Senior Secured Notes, 2022 Convertible Notes and 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 June 30, 2019 and December 31, 2018 were as follows (*in thousands*):

	June 30, 2019		December 31, 2018	
	Fair Value (1)	Carrying Value	Fair Value (1)	Carrying Value
2024 Senior Secured Notes	\$ 955,000	\$920,800(2)	\$ —	\$ —
2022 Senior Secured Notes	—	—	737,000	702,670(3)
2022 Convertible Notes	221,000	195,867(4)	216,000	190,083(4)
2020 Convertible Notes	3,000	3,046	150,000	149,195(5)

- (1) Fair value amounts are rounded to the nearest million.
- (2) Carrying value of the 2024 Senior Secured Notes reflects the unaccreted debt discount of \$4.2 million as of June 30, 2019. See Note 9, “Long-Term Debt and Other Liabilities,” for further information.
- (3) Carrying value of the 2022 Senior Secured Notes reflects the unamortized debt premium and Consent Fees of \$12.7 million as of December 31, 2018. See Note 9, “Long-Term Debt and Other Liabilities,” for further information.
- (4) Carrying value of the 2022 Convertible Notes reflects the unaccreted debt discount of \$41.9 million and \$47.7 million, respectively, as of June 30, 2019 and December 31, 2018. See Note 9, “Long-Term Debt and Other Liabilities,” for further information.
- (5) Carrying value of the 2020 Convertible Notes reflects the unaccreted debt discount of \$12.8 million as of 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 and six month periods ended June 30, 2019 and 2018.

14. Income Tax

The effective income tax rates for the three and six month periods ended June 30, 2019 were (0.4)% and (0.5)%, respectively, as compared with (0.2)% and 5.4%, respectively, for the prior-year periods. For the three and six month periods ended June 30, 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 six month period ended June 30, 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 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 June 30, 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 and six month periods ended June 30, 2019 and 2018. As of June 30, 2019 and December 31, 2018, we did not have a liability recorded for interest or potential penalties.

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

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 and six month periods ended June 30, 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 June 30, 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, loss on extinguishment of debt, 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.

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

	For the Three Months Ended			
	June 30, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue	\$ 96,402	\$ 22,573	\$ 54,756	\$173,731
Equipment revenue	9,325	14,144	16,485	39,954
Total revenue	\$105,727	\$ 36,717	\$ 71,241	\$213,685
Segment profit (loss)	<u>\$ 24,171</u>	<u>\$(17,265)</u>	<u>\$ 31,290</u>	<u>\$ 38,196</u>

	For the Three Months Ended			
	June 30, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue	\$ 95,746	\$ 15,185	\$ 48,125	\$159,056
Equipment revenue	23,904	18,460	26,038	68,402
Total revenue	\$119,650	\$ 33,645	\$ 74,163	\$227,458
Segment profit (loss)	<u>\$ 7,041</u>	<u>\$(24,474)</u>	<u>\$ 36,679</u>	<u>\$ 19,246</u>

	For the Six Months Ended			
	June 30, 2019			
	CA-NA	CA-ROW	BA	Total
Service revenue	\$188,429	\$ 42,345	\$107,969	\$338,743
Equipment revenue	13,367	27,303	33,821	74,491
Total revenue	\$201,796	\$ 69,648	\$141,790	\$413,234
Segment profit (loss)	<u>\$ 47,713</u>	<u>\$(36,414)</u>	<u>\$ 64,788</u>	<u>\$ 76,087</u>

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

	For the Six Months Ended June 30, 2018			
	CA-NA	CA-ROW	BA	Total
Service revenue	\$ 184,529	\$ 29,430	\$ 95,775	\$ 309,734
Equipment revenue ⁽¹⁾	78,942	23,384	47,223	149,549
Total revenue	\$ 263,471	\$ 52,814	\$ 142,998	\$ 459,283
Segment profit (loss)	\$ 8,697	\$ (47,079)	\$ 69,002	\$ 30,620

(1) CA-NA equipment revenue for the six month period ended June 30, 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 June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
CA-NA segment profit	\$ 24,171	\$ 7,041	\$ 47,713	\$ 8,697
CA-ROW segment loss	(17,265)	(24,474)	(36,414)	(47,079)
BA segment profit	31,290	36,679	64,788	69,002
Total segment profit	38,196	19,246	76,087	30,620
Interest income	1,230	1,328	2,379	2,404
Interest expense	(36,150)	(30,641)	(68,704)	(61,195)
Depreciation and amortization	(29,967)	(31,938)	(60,716)	(67,857)
Transition to airline-directed model	—	2,249	—	21,551
Amortization of deferred airborne lease incentives ⁽¹⁾	6,077	7,462	15,030	15,092
Amortization of STC costs	(322)	(255)	(642)	(427)
Stock-based compensation expense	(4,318)	(4,213)	(8,645)	(8,599)
Loss on extinguishment of debt	(57,962)	—	(57,962)	—
Other income (expense)	(443)	(374)	2,922	131
Loss before income taxes	\$ (83,659)	\$ (37,136)	\$ (100,251)	\$ (68,280)

(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—Revenue earned from Delta Air Lines and its passengers accounted for approximately 28% of consolidated revenue for both the three and six month periods ended June 30, 2019 and approximately 23% and 22%, respectively, for the prior-year periods. Delta Air Lines accounted for approximately 11% of consolidated accounts receivable as of both June 30, 2019 and December 31, 2018.

During the three and six month periods ended June 30, 2019, American Airlines accounted for approximately 12% and 11% of consolidated revenue, respectively, and approximately 22% and 29%, respectively, for the prior-year periods. Revenue earned from American Airlines for the six month period ended June 30, 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 13% and 11%, respectively, of consolidated accounts receivable as of June 30, 2019 and December 31, 2018.

One other airline accounted for approximately 10% of consolidated accounts receivable as of June 30, 2019.

16. Employee Retirement and Postretirement Benefits

Stock-Based Compensation—As of June 30, 2019, we maintained three stock-based employee compensation plans (“Stock Plans”). See Note 12, “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.

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

For the six month period ended June 30, 2019, options to purchase 1,437,988 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 456,431 (of which 278,146 options contain a market condition) shares of common stock were forfeited, and options to purchase 20,675 shares of common stock expired.

For the six month period ended June 30, 2019, 2,038,988 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, 447,646 RSUs vested and 379,521 RSUs (of which 109,760 contained a market condition) were forfeited.

For the six month period ended June 30, 2019, 64,995 restricted shares vested. These shares are deemed issued as of the date of grant, but not outstanding until they vest.

For the six month period ended June 30, 2019, 113,744 Deferred Stock Units were granted and vested.

For the six month period ended June 30, 2019, 157,158 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 June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Cost of service revenue	\$ 374	\$ 447	\$ 802	\$ 881
Cost of equipment revenue	80	59	151	113
Engineering, design and development	780	783	1,554	1,693
Sales and marketing	967	1,226	1,937	2,308
General and administrative	2,117	1,698	4,201	3,604
Total stock-based compensation expense	<u>\$ 4,318</u>	<u>\$ 4,213</u>	<u>\$ 8,645</u>	<u>\$ 8,599</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 \$1.4 million and \$2.6 million, respectively, during the three and six month periods ended June 30, 2019, and \$1.3 million and \$2.6 million, respectively, for the prior-year periods.

17. Research and Development Costs

Expenditures for research and development are charged to expense as incurred and totaled \$17.6 million and \$31.7 million, respectively, during the three and six month periods ended June 30, 2019, and \$18.0 million and \$37.1 million, respectively, for the prior-year periods. 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 linefit 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;
- 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;

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- 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, including our ability to enter into our pending asset-based revolving line of credit;
- 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;
- 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;

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- 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”) and in Item 1A of this Quarterly Report on Form 10-Q.

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 Item 1A 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;
- 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, and our ability to obtain and comply with foreign telecommunications, aviation and other licenses and approvals necessary for our international operations;

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- costs associated with managing a rapidly growing company;
- our ability to obtain sufficient satellite capacity, including for heavily-trafficked areas, in the United States and internationally;
- costs of satellite capacity in the United States and internationally, to which we may have to commit 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.

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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 June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Aircraft online (at period end)	2,443	2,809	2,443	2,809
Satellite	777	578	777	578
ATG	1,666	2,231	1,666	2,231
Total aircraft equivalents (average during the period)	2,480	2,876	2,500	2,894
Net annualized average monthly service revenue per aircraft equivalent (annualized ARPA) (in thousands)	\$ 136	\$ 113	\$ 131	\$ 108

Commercial Aviation Rest of World				
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Aircraft online (at period end)	691	459	691	459
Total aircraft equivalents (average during the period)	619	389	585	364
Net annualized ARPA (in thousands)	\$ 135	\$ 147	\$ 135	\$ 153

- 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 and six month periods ended June 30, 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 and six month periods ended June 30, 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 June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Aircraft online (at period end)				
Satellite	5,099	5,204	5,099	5,204
ATG	5,462	4,920	5,462	4,920
Average monthly service revenue per aircraft online				
Satellite	\$ 249	\$ 228	\$ 243	\$ 239
ATG	3,091	3,027	3,081	3,032
Units Sold				
Satellite	78	113	208	217
ATG	186	281	373	531
Average equipment revenue per unit sold (in thousands)				
Satellite	\$ 49	\$ 39	\$ 43	\$ 40
ATG	66	67	63	65

- *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.

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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.

[Table of Contents](#)**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		For the Six Months	
	Ended June 30,		Ended June 30,	
	2019	2018	2019	2018
Revenue:				
Service revenue	\$173,731	\$159,056	\$ 338,743	\$309,734
Equipment revenue	39,954	68,402	74,491	149,549
Total revenue	<u>213,685</u>	<u>227,458</u>	<u>413,234</u>	<u>459,283</u>
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	71,494	73,650	139,615	148,597
Cost of equipment revenue (exclusive of items shown below)	35,571	64,350	65,302	116,643
Engineering, design and development	26,912	28,409	51,640	58,186
Sales and marketing	12,994	15,427	25,312	31,328
General and administrative	27,081	21,133	49,535	46,292
Depreciation and amortization	29,967	31,938	60,716	67,857
Total operating expenses	<u>204,019</u>	<u>234,907</u>	<u>392,120</u>	<u>468,903</u>
Operating income (loss)	<u>9,666</u>	<u>(7,449)</u>	<u>21,114</u>	<u>(9,620)</u>
Other (income) expense:				
Interest income	(1,230)	(1,328)	(2,379)	(2,404)
Interest expense	36,150	30,641	68,704	61,195
Loss on extinguishment of debt	57,962	—	57,962	—
Other (income) expense	443	374	(2,922)	(131)
Total other expense	<u>93,325</u>	<u>29,687</u>	<u>121,365</u>	<u>58,660</u>
Loss before income taxes	<u>(83,659)</u>	<u>(37,136)</u>	<u>(100,251)</u>	<u>(68,280)</u>
Income tax provision (benefit)	304	71	511	(3,654)
Net loss	<u>\$ (83,963)</u>	<u>\$ (37,207)</u>	<u>\$ (100,762)</u>	<u>\$ (64,626)</u>

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Three and Six Months Ended June 30, 2019 and 2018

Revenue:

Revenue by segment and percent change for the three and six month periods ended June 30, 2019 and 2018 were as follows (*in thousands, except for percent change*):

	For the Three Months Ended June 30,		% Change 2019 over 2018
	2019	2018	
Service Revenue:			
CA-NA	\$ 96,402	\$ 95,746	0.7%
BA	54,756	48,125	13.8%
CA-ROW	22,573	15,185	48.7%
Total Service Revenue	<u>\$173,731</u>	<u>\$159,056</u>	<u>9.2%</u>
Equipment Revenue:			
CA-NA	\$ 9,325	\$ 23,904	(61.0)%
BA	16,485	26,038	(36.7)%
CA-ROW	14,144	18,460	(23.4)%
Total Equipment Revenue	<u>\$ 39,954</u>	<u>\$ 68,402</u>	<u>(41.6)%</u>
Total Revenue:			
CA-NA	\$105,727	\$119,650	(11.6)%
BA	71,241	74,163	(3.9)%
CA-ROW	36,717	33,645	9.1%
Total Revenue	<u>\$213,685</u>	<u>\$227,458</u>	<u>(6.1)%</u>
	For the Six Months Ended June 30,		% Change 2019 over 2018
	2019	2018	
Service Revenue:			
CA-NA	\$188,429	\$184,529	2.1%
BA	107,969	95,775	12.7%
CA-ROW	42,345	29,430	43.9%
Total Service Revenue	<u>\$338,743</u>	<u>\$309,734</u>	<u>9.4%</u>
Equipment Revenue:			
CA-NA	\$ 13,367	\$ 78,942	(83.1)%
BA	33,821	47,223	(28.4)%
CA-ROW	27,303	23,384	16.8%
Total Equipment Revenue	<u>\$ 74,491</u>	<u>\$149,549</u>	<u>(50.2)%</u>
Total Revenue:			
CA-NA	\$201,796	\$263,471	(23.4)%
BA	141,790	142,998	(0.8)%
CA-ROW	69,648	52,814	31.9%
Total Revenue	<u>\$413,234</u>	<u>\$459,283</u>	<u>(10.0)%</u>

Commercial Aviation North America:

CA-NA revenue decreased to \$105.7 million and \$201.8 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$119.7 million and \$263.5 million, respectively, for the prior-year periods, primarily due to a decrease in equipment revenue offset in part by an increase in service revenue.

Equipment revenue decreased to \$9.3 million and \$13.4 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$23.9 million and \$78.9 million, respectively, for the prior-year periods. Equipment revenue decreased during the three and six month periods ended June 30, 2019 due to fewer 2Ku installations and a shift in mix from airline-directed to turnkey installations during 2019 as compared with 2018.

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Additionally, equipment revenue decreased during the six month period ended June 30, 2019 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 six month period ended June 30, 2018; see Note 1, “Basis of Presentation” for additional information.

A summary of the components of CA-NA’s service revenue for the three and six month periods ended June 30, 2019 and 2018 is as follows (in thousands, except for percent change):

	For the Three Months Ended June 30,		% Change 2019 over 2018
	2019	2018	
Connectivity revenue (1)	\$ 90,233	\$ 88,833	1.6%
Entertainment and CAS revenue	6,169	6,913	(10.8)%
Total service revenue	\$ 96,402	\$ 95,746	0.7%

	For the Six Months Ended June 30,		% Change 2019 over 2018
	2019	2018	
Connectivity revenue (1)	\$170,051	\$170,873	(0.5)%
Entertainment and CAS revenue	18,378	13,656	34.6%
Total service revenue	\$188,429	\$184,529	2.1%

(1) Includes non-session related revenue of \$5.3 million and \$6.7 million, respectively, for the three and six month periods ended June 30, 2019, and \$2.7 million and \$4.0 million, respectively, for the prior-year periods.

CA-NA service revenue increased to \$96.4 million and \$188.4 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$95.7 million and \$184.5 million, respectively, for the prior-year periods. The increase during the three month period ended June 30, 2019 was due to an increase in connectivity revenue offset by a decrease in entertainment and CAS revenue, while the increase during the six month period ended June 30, 2019 was primarily due to an increase in entertainment and CAS revenue.

CA-NA entertainment and CAS revenue decreased to \$6.2 million for the three month period ended June 30, 2019 as compared with \$6.9 million for the three month period ended June 30, 2018, but increased to \$18.4 million for the six month period ended June 30, 2019 as compared with \$13.7 million for the six month period ended June 30, 2018. The decrease during the three month period ended June 30, 2019 was due primarily to the deinstallation of Gogo equipment from certain American Airlines aircraft during 2018 and the six month period ended June 30, 2019. The increase during the six month period ended June 30, 2019 was due primarily to the recognition of product development-related revenue for one of our airline partners in the first quarter of 2019 offset in part by the deinstallation of Gogo equipment from certain American Airlines aircraft during 2018 and the six month period ended June 30, 2019.

Connectivity revenue increased to \$90.2 million for the three month period ended June 30, 2019 from \$88.8 million for the prior-year period but decreased to \$170.1 million for the six month period ended June 30, 2019 from \$170.9 million for the prior-year period. The increase during the three month period ended June 30, 2019 was due primarily to the one-time impact from a contract renewal with one of our airline customers, and an increase in passenger-paid, airline-paid and third party-paid revenue, offset in part by the deinstallation of Gogo equipment from certain American Airlines aircraft during 2018 and 2019. The decrease during the six month period ended June 30, 2019 was due primarily to the deinstallation of Gogo equipment from certain American Airlines aircraft during 2018 and 2019, offset in part by an increase in passenger-paid revenue, airline-paid revenue, third party-paid revenue and the one-time impact from a contract renewal with one of our airline customers.

Net annualized ARPA increased to \$136 thousand and \$131 thousand, respectively, for the three and six month periods ended June 30, 2019, as compared with \$113 thousand and \$108 thousand, respectively, for the prior-year periods. Net annualized ARPA increased for the three and six month periods ended June 30, 2019 due to the one-time impact from a contract renewal with one of our airline customers; the increase in product development-related revenue mentioned above also contributed to the increase in net annualized ARPA for the six month period. The connectivity take rate, which is the number of sessions expressed as a percentage of passengers, increased to 12.7% and 13.3%, respectively, for the three and six month periods ended June 30, 2019, as compared with 11.2% and 10.9%, respectively, for the prior-year periods, reflecting increased passenger adoption including the impact of third party-paid and airline-paid offerings, primarily under the airline-directed model.

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We expect service revenue for CA-NA to decrease in the near-term primarily due to the deinstallation of Gogo equipment from 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 decreased to \$71.2 million and \$141.8 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$74.2 million and \$143.0 million, respectively, for the prior-year periods due to a decrease in equipment revenue offset in part by an increase in service revenue.

BA equipment revenue decreased to \$16.5 million and \$33.8 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$26.0 million and \$47.2 million, respectively, for the prior-year periods due primarily to a decrease in ATG equipment revenue.

BA service revenue increased to \$54.8 million and \$108.0 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$48.1 million and \$95.8 million, respectively, for the prior-year periods primarily due to additional customers subscribing to our Gogo Biz (ATG) service. The number of ATG aircraft online increased 11% to 5,462 as of June 30, 2019, as compared with 4,920 as of June 30, 2018.

Commercial Aviation Rest of World:

CA-ROW revenue increased to \$36.7 million and \$69.6 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$33.6 million and \$52.8 million, respectively, for the prior-year periods. The increase for the three month period ended June 30, 2019 was due to an increase in service revenue offset in part by a decrease in equipment revenue, while the increase during the six month period ended June 30, 2019 was due to an increase in both service and equipment revenue.

CA-ROW service revenue increased to \$22.6 million and \$42.3 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$15.2 million and \$29.4 million, respectively, for the prior-year periods, due to an increase in aircraft equivalents. Net annualized ARPA for the CA-ROW segment decreased to \$135 thousand for both the three and six month periods ended June 30, 2019, as compared with \$147 thousand and \$153 thousand, respectively, for the prior-year periods due to an increase in aircraft online from new airline partners.

CA-ROW equipment revenue decreased to \$14.1 million for the three month period ended June 30, 2019 as compared with \$18.5 million for the three month period ended June 30, 2018 due to fewer installations under the airline-directed model. CA-ROW equipment revenue increased to \$27.3 million as compared with \$23.4 million for the six month periods ended June 30, 2019 and 2018, respectively, due to more installations under the airline-directed model 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.

Cost of Service Revenue:

Cost of service revenue by segment and percent change for the three and six month periods ended June 30, 2019 and 2018 were as follows (*in thousands, except for percent change*):

	For the Three Months Ended June 30,		% Change
	2019	2018	2019 over 2018
CA-NA	\$ 38,645	\$ 45,594	(15.2)%
BA	13,101	10,086	29.9%
CA-ROW	19,748	17,970	9.9%
Total	\$ 71,494	\$ 73,650	(2.9)%
	For the Six Months Ended June 30,		% Change
	2019	2018	2019 over 2018
CA-NA	\$ 75,070	\$ 92,147	(18.5)%
BA	26,153	21,200	23.4%
CA-ROW	38,392	35,250	8.9%
Total	\$139,615	\$148,597	(6.0)%

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CA-NA cost of service revenue decreased to \$38.6 million and \$75.1 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$45.6 million and \$92.1 million, respectively, for the prior-year periods due to decreases in revenue share, operational costs, ATG network costs and de-icing-related costs, offset in part by increased satellite service fees.

BA cost of service revenue increased to \$13.1 million and \$26.2 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$10.1 million and \$21.1 million, respectively, for the prior-year periods. The increase was primarily due to ATG network costs.

CA-ROW cost of service revenue increased to \$19.7 million and \$38.4 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$18.0 million and \$35.3 million, respectively, 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 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 and six month periods ended June 30, 2019 and 2018 were as follows (in thousands, except for percent change):

	For the Three Months Ended June 30,		% Change 2019 over 2018
	2019	2018	
CA-NA	\$ 5,865	\$ 29,312	(80.0)%
BA	11,809	15,268	(22.7)%
CA-ROW	17,897	19,770	(9.5)%
Total	<u>\$35,571</u>	<u>\$ 64,350</u>	<u>(44.7)%</u>

	For the Six Months Ended June 30,		% Change 2019 over 2018
	2019	2018	
CA-NA	\$ 7,456	\$ 64,798	(88.5)%
BA	23,207	27,724	(16.3)%
CA-ROW	34,639	24,121	43.6%
Total	<u>\$65,302</u>	<u>\$116,643</u>	<u>(44.0)%</u>

Cost of equipment revenue decreased to \$35.6 million and \$65.3 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$64.4 million and \$116.6 million, respectively, for the prior-year periods.

The decrease in CA-NA for the three and six month periods ended June 30, 2019, as compared with the prior-year periods was due to a decrease in costs associated with remediation of quality issues related to our 2Ku technology and fewer installations under the airline-directed model during 2019 as compared with 2018. Additionally, the decrease for the six month period ended June 30, 2019 as compared with the prior-year period was due to the transition to the airline-directed model by one airline in January 2018, which included cost of equipment revenue of approximately \$26.1 million, while we had no such activity in 2019; see Note 1, "Basis of Presentation" for additional information.

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

The decrease in CA-ROW during the three month period was due to the decrease in activity under airline-directed model, while the increase during the six month period was due to an increase in activity under the airline-directed model.

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

Engineering, Design and Development Expenses:

Engineering, design and development expenses decreased 5.3% and 11.3% to \$26.9 million and \$51.6 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$28.4 million and \$58.2 million, respectively, for the prior-year periods due to decreased program and personnel-related expenses in CA-ROW and CA-NA, offset in part by increased product development costs at BA.

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 15.8% and 19.2% to \$13.0 million and \$25.3 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$15.4 million and \$31.3 million, respectively, for the prior-year periods due to decreases in all three segments. Consolidated sales and marketing expenses as a percentage of total consolidated service revenue was 7.5% for both the three and six month periods ended June 30, 2019, as compared with 9.7% and 10.1% for the prior-year periods.

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 increased 28.1% and 7.0% to \$27.1 million and \$49.5 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$21.1 million and \$46.3 million, respectively, for the prior-year periods primarily due to increases in CA-NA and BA. The increase in CA-NA was primarily due to establishment of a bad debt reserve for a non-airline customer during the second quarter of 2019 while the increase in BA was primarily due to increases in personnel-related expenses and various administrative costs. Consolidated general and administrative expenses as a percentage of total consolidated service revenue was 15.6% and 14.6% for the three and six month periods ended June 30, 2019, as compared with 13.3% and 14.9% for the prior-year periods.

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 243.3% and 448.6% to \$24.2 million and \$47.7 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$7.0 million and \$8.7 million, respectively, for the prior-year periods due to the changes as discussed above.

BA's segment profit decreased 14.7% and 6.1% to \$31.3 million and \$64.8 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$36.7 million and \$69.0 million, respectively, for the prior-year periods primarily due to the changes as discussed above.

CA-ROW's segment loss decreased 29.5% and 22.7% to \$17.3 million and \$36.4 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$24.5 million and \$47.1 million, respectively, for the prior-year periods due to the changes as discussed above.

Depreciation and Amortization:

Depreciation and amortization expense decreased 6.2% and 10.5% to \$30.0 million and \$60.7 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$31.9 million and \$67.9 million, respectively, for the prior-year periods due to decreased amortization of capitalized software and accelerated depreciation expense for certain upgrades and decommission programs that were completed in the first half of 2018.

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

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Other (Income) Expense:

Other (income) expense and percent change for the three and six month periods ended June 30, 2019 and 2018 were as follows (*in thousands, except for percent change*):

	For the Three Months Ended June 30,		% Change 2019 over 2018
	2019	2018	
Interest income	\$ (1,230)	\$ (1,328)	(7.4)%
Interest expense	36,150	30,641	18%
Loss on extinguishment of debt	57,962	—	n/a
Other expense	443	374	18.4%
Total	<u>\$ 93,325</u>	<u>\$29,687</u>	<u>214.4%</u>

	For the Six Months Ended June 30,		% Change 2019 over 2018
	2019	2018	
Interest income	\$ (2,379)	\$ (2,404)	(1.0)%
Interest expense	68,704	61,195	12.3%
Loss on extinguishment of debt	57,962	—	n/a
Other income	(2,922)	(131)	2,130.5%
Total	<u>\$121,365</u>	<u>\$58,660</u>	<u>106.9%</u>

Total other expense increased to \$93.3 million and \$121.4 million, respectively, for the three and six month periods ended June 30, 2019, as compared with \$29.7 million and \$58.7 million, respectively, for the prior-year periods due to the loss on extinguishment of debt and increased interest expense due to higher average debt levels outstanding during the current year as compared with the prior-year period; for the six month period ended June 30, 2019 these factors were offset in part by \$3.2 million of net proceeds from a litigation settlement in the first quarter of 2019.

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 2024 Senior Secured Notes in April and May 2019 and the 2022 Convertible Notes in November 2018 and the associated accretion expense and amortization of deferred financing costs for such issuances. These increases will be partially offset by the reduction in interest expense related to the 2022 Senior Secured Notes, which were redeemed in full in May 2019, and the partial repurchase of the 2020 Convertible Notes. 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 and six month periods ended June 30, 2019 were (0.4)% and (0.5)%, respectively, as compared with (0.2)% and 5.4%, respectively, for the prior-year periods. For the three and six month periods ended June 30, 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 six month period ended June 30, 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

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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 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, (v) proceeds from litigation settlement and (vi) loss on extinguishment of debt. 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.

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 and the loss on extinguishment of debt from Adjusted EBITDA because of the non-recurring nature of these activities.

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 June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Adjusted EBITDA:				
Net loss attributable to common stock (GAAP)	\$(83,963)	\$(37,207)	\$(100,762)	\$ (64,626)
Interest expense	36,150	30,641	68,704	61,195
Interest income	(1,230)	(1,328)	(2,379)	(2,404)
Income tax provision (benefit)	304	71	511	(3,654)
Depreciation and amortization	29,967	31,938	60,716	67,857
EBITDA	(18,772)	24,115	26,790	58,368
Stock-based compensation expense	4,318	4,213	8,645	8,599
Amortization of deferred airborne lease incentives	(6,077)	(7,462)	(15,030)	(15,092)
Amortization of STC costs	322	255	642	427
Transition to airline-directed model	—	(2,249)	—	(21,551)
Loss on extinguishment of debt	57,962	—	57,962	—
Proceeds from litigation settlement	—	—	(3,215)	—
Adjusted EBITDA	<u>\$ 37,753</u>	<u>\$ 18,872</u>	<u>\$ 75,794</u>	<u>\$ 30,751</u>
Unlevered Free Cash Flow:				
Net cash provided by (used in) operating activities (GAAP) ⁽¹⁾	\$ 11,691	\$ 17,176	\$ 5,535	\$ (29,029)
Consolidated capital expenditures ⁽¹⁾	(14,534)	(52,508)	(42,245)	(115,166)
Free cash flow	(2,843)	(35,332)	(36,710)	(144,195)
Cash paid for interest ⁽¹⁾	40,257	—	86,420	49,911
Interest income ⁽²⁾	(1,230)	(1,328)	(2,379)	(2,404)
Unlevered free cash flow	<u>\$ 36,184</u>	<u>\$ (36,660)</u>	<u>\$ 47,331</u>	<u>\$ (96,688)</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.

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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 Six Months Ended June 30,	
	2019	2018
Net cash provided by (used in) operating activities	\$ 5,535	\$ (29,029)
Net cash used in investing activities	(2,562)	(25,565)
Net cash used in financing activities	(2,837)	(1,444)
Effect of foreign exchange rate changes on cash	(378)	(373)
Net decrease in cash, cash equivalents and restricted cash	(242)	(56,411)
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>\$190,874</u>	<u>\$147,318</u>
Supplemental information:		
Cash, cash equivalents and restricted cash at the end of period	\$190,874	\$147,318
Less: current restricted cash	1,035	1,738
Less: non-current restricted cash	7,972	5,160
Cash and cash equivalents at the end of the period	<u>\$181,867</u>	<u>\$140,420</u>
Short-term investments	\$ —	\$123,191

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 2024 Senior Secured Notes and the 2022 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 April 2019 and May 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 our 2020 Convertible Notes (of which we repurchased \$159 million aggregate principal amount in May 2019). 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 2024 Senior Secured Notes, 2022 Senior Secured Notes, the 2022 Convertible Notes and the 2020 Convertible Notes, see Note 9, "Long-Term Debt and Other Liabilities," to our unaudited condensed consolidated financial statements.

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Cash flows provided by (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 Six Months Ended June 30,	
	2019	2018
Net loss	\$(100,762)	\$(64,626)
Non-cash charges and credits	142,784	68,810
Changes in operating assets and liabilities	(36,487)	(33,213)
Net cash provided by (used in) operating activities	<u>\$ 5,535</u>	<u>\$(29,029)</u>

For the six month period ended June 30, 2019, cash provided by operating activities was \$5.5 million as compared with net cash used in operating activities of \$29.0 million in the prior-year period. The principal contributors to the change in operating cash flows were:

- A \$37.8 million change in net loss adjusted for non-cash charges and credits, offset in part by
- A \$3.3 million change in cash flows related to operating assets and liabilities resulting from:
 - A decrease in cash flows due to the following:
 - Changes in accrued interest due primarily to the issuance of the 2024 Senior Secured Notes in the second quarter of 2019 and the issuance of the 2022 Convertible Notes in the fourth quarter of 2018, while accrued interest remained flat during 2018;
 - Changes in CA-NA's and CA-ROW's accounts payable and 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;
 - Changes in CA-NA's and CA-ROW's deferred revenue as deferred revenue balances decreased during 2019 and increased during 2018;
 - Changes in BA's inventory due to a decrease in equipment revenue; and
 - Changes in CA-NA's warranty reserves, due to costs associated with remediation of quality issues associated with our 2Ku technology during 2018, which remediation did not occur in the current year.
 - Offset in part by an increase in cash flows due to the following:
 - Changes in CA-NA's and CA-ROW's accounts receivable due primarily to the timing of collections;
 - Changes in CA-NA's and CA-ROW's inventories as we allocated a smaller portion of our uninstalled airborne equipment to inventory due to the transition of one our airline partners from the airline-directed model to the turnkey model in the first quarter of 2019;
 - Changes in BA's accounts payable and accrued liabilities due primarily to the timing of payments; and
 - Changes in all three segments' prepaid expenses due to the timing of payments.

Cash flows used in Investing Activities:

Cash 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 used in investing activities includes net changes in our short-term investments of a cash inflow of \$39.3 million and \$89.6 million, respectively, for the six month periods ended June 30, 2019 and 2018.

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Cash flows used in Financing Activities:

Cash used in financing activities for the six month period ended June 30, 2019 was \$2.8 million primarily due to the full redemption of outstanding 2022 Senior Secured Notes (including the make-whole premium payable under the indenture governing the 2022 Senior Secured Notes), totaling \$741.4 million, the repurchase of \$159.0 million of outstanding 2020 Convertible Notes and the payment of \$22.6 million of deferred financing costs associated with the issuance of the 2024 Senior Secured Notes, offset in part by \$920.7 million of proceeds from the issuance of the 2024 Senior Secured Notes.

Cash used in financing activities for the six month period ended June 30, 2018 was \$1.4 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.

Capital expenditures for the six month periods ended June 30, 2019 and 2018 were \$42.2 million and \$115.2 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.

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Other

Contractual Commitments: The following table summarizes our contractual obligations (including those that require us to make future cash payments) as of December 31, 2018, except for 2024 Senior Secured Notes, Interest on 2024 Senior Secured Notes, 2020 Convertible Notes and Interest on 2020 Convertible Notes which are as of June 30, 2019. Additionally, we removed the 2022 Senior Secured Notes and Interest on 2022 Senior Secured Notes due to the full redemption in May 2019. The future contractual requirements include payments required for our operating leases and contractual purchase agreements (*in thousands*).

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations:					
Capital lease obligations	\$ 925	\$ 707	\$ 218	\$ —	\$ —
Operating lease obligations	172,857	21,902	39,609	33,246	78,100
Purchase obligations (1)	298,221	298,221	—	—	—
2022 Convertible Notes (2)	237,750	—	—	237,750	—
Interest on 2022 Convertible Notes	48,144	14,265	28,530	5,349	—
2020 Convertible Notes (2)	3,046	3,046	—	—	—
Interest on 2020 Convertible Notes	76	76	—	—	—
2024 Senior Secured Notes (2)	925,000	—	—	925,000	—
Interest on 2024 Senior Secured Notes	449,108	91,344	182,688	175,076	—
Satellite transponder and teleport services	548,855	98,889	166,284	124,696	158,986
Deferred revenue arrangements (3)	60,053	38,571	4,677	4,229	12,576
Deferred airborne lease incentives (4)	153,231	24,145	42,665	41,785	44,636
Other long-term obligations (5)	61,572	11,521	11,213	1,478	37,360
Total	\$2,958,838	\$602,687	\$475,884	\$1,548,609	\$331,658

- (1) As of December 31, 2018, our outstanding purchase obligations represented obligations to vendors to meet operational requirements as part of the normal course of business and related primarily to information technology, research and development, sales and marketing and production related activities.
- (2) See Note 9, “Long-Term Debt and Other Liabilities,” for more information.
- (3) Amounts represent obligations to provide services for which we have already received cash from our customers.
- (4) Amounts represent the upfront payments made by our airline partners for our airborne equipment and payments for STCs. Upfront payments made pursuant to these agreements are accounted for as deferred airborne lease incentives which are amortized on a straight-line basis as a reduction of cost of service revenue over the term of the agreement.
- (5) Other long-term obligations consist of estimated payments (undiscounted) for our asset retirement obligations, network transmission services, obligations to certain airline partners, and Canadian ATG Spectrum License related payments related to the monthly C\$0.1 million payment over the estimated 25-year term of the agreement, using the December 31, 2018 exchange rate. Other long-term obligations do not include \$2.1 million related to our deferred tax liabilities due to the uncertainty of their timing.

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.

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.

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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 June 30, 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 June 30, 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 and six month periods ended June 30, 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 June 30, 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 June 30, 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. The suits seek an unspecified amount of damages. 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. Following the filing by one of those defendants of a petition to commence an *inter partes* review against the asserted patent in the U.S. Patent and Trademark Office, the Court stayed the litigation against such other defendant and Gogo, but such stay was lifted in July 2019 when the U.S. Patent and Trademark Office determined that the petitioner had not met the standard of proof required to commence the *inter partes* review. We believe that the plaintiff's claims are without merit and intend to defend them vigorously. The outcome of this litigation 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, and we filed our reply in May 2019. The parties are currently awaiting the Court's ruling on the motion. We believe that the claims are without merit and intend to continue 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.

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ITEM 1A. Risk Factors

The following risk factor updates the corresponding risk factor in our 2018 10-K. Except as set forth below, there have been no material changes to the risk factors previously disclosed in our 2018 10-K.

We may not be able to grow our business with current airline partners or successfully negotiate agreements with airlines to which we do not currently provide the Gogo service; the outcome of negotiations with airline partners regarding a business model under which the airlines provide free service to passengers and the effect of this shift and other possible shifts in business models on our revenue and results of operations cannot be predicted.

We are currently in negotiations or discussions with certain of our airline partners to provide our equipment and the Gogo service on additional aircraft in their fleets. We have no assurance that these efforts will be successful. We are also in discussions with other airlines to provide our equipment and the Gogo service to some or all of their aircraft. Negotiations with current and prospective airline partners require substantial time, effort and resources. The time required to reach a final agreement with an airline is unpredictable and may lead to variances in our operating results from quarter to quarter. We may ultimately fail in our negotiations and any such failure could harm our results of operations due to, among other things, a diversion of our focus and resources, actual costs incurred in the negotiation process and opportunity costs.

In addition, the terms of any future agreements could be materially different and less favorable to us than the terms included in our existing agreements with our airline partners, which could trigger most favored nations provisions of contracts with certain existing airline partners, which could result in our inability to achieve the originally anticipated benefits of such contracts.

Under our turnkey model, we provide the connectivity service, determine passenger pricing and share revenue with the airline. Several of our airline partners have adopted or have the option to adopt the airline-directed model, under which the airlines purchase bandwidth from us and distribute it to their passengers on a paid or complimentary basis. Under the airline-directed model, the airline retains pricing discretion over the cost of our service to passengers and the extent to which we receive revenue under this model is directly related to passenger usage. As a result, a failure by airlines to price our service appropriately has and could continue to adversely affect our results. We are currently in negotiations with certain airline partners regarding amendments to our existing contracts that would enable such partners to offer free Gogo service to their passengers under our airline directed business model and other airline partners may elect to move to a free-to-passengers business model. We expect commercial models and contract terms to continue to evolve, and we anticipate that third-party payors (including airlines) will generate an increasing portion of our revenue and that the portion of our revenue paid by passengers using our service will decline. Certain airline partners have recently shifted or informed us that they intend to shift from the airline directed model to the turnkey model, and we are unable to predict to what extent future shifts in commercial models will occur or the effect that such shifts in models will have on our results of operations. In addition, our growth will depend in part on our ability to reach agreements with OEMs to have our equipment factory-installed on certain aircraft, which will require us to comply with OEM specifications, which may be costly and time-consuming. To the extent that any negotiations with current or potential airline partners are unsuccessful, or any existing or future agreements, including those reflecting evolving business models and/or a shift to free passenger service under the airline directed model, prove generally less favorable to us than expected or as compared to previous agreements, our business, financial condition and results of operations may be materially adversely affected.

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.

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ITEM 5. Other Information

None.

ITEM 6. Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
4.10	<u>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)).</u>
4.11	<u>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)).</u>
4.12	<u>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)).</u>
4.13	<u>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)).</u>
4.14	<u>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)).</u>
10.1.62†	<u>Letter Agreement, dated as of April 22, 2019, by and between Gogo LLC and American Airlines, Inc.</u>
10.1.63†	<u>Amendment No. 2 to the Service Order, between Gogo LLC and New Skies Satellites B.V., effective as of May 1, 2019.</u>
10.8.12	<u>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)).</u>
10.8.13	<u>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)).</u>
10.8.14	<u>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)).</u>
10.8.15	<u>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)).</u>
10.8.16	<u>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)).</u>
10.8.17	<u>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 (incorporated by reference to Exhibit 10.8.17 to Form 10-Q filed on May 9, 2019 (File No. 001-35975)).</u>
10.8.18	<u>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 (incorporated by reference to Exhibit 10.8.18 to Form 10-Q filed on May 9, 2019 (File No. 001-35975)).</u>
10.8.19	<u>Purchase Agreement, dated as of April 17, 2019, by and among Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC</u>
31.1	<u>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</u>
31.2	<u>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</u>

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32.1*	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
32.2*	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
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.

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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: August 8, 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:

[***]

April 22, 2019

Gogo LLC
111 N. Canal St., Ste. 1500
Chicago, Illinois 60606

RE: Unified In-Flight Connectivity Hardware, Services and Maintenance Agreement (as amended to date, the "Unified Agreement" or "UA"), effective as of February 1, 2017, between Gogo LLC ("Gogo") and "American Airlines, Inc. ("American")

Gentlemen:

Reference is hereby made to the Unified Agreement. This letter will acknowledge and evidence that American Airlines, Inc. is willing and hereby offers to agree, effective as of the date of this letter (the "LA Effective Date") and for good and valuable consideration, to the terms set forth in Exhibit A attached hereto with respect to the provision of Connectivity Services by Gogo to American.

If Gogo is also willing to accept and agree to such terms, please evidence and acknowledge such fact by signing both copies of this letter in the space provided and returning one (1) copy to the undersigned. In such event, and without the necessity of further action: the Unified Agreement shall be deemed to be amended to reflect such terms; and, as so deemed to be amended, the Unified Agreement shall be deemed to be ratified and affirmed and to remain in full force and effect. In the event of any conflict or inconsistency between this letter agreement and the Unified Agreement, this letter agreement will control and prevail. All capitalized terms used herein without definition shall have the respective meanings therefor specified in the Unified Agreement.

Very truly yours,

AMERICAN AIRLINES, INC.

By: /s/ Robert Isom
Name: Robert Isom
Title: President
Date: 4/22/19

ACCEPTED AND AGREED:

GOGO LLC

By: /s/ Oakleigh Thorne
Name: Oakleigh Thorne
Title: President and CEO
Date: 4/22/19

**General Terms for 2Ku
Extension and other matters**

Exhibit A: Term Sheet

April 22, 2019

American and Gogo entered into the Unified Agreement on the Effective Date. As of the LA Effective Date, the Retrofit A/C are as detailed in Exhibit A. The UA expires with respect to the 2Ku Fleet on September 30, 2019. The parties wish to extend the term of the UA with respect to the 2Ku Fleet and to modify certain other provisions of the UA as set forth below.

ID	Item	Agreement / Commentary
1	Term	1. The Term of the UA commenced on the Effective Date and will expire with respect to various Retrofit A/C as follows: <ul style="list-style-type: none"> a. For mainline Aircraft, regardless of Technology Type: January 1, 2022; provided, that American may at its option extend such term for up to three one-year extensions upon 180 days' prior written notice to Gogo. b. For the Regional Jet Fleet: Unchanged from the UA. c. Section 18.2 of the UA is amended by adding a reference to the 2Ku Fleet along with the other fleets mentioned therein.
2	Session Pricing	1. The commercial terms related to Connectivity Services (<i>e.g.</i> , session pricing and whitelist pricing) on all A/C (regardless of Technology Type) will remain in effect until January 1, 2022; provided, that American may at its option extend the applicability of such commercial terms for up to three one-year extensions upon 90 days' prior written notice to Gogo prior to the end of the then current term. <ul style="list-style-type: none"> 2. [***] 3. [***] 4. [***] 5. [***] 6. [***] 7. [***] 8. [***]
3	Monthly Subscriptions	[***] 1. [***] 2. [***]
4	Settlements of Prior Amounts	[***] The amounts payable by American and Gogo as set forth above will not be offset against each other but will be paid in whole by each Party. American and Gogo will make best efforts to pay their respective balances on the same mutually-agreed upon date within [***] after the LA Effective Date. For purposes of clarity, except as specifically set forth above, neither Party is releasing any past or future claim against the other Party under the UA.
5	Whitelist Fees	The Parties agree to [***] for ATG and ATG4-equipped aircraft, starting on [***]. All other whitelist terms shall remain the same as in the UA.

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:

[***]

SERVICE ORDER AMENDMENT

This Service Order Amendment is submitted by Gogo LLC (“Customer”) to New Skies Satellites B.V. (“SES”) and amends Service Order 104149-0000, entered into on 18 February 2016, as amended by Service Order 104149-0001, entered into on 11 October 2018, in accordance with the terms and conditions of the Master Services Agreement between Customer and SES dated 17 August 2012, as amended by Amendment No. 1 dated 30 November 2012 (the “MSA”). This Service Order Amendment decreases Service on the Satellite to accommodate Customer’s exercise of its [***] option set forth in Service Order 104149-0000. Concurrently, the Parties are renewing Service Order 030215-0000, as amended, to modify the amount of service on the SES-6 satellite.

All capitalized terms referenced but not otherwise defined in this Service Order Amendment will have the meanings assigned to them in lease 104149-0000, as amended. In the event of a conflict between the provisions of this Service Order Amendment and the provisions of the lease 104149-0000, as amended, the provisions of this Service Order Amendment will prevail.

Recitals

The parties desire to modify the Agreement in accordance with the terms set forth below to decrease the Service on the SES-14 satellite by [***] and enter into a new service order for [***] on the SES-6 satellite.

Terms of Amendment

- 1) **Effective Date.** The Effective Date of this Service Order Amendment is 1 May 2019.
- 2) **Service Specifications.** Section C (Service Specifications) is deleted and replaced with the following:
 - C. Service Specifications.

[***]

Customer may not accelerate any Ramp Stages without the prior written approval of SES.

Additional Service Specifications are contained in Attachment A to this Service Order.

- 3) **End Date.** The *End Date* clause under Section D remains unchanged at 31 August 2028.
- 4) **Attachment A.**

The beam allocation under Table C (Minimum Initial Capacity) of Section III (*SES-14 HTS Beam Capacity Commitments*) is replaced with the table set forth below.

[***]

From and after the execution and delivery of this Service Order Amendment by the Parties, this Service Order Amendment will constitute a valid, binding, and enforceable amendment to lease 104149-0000, as amended. All terms and conditions of lease 104149-0000, as amended, will, except as modified herein, apply and remain in full force and effect.

Execution

IN WITNESS WHEREOF, this Service Order Amendment has been fully executed by authorized representatives of the Parties as of the date of the last signature hereto.

GOGO LLC

By: /s/Tim Joyce
Name: **Tim Joyce**
Title: **VP, RF/RAN Engineering**
Date: **May 9, 2019**

NEW SKIES SATELLITES B.V.

By: /s/ Simon Gatty-Saunt
Name: **Simon Gatty-Saunt**
Title: **Director**
Date: **13-05-2019**

NEW SKIES SATELLITES B.V.

By: /s/ Ulco Bouwsma
Name: **Ulco Bouwsma**
Title: **Proxyholder AI**
Date: **15-05-2019**

Issued: 8/17/2018

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Customer initials: UB
SES initials: SG

\$905,000,000

GOGO INTERMEDIATE HOLDINGS LLC
GOGO FINANCE CO. INC.

9.875% SENIOR SECURED NOTES DUE 2024

PURCHASE AGREEMENT

April 17, 2019

Morgan Stanley & Co. LLC
J.P. Morgan Securities LLC
As Representatives of the several Initial Purchasers

c/o Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

c/o J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

Gogo Intermediate Holdings LLC, a Delaware limited liability company (the “**Company**”), and Gogo Finance Co. Inc., a Delaware corporation (the “**Co-Issuer**” and, together with the Company, the “**Issuers**”), propose to issue and sell to the several purchasers named in Schedule I hereto (the “**Initial Purchasers**”) \$905,000,000 aggregate principal amount of the Issuers’ 9.875% Senior Secured Notes due 2024 (the “**Notes**”). Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC have agreed to act as the representatives of the several Initial Purchasers (the “**Representatives**”) in connection with the offering and sale of the Notes. Gogo Inc., a Delaware corporation (“**Gogo**”), is the sole member of the Company, and the Company is the sole shareholder of the Co-Issuer. For the avoidance of doubt, all references to Gogo’s subsidiaries shall include the Issuers.

The Securities (as defined herein) will be issued pursuant to the provisions of an indenture, to be dated as of April 25, 2019 (the “**Indenture**”), among the Issuers, the Guarantors (as defined herein) and U.S. Bank National Association, as trustee (in such capacity, the “**Trustee**”) and collateral agent (in such capacity, the “**Collateral Agent**”).

The payment of principal of, premium, if any, and interest on the Notes will be fully and unconditionally guaranteed on a senior secured basis, jointly and severally, by (i) the entities listed on the signature pages hereof as “Guarantors,” including Gogo (the “**Signing Guarantors**”), (ii) the foreign subsidiaries of the Company that are required under the Indenture to guarantee the Notes on the Closing Date (as defined herein) (the “**Closing Guarantors**”) and (iii) any subsidiary of Gogo formed or acquired after the Closing Date that executes an additional guarantee in accordance with the terms of the Indenture, and their respective successors and assigns (collectively, the “**Guarantors**”), pursuant to their guarantees (the “**Guarantees**”). The Notes and the Guarantees attached thereto are herein collectively referred to as the “**Securities**.”

Within 15 days of the Closing Date, Gogo shall cause the Closing Guarantors to enter into a joinder to this Purchase Agreement (this “**Agreement**”), substantially in the

form attached hereto as Exhibit A (the “**Joinder Agreement**”), whereby each Closing Guarantor will agree to observe and fully perform all of the rights, obligations and liabilities contemplated herein as if it were an original signatory thereto.

The Securities will be secured by first-priority liens (subject to certain exceptions and Permitted Liens (as defined in the Time of Sale Memorandum and the Final Memorandum, both as defined herein)) on (i) substantially all of the assets of the Issuers and the Guarantors and (ii) the capital stock of the Issuers and all of Gogo’s other restricted subsidiaries (other than excluded foreign restricted subsidiary voting stock) (collectively, the “**Collateral**”), in each case as more particularly described in the Time of Sale Memorandum and the Final Memorandum, and documented by a collateral agreement (the “**Collateral Agreement**”) and a collateral agency agreement (the “**Collateral Agency Agreement**”), each dated as of the Closing Date, and other instruments evidencing or creating a security interest (collectively with the Collateral Agreement and the Collateral Agency Agreement, the “**Security Documents**”) each in favor of the Collateral Agent, for its benefit and the benefit of the Trustee and the holders of the Notes.

This Agreement, the Securities, the Security Documents and the Indenture are referred to herein as the “**Transaction Documents.**”

The Securities are being offered and sold in connection with the redemption of \$690,000,000 aggregate principal amount of the Issuers’ 12.500% Senior Secured Notes due 2022 (the “**Existing Secured Notes**”) issued pursuant to an indenture, dated as of June 14, 2016 (as supplemented by the First Supplemental Indenture, dated as of September 20, 2017), among the Issuers, the Guarantors party thereto and the Trustee and Collateral Agent and for general corporate purposes, including the repurchase, repayment or retirement of Gogo’s 3.75% Convertible Senior Notes due 2020 issued pursuant to an indenture, dated as of March 9, 2015, between Gogo and the Trustee, in whole or in part, at or prior to maturity. The proceeds from the sale of the Securities will also be used to pay the fees, expenses and other costs relating to repayment of the Existing Secured Notes and the offer and sale of the Securities.

Gogo and the Issuers understand that the Initial Purchasers propose to make an offering of the Securities on the terms and in the manner set forth herein and in the Time of Sale Memorandum and agree that the Initial Purchasers may resell, subject to the conditions set forth herein, all or a portion of the Securities to purchasers (the “**Subsequent Purchasers**”) on the terms set forth in the Time of Sale Memorandum (the first time when sales of the Securities are made is referred to as the “**Time of Sale**”). The Securities will be offered without being registered under the Securities Act of 1933, as amended (the “**Securities Act**”), to qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A under the Securities Act (“**Rule 144A**”) and in offshore transactions in reliance on Regulation S under the Securities Act (“**Regulation S**”). Pursuant to the terms of the Securities and the Indenture, investors who acquire Securities shall be deemed to have agreed that Securities may only be resold or otherwise transferred, after the date hereof, if such Securities are registered for sale under the Securities Act or if an exemption from the registration requirements of the

Securities Act is available (including the exemptions afforded by Rule 144A or Regulation S). Gogo and the Issuers hereby confirm that they have authorized the use of the Time of Sale Memorandum and the Final Memorandum (as defined herein) in connection with the offer and sale of the Securities by the Initial Purchasers.

In connection with the sale of the Securities, Gogo and the Issuers have prepared and delivered to each Initial Purchaser copies of a preliminary offering memorandum, dated April 15, 2019 (the "**Preliminary Memorandum**"), and prepared and delivered to each Initial Purchaser copies of a pricing supplement, dated April 17, 2019 (the "**Pricing Supplement**"), describing the terms of the Securities, each for use by such Initial Purchaser in connection with its solicitation of offers to purchase the Securities. For purposes of this Agreement, "**Additional Written Offering Communication**" means any written communication (as defined in Rule 405 under the Securities Act) that constitutes an offer to sell or a solicitation of an offer to buy the Securities other than the Preliminary Memorandum, the Pricing Supplement or the Final Memorandum; and "**Time of Sale Memorandum**" means the Preliminary Memorandum together with the Pricing Supplement and each Additional Written Offering Communication or other information, if any, each identified in Schedule II hereto under the caption Time of Sale Memorandum. Promptly after this Agreement is executed and delivered, Gogo and the Issuers will prepare and deliver to each Initial Purchaser a final offering memorandum, dated the date hereof (the "**Final Memorandum**"). As used herein, the terms "Preliminary Memorandum," "Time of Sale Memorandum" and "Final Memorandum" shall include the documents, if any, incorporated by reference therein on the date hereof. The terms "**supplement**," "**amendment**" and "**amend**" as used herein with respect to the Preliminary Memorandum, the Time of Sale Memorandum, the Final Memorandum or any Additional Written Offering Communication shall include all documents subsequently filed by Gogo with the Securities and Exchange Commission (the "**Commission**") pursuant to the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), that are deemed to be incorporated by reference therein.

1. *Representations and Warranties.* Each (x) Issuer and each Signing Guarantor, jointly and severally, hereby represents and warrants to, and agrees with each Initial Purchaser that, and (y) upon execution and delivery of the Joinder Agreement, each Closing Guarantor, jointly and severally, represents and warrants to, and agrees with each Initial Purchaser that, as of the Time of Sale and as of the Closing Date:

(a) (i) Each document, if any, filed or to be filed pursuant to the Exchange Act and incorporated by reference in the Preliminary Memorandum, the Time of Sale Memorandum or the Final Memorandum complied or will comply when so filed in all material respects with the Exchange Act and the applicable rules and regulations of the Commission thereunder; (ii) the Time of Sale Memorandum as of the Time of Sale does not, and as of the Closing Date will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) any Additional Written Offering Communication prepared, used or referred to by Gogo and the Issuers, when considered together with the Time of Sale Memorandum, at the time of its use did

not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iv) the Final Memorandum as of its date and as of the Closing Date will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements in or omissions from the Time of Sale Memorandum, the Final Memorandum or any Additional Written Offering Communication based upon information relating to any Initial Purchaser furnished to Gogo and the Issuers in writing by such Initial Purchaser expressly for use therein.

(b) Except for the Additional Written Offering Communications, if any, identified in Schedule II hereto, including electronic road shows, and furnished to you before first use, Gogo and the Issuers have not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any Additional Written Offering Communication.

(c) Gogo and each Issuer has been duly incorporated or formed, as applicable, is validly existing as a corporation or limited liability company, as applicable, in good standing under the laws of the jurisdiction of its incorporation or formation, as applicable, and has the corporate or limited liability company power, as applicable, to own its property and to conduct its business as described in the Time of Sale Memorandum, and to enter into and perform its obligations under each of the Transaction Documents to which it is a party. Gogo and each Issuer is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the condition (financial or otherwise), business, properties or results of operations of Gogo and its subsidiaries taken as a whole or on the performance by the Issuers and the Guarantors of their obligations under the Transaction Documents (a "**Material Adverse Effect**").

(d) Each subsidiary of Gogo (other than the Issuers) has been duly incorporated or formed, as applicable, is validly existing as a corporation, limited liability company or partnership, as applicable, in good standing under the laws of the jurisdiction of its incorporation or formation, as applicable, and has the corporate, company or partnership power, as applicable, and authority to own its property and to conduct its business as described in the Time of Sale Memorandum and to enter into and perform its obligations under each of the Transaction Documents to which it is a party. Each subsidiary of Gogo (other than the Issuers) is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not, individually or in the aggregate,

reasonably be expected to have a Material Adverse Effect; all of the issued shares of capital stock of each subsidiary of Gogo have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by Gogo, free and clear of all liens, encumbrances, equities or claims (other than the liens securing the Existing Secured Notes).

(e) This Agreement has been duly authorized, executed and delivered by the Issuers and each Signing Guarantor and, on the date the Joinder Agreement is entered into, such Joinder Agreement will have been duly authorized, executed and delivered by each Closing Guarantor.

(f) The Indenture (i) has been duly authorized by the Issuers and each Signing Guarantor and (ii) will be duly authorized by each of the Closing Guarantors and, when duly executed and delivered in accordance with its terms by each of the parties thereto, will constitute a valid and legally binding agreement of each Issuer and each Guarantor, enforceable against each Issuer and each Guarantor in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and equitable principles of general applicability (collectively, the "**Enforceability Exceptions**").

(g) The Notes have been duly authorized by each Issuer and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, will be duly and validly issued and outstanding and will be valid and legally binding obligations of each Issuer, enforceable against each Issuer in accordance with their terms, subject to the Enforceability Exceptions, and will be entitled to the benefits of the Indenture pursuant to which such Notes are to be issued.

(h) The Guarantees of the Notes (i) have been duly authorized by each of the Signing Guarantors and (ii) will be duly authorized by each of the Closing Guarantors and, when executed and delivered in accordance with the provisions of the Indenture, and when the Notes have been executed and authenticated in the manner provided for in the Indenture and issued and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, will constitute valid and legally binding agreements of each Guarantor, enforceable against each Guarantor in accordance with their terms, subject to the Enforceability Exceptions, and will be entitled to the benefits of the Indenture pursuant to which such Guarantees are to be issued.

(i) The Securities to be purchased by the Initial Purchasers from the Issuers will, on the Closing Date, be in the form contemplated by the Indenture. The Securities and the Indenture will conform to the descriptions thereof in the Time of Sale Memorandum and the Final Memorandum.

(j) Each of the Security Documents (i) has been duly authorized by the Issuers and each of the Signing Guarantors and (ii) will be duly authorized by each of the Closing Guarantors and, when executed and delivered in accordance with the terms of the applicable Security Documents by the Issuers and/or each applicable Guarantor, will constitute a valid and legally binding agreement of each Issuer and/or each applicable Guarantor, enforceable against the Issuers and/or each applicable Guarantor in accordance with its terms, subject to the Enforceability Exceptions. The Security Documents, when executed and delivered in connection with the sale of the Securities, will create in favor of the Collateral Agent for the benefit of itself, the Trustee and the holders of the Notes, valid and enforceable security interests in and liens on the Collateral and, (i) upon the filing of appropriate Uniform Commercial Code financing statements in United States jurisdictions as set forth on Schedule III hereto and the taking of the other actions, in each case as further described in the Security Documents, the security interests in and liens on the rights of the Issuers or the applicable Guarantor in such Collateral will be perfected security interests and liens (to the extent that such security interests and liens can be perfected by the filing of Uniform Commercial Code financing statements or the taking of such other actions) and (ii) upon the delivery of any pledged capital stock and pledged debt instruments to the Collateral Agent, the security interests and liens on the rights of the Issuers or the applicable Guarantor in such Collateral will be perfected security interests and liens, in each case superior to and prior to the liens of all third persons other than the Permitted Liens.

(k) As of December 31, 2018, on a consolidated basis, after giving pro forma effect to the issuance and sale of the Notes and the use of proceeds pursuant hereto, Gogo has an authorized and outstanding capitalization as set forth in the Time of Sale Memorandum and the Final Memorandum under the heading "Capitalization"; all the outstanding shares of capital stock of Gogo have been duly and validly authorized and issued and are fully paid and non-assessable and are not subject to any preemptive or similar rights; and all the outstanding shares of capital stock or other equity interests of each subsidiary owned, directly or indirectly, by Gogo have been duly and validly authorized and issued, are fully paid and non-assessable (except, in the case of any foreign subsidiary, for directors' qualifying shares and except as otherwise described in, or incorporated by reference in, each of the Time of Sale Memorandum and the Final Memorandum) and are owned directly or indirectly by Gogo, free and clear of any lien, encumbrance, equity or claim (other than the liens securing the Existing Secured Notes).

(l) Neither Gogo nor any of its subsidiaries is (i) in violation of its charter, certificate of incorporation, by-laws or similar organizational documents, as applicable, each as amended or restated as of the date hereof; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Gogo or any of its subsidiaries is a party or by which Gogo or any of its subsidiaries is bound or to which any of the property or

assets of Gogo or any of its subsidiaries is subject; or (iii) in violation of any provision of applicable law or any applicable judgment, order or decree of any federal, state, local, international or foreign governmental authority, or any court, administrative or regulatory agency or commission or other governmental authority having jurisdiction over Gogo or any of its subsidiaries (each a “**Governmental Entity**”), except, in the case of clauses (ii) and (iii) above, for any such default or violation that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(m) The execution, delivery and performance of the Transaction Documents by the Issuers and the Guarantors to the extent each is a party thereto, the issuance and sale of the Securities and the consummation of the transactions contemplated hereby and thereby and by the Time of Sale Memorandum and the Final Memorandum will not violate or breach (i) any provision of applicable law; (ii) the charter, certificate of incorporation, by-laws or similar organizational document, as applicable, of any Issuer or Guarantor, each as amended or restated as of the date hereof; (iii) any agreement or other instrument binding upon Gogo or any of its subsidiaries; or (iv) any applicable judgment, order or decree of any Governmental Entity, except, in the case of clauses (i), (iii) and (iv) above, for any such violation or breach that would not, individually or in the aggregate, have a Material Adverse Effect.

(n) No consent, approval, authorization, order, registration or qualification of or with any Governmental Entity, other than those obtained, is required for the execution, delivery and performance of the Transaction Documents by the Issuers or the Guarantors to the extent each is a party thereto, the issuance and sale of the Securities or the consummation of the transactions contemplated hereby and thereby and by the Time of Sale Memorandum and the Final Memorandum, except for (i) such consents, approvals, authorizations, orders and registrations or qualifications as may be required under applicable Blue Sky or securities laws of the various states in connection with the purchase and resale of the Securities by the Initial Purchasers; (ii) such consents, approvals, authorizations, orders, registrations or qualifications as will have been obtained or made as of the Time of Sale; and (iii) where the failure to obtain or make any such consent, approval, authorization, order, registration or qualification would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(o) Since the date of the most recent consolidated financial statements of Gogo included or incorporated by reference in the Time of Sale Memorandum and the Final Memorandum, (i) there has not been any material change in the capital stock, short-term debt or long-term debt of Gogo or any of its subsidiaries, or any dividend or distribution of any kind declared, set aside for payment, paid or made by Gogo on any class of capital stock, or any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, earnings or results of operations of Gogo and its subsidiaries, taken as a whole; (ii) neither Gogo nor any of its subsidiaries has entered into any

transaction or agreement that is material to Gogo and its subsidiaries, taken as a whole, or incurred any liability or obligation, direct or contingent, that is material to Gogo and its subsidiaries, taken as a whole; and (iii) neither Gogo nor any of its subsidiaries has sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, except in each case as otherwise disclosed in the Time of Sale Memorandum and the Final Memorandum.

(p) Except as described in the Time of Sale Memorandum and the Final Memorandum, there are no legal or governmental investigations or proceedings pending or, to the knowledge of the Issuers or the Guarantors, threatened to which Gogo or any of its subsidiaries is a party or to which any property of Gogo or any of its subsidiaries is the subject that, individually or in the aggregate, if determined adversely to Gogo or any of its subsidiaries, would reasonably be expected to have a Material Adverse Effect.

(q) (i) Gogo and each of its subsidiaries possesses such permits, licenses, approvals, consents and other authorizations (collectively, "**Government Licenses**") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies, including the U.S. Department of Transportation (the "**USDOT**"), the U.S. Federal Aviation Administration (the "**FAA**") and the U.S. Federal Communications Commission (the "**FCC**"); together with the USDOT and the FAA, the "**Regulatory Agencies**" and each a "**Regulatory Agency**") necessary to conduct the business now operated by it except where the failure so to possess such Governmental Licenses would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; (ii) Gogo and each of its subsidiaries is qualified to hold the Government Licenses held by such entities and is in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; (iii) all of the Government Licenses are valid and in full force, except where the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; (iv) there is no pending proceeding relating to the revocation, amendment, modification or non-compliance with any such Government Licenses, which if implemented or adversely decided, would have a Material Adverse Effect; (v) Gogo and each of its subsidiaries has not received any notice of proceedings relating to the revocation, amendment or modification of or non-compliance with any such Governmental Licenses, or the imposition of any penalty or fine by any Regulatory Agencies with respect to any of the Government Licenses, which, individually or in the aggregate, is reasonably likely to have a Material Adverse Effect; and (vi) no event has occurred with respect to any Government Licenses, which, with the giving of notice or the lapse of time or both, would constitute grounds for revocation or modification of or non-compliance with any of the Government Licenses except for any such event which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(r) Except as disclosed in the Time of Sale Memorandum and the Final Memorandum or as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, Gogo and its subsidiaries have filed with the Regulatory Agencies, all reports, documents, instruments, information and applications required to be filed pursuant to the rules and regulations of the Regulatory Agencies. To the knowledge of the Issuers or the Guarantors, fees due and payable pursuant to the rules governing the Government Licenses held by Gogo and its subsidiaries, the nonpayment of which, with the giving of notice or the lapse of time or both, would constitute grounds for revocation thereof, have been timely paid, except as, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(s) The business of Gogo and its subsidiaries is being conducted in compliance with applicable requirements under the Federal Communications Act of 1934, as amended, and the regulations issued thereunder, all relevant rules, regulations and published policies of the FCC and any applicable state, local and foreign governmental authority (collectively, the “**Communications Laws**”), except as would not reasonably be expected to have a Material Adverse Effect. There is no (i) outstanding decree, decision, judgment, or order that has been issued by the FCC or any other Regulatory Agency against Gogo or any of its subsidiaries, or with respect to any Government License, or (ii) notice of violation, order to show cause, complaint, investigation or other administrative or judicial proceeding pending or, to the best knowledge of the Issuers and the Guarantors, threatened by or before the FCC or any Regulatory Agency, against Gogo, any of its subsidiaries, or the Government Licenses, that assuming an unfavorable decision, ruling or finding, in the case of each of (i) or (ii) above, would reasonably be expected to have a Material Adverse Effect. No consent, approval, authorization, order or waiver of, or filing with, the FCC or any other Regulatory Agency, except for those already obtained, is required under the Communications Laws to be obtained or made by the Issuers or the Guarantors for the issuance and sale of the Securities or the execution, delivery and performance of this Agreement or the transactions contemplated herein.

(t) Gogo and each of its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“**Environmental Laws**”); (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not have a Material Adverse Effect.

(u) Each Issuer and each Guarantor is not, and after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Time of Sale Memorandum and the Final Memorandum will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder (the “**Investment Company Act**”).

(v) None of the Issuers, the Guarantors, any affiliate (as defined in Rule 501(b) of Regulation D under the Securities Act, an “**Affiliate**”) of the Issuers and the Guarantors or any other person acting on its or their behalf (other than the Initial Purchasers, as to which no representation or warranty is made) has, directly or indirectly, solicited any offer to buy or offered to sell, or will, directly or indirectly, solicit any offer to buy or offer to sell, in the United States or to any U.S. citizen or resident, any security which is or would be integrated with the sale of the Securities in a manner that would require the Securities to be registered under the Securities Act or offered, solicited offers to buy or sold the Securities by means of any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act (“**Regulation D**”)) or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act. With respect to those Securities sold in reliance upon Regulation S, (i) none of the Issuers, the Guarantors, their Affiliates or any person acting on its or their behalf (other than the Initial Purchasers, as to which no representation or warranty is made) has engaged or will engage in any directed selling efforts within the meaning of Regulation S and (ii) each of the Issuers, the Guarantors and their Affiliates and any person acting on its or their behalf (other than the Initial Purchasers, as to which no representation or warranty is made) has complied and will comply with the offering restrictions set forth in Regulation S.

(w) Assuming the accuracy of the representations and warranties of the Initial Purchasers set forth in Section 7 hereof and subject to compliance by the Initial Purchasers with the procedures set forth therein, it is not necessary, in connection with the issuance and sale of the Securities to the Initial Purchasers and the offer, resale and delivery of the Securities by the Initial Purchasers to each Subsequent Purchaser, in the manner contemplated by this Agreement and the Time of Sale Memorandum, to register the Securities under the Securities Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended, including the rules and regulations of the Commission promulgated thereunder.

(x) On the Closing Date, the Securities will not be of the same class as securities listed on a national securities exchange registered under Section 6 of the Exchange Act or quoted in an automated inter-dealer quotation system; and each of the Time of Sale Memorandum, as of the Time of Sale, and the Offering Memorandum, as of its date, contains or will contain all the information that, if requested by a prospective purchaser of the Securities, would be required to be provided to such prospective purchaser pursuant to Rule 144A(d)(4).

(y) Neither Gogo nor any of its subsidiaries or, to the knowledge of the Issuers or the Guarantors after due inquiry, affiliates, nor any director or officer of Gogo or any of its subsidiaries nor, to the knowledge of the Issuers or the Guarantors, any employee, agent or representative of Gogo or any of its subsidiaries or affiliates, (i) has taken or, in the case of Gogo and its subsidiaries, will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any “government official” (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage or (ii) has violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom, or any other applicable anti-bribery or anti-corruption law. Gogo and its subsidiaries and, to the knowledge of the Issuers or the Guarantors after due inquiry, affiliates, have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain, and will continue to maintain, policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(z) The operations of Gogo and its subsidiaries are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and, to the knowledge of the Issuers or the Guarantors after due inquiry, the applicable anti-money laundering statutes of all jurisdictions where Gogo or any of its subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “**Anti-Money Laundering Laws**”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving Gogo or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Issuers or the Guarantors, threatened.

(aa) (i) Neither Gogo nor any of its subsidiaries, directors or officers, nor, to the knowledge of the Issuers or the Guarantors, any employee, agent, affiliate or representative of Gogo or any of its subsidiaries, is an individual or entity (“**Person**”) that is, or is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury’s Office of Foreign Assets Control or other relevant sanctions authority (collectively, “**Sanctions**”), nor

(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Crimea, Cuba, Iran, North Korea, Sudan and Syria) (each, a “**Sanctioned Country**”).

(ii) The Issuers and the Guarantors will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person to fund or facilitate (i) any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions or (ii) any activities or business of or in any Sanctioned Country.

(iii) For the past five years, Gogo and its subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(bb) Deloitte & Touche LLP, who have certified certain consolidated financial statements of Gogo, are an independent registered public accounting firm with respect to Gogo within the applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Securities Act.

(cc) The financial statements and the related notes thereto of Gogo and its consolidated subsidiaries included or incorporated by reference in the Time of Sale Memorandum and the Final Memorandum present fairly in all material respects the financial position of Gogo and its consolidated subsidiaries as of the dates indicated and the results of operations and cash flows for the periods specified; such financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“**GAAP**”) applied on a consistent basis throughout the periods covered thereby; and the other financial information included or incorporated by reference in the Time of Sale Memorandum and the Final Memorandum has been derived from the accounting records of Gogo and its consolidated subsidiaries and presents fairly the information shown thereby.

(dd) The statistical and market-related data and forward-looking statements included or incorporated by reference in the Time of Sale Memorandum and the Final Memorandum are based on or derived from sources that Gogo believes to be reliable and accurate in all material respects and represent its good faith estimates that are made on the basis of the data derived from such sources.

(ee) Gogo and its subsidiaries own or have a right to use all patents, inventions, service marks, trade names, trademarks, service marks, copyrights, and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) (collectively, “**Intellectual Property**”) necessary for the conduct of their respective businesses as currently conducted, except to the extent that lack of ownership or possession of such rights would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Gogo and its subsidiaries have not received any notice of infringement, misappropriation or other violation with any such Intellectual Property rights of any third party with respect to which, if the subject of an unfavorable decision, ruling or finding would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. To the knowledge of the Issuers or the Guarantors as of the date hereof, the conduct of the business of Gogo and its subsidiaries does not infringe, misappropriate or otherwise violate, the Intellectual Property rights of any third party. To the knowledge of the Issuers or the Guarantors, as of the date hereof, no third party is infringing upon, misappropriating or otherwise violating Gogo’s or any of its subsidiaries’ rights in Intellectual Property owned by Gogo or any of its subsidiaries, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Gogo has taken reasonable measures to protect the confidentiality of all trade secrets and confidential and proprietary information included in the Intellectual Property owned by Gogo or any of its subsidiaries from which Gogo or any of its subsidiaries derives independent economic value by virtue of their not being generally known, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. As of the date hereof, Gogo and its subsidiaries do not use “open source” software in its products or services in a manner that obligates Gogo or any of its subsidiaries to disclose the source code of its owned software, except for such disclosure as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(ff) As of the date hereof, Gogo’s and its subsidiaries’ collection and use of personally identifiable information is in compliance with applicable laws, the current Payment Card Industry Data Security Standard, Gogo’s and its subsidiaries’ privacy policies and contracts to which Gogo or any of its subsidiaries is a party pertaining thereto, except for such non-compliance as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Gogo and its subsidiaries have implemented and maintained, or, as applicable, required their service providers to implement and maintain, consistent with customary industry practices and legal and contractual obligations, security and other measures designed to protect the hardware, software and communication facilities and networks used for the conduct of their businesses and software, data, personally identifiable information and other material stored therein from unauthorized access, use or modification, except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(gg) There has been no security breach or other compromise of or relating to any of Gogo's or its subsidiaries' information technology and computer systems, networks, hardware, software, data (including the data of their respective customers, employees, suppliers, vendors and any third party data maintained by or on behalf of them), equipment or technology (collectively, "**IT Systems and Data**") and Gogo and its subsidiaries have not been notified of, and have no knowledge of any event or condition that would reasonably be expected to result in, any security breach or other compromise to their IT Systems and Data; (ii) Gogo and its subsidiaries are presently in compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Data and to the protection of such IT Systems and Data from unauthorized use, access, misappropriation or modification, except as would not, in the case of this clause (ii), individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (iii) Gogo and its subsidiaries have implemented backup and disaster recovery technology consistent with industry standards and practices.

(hh) Gogo and its subsidiaries have good and marketable title in fee simple (in the case of real property) to, or have valid, subsisting and enforceable rights to lease or otherwise use, all items of real and personal property and assets that are material to the business of Gogo and its subsidiaries, taken as a whole, and in each case free and clear of all liens, encumbrances and defects except those that (i) do not materially interfere with the use made and proposed to be made of such property by Gogo and its subsidiaries or (ii) could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(ii) Gogo and its subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date hereof or have requested extensions with respect thereto and paid all taxes required to be paid through the date hereof, except for cases in which the failure to file or pay would not, individually or in the aggregate, have a Material Adverse Effect or any taxes currently being contested in good faith and for which reserves required by GAAP have been created in the financial statements of Gogo or such subsidiary; and except as otherwise disclosed in the Time of Sale Memorandum and the Final Memorandum, there is no tax deficiency that has been asserted against Gogo or any of its subsidiaries or any of their respective properties or assets which has had, or which could reasonably be expected to have, a Material Adverse Effect.

(jj) Gogo and its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as Gogo believes in good faith to be prudent and customary in the businesses in which they are engaged; neither Gogo nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business, except where such failure to renew or obtain similar coverage would not have a Material Adverse Effect.

(kk) None of the Issuers or the Guarantors has taken, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of any security of the Issuers or the Guarantors to facilitate the sale or resale of the Securities.

(ll) The Issuers and the Guarantors are, and immediately after the Closing Date will be, Solvent. As used herein, the term “Solvent” means, with respect to any person on a particular date, that on such date (i) the fair market value of the assets of such person is greater than the total amount of liabilities (including contingent liabilities) of such person, (ii) the present fair salable value of the assets of such person is greater than the amount that will be required to pay the probable liabilities of such person on its debts as they become absolute and matured, (iii) such person is able to realize upon its assets and pay its debts and other liabilities, including contingent obligations, as they mature and (iv) such person does not have unreasonably small capital; *provided*, that in each case, clauses (i) through (iv) hereof include such person’s rights to contribution.

(mm) Gogo and its subsidiaries are in compliance with the applicable provisions of the Sarbanes-Oxley Act of 2002, as amended, including the rules and regulations of the Commission promulgated thereunder.

(nn) Gogo and its consolidated subsidiaries maintain systems of “internal control over financial reporting” (as defined in Rule 13a-15(f) of the Exchange Act) that comply with the requirements of the Exchange Act and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, including, but not limited to internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Time of Sale Memorandum and the Final Memorandum, there are no material weaknesses in Gogo’s internal controls. Gogo’s auditors and the Audit Committee of the Board of Directors of Gogo have been advised of: (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect Gogo’s ability to record, process, summarize and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in Gogo’s internal controls over financial reporting.

(oo) Gogo and its consolidated subsidiaries have established and maintain “disclosure controls and procedures” (as defined in Rule 13a-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed by Gogo in reports that it files or submits under the Exchange Act is accumulated and communicated to management of Gogo, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure to be made and such disclosure controls are effective to a reasonable level of assurance to perform the functions for which they were established. Gogo and its subsidiaries have carried out evaluations of the effectiveness of their disclosure controls and procedures as required by Rule 13a-15 of the Exchange Act.

(pp) (i) Each employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), for which Gogo or any member of its “Controlled Group” (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Code) would have any liability (each, a “**Plan**”) has been maintained in compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to, ERISA and the Code, except for non-compliance that could not reasonably be expected to result in material liability to Gogo or its subsidiaries; (ii) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan excluding transactions effected pursuant to a statutory or administrative exemption that could reasonably be expected to result in a material liability to Gogo or its subsidiaries; (iii) for each Plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, the minimum funding standard of Section 412 of the Code or Section 302 of ERISA, as applicable, has been satisfied (without taking into account any waiver thereof or extension of any amortization period) and is reasonably expected to be satisfied in the future (without taking into account any waiver thereof or extension of any amortization period); (iv) the fair market value of the assets of each Plan exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan); (v) no “reportable event” (within the meaning of Section 4043(c) of ERISA) has occurred or is reasonably expected to occur that either has resulted, or could reasonably be expected to result, in material liability to Gogo or its subsidiaries; (vi) neither Gogo nor any member of the Controlled Group has incurred, nor reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guaranty Corporation (the “**PBGC**”), in the ordinary course and without default) in respect of a Plan (including a “multiemployer plan,” within the meaning of Section 4001(a)(3) of ERISA); and (vii) there is no pending audit or investigation by the Internal Revenue Service, the U.S. Department of Labor, the PBGC or any other governmental agency or any foreign regulatory agency with respect to any Plan that could reasonably be expected to result in material liability to Gogo or its subsidiaries.

(qq) No labor disturbance by or dispute with employees of Gogo or any of its subsidiaries exists or, to the knowledge of the Issuers or the Guarantors, is imminent, and none of the Issuers or the Guarantors is aware of any existing, threatened or imminent labor disturbance by the employees of any of its or its subsidiaries' airline partners, principal suppliers, manufacturers, contractors or customers, except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(rr) No relationship, direct or indirect, exists between or among Gogo or any of its subsidiaries, on the one hand, and the directors, officers, stockholders, customers or suppliers of Gogo or any of its subsidiaries, on the other, that would be required by the Securities Act to be described in a registration statement to be filed with the Commission and that is not so described in the Time of Sale Memorandum and the Final Memorandum.

(ss) The interactive data in eXtensible Business Reporting Language incorporated by reference in the Preliminary Memorandum, the Time of Sale Memorandum or the Final Memorandum fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto.

(tt) No subsidiary of the Company is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Issuers, from making any other distribution on such subsidiary's capital stock or similar ownership interest, from repaying to the Issuers any loans or advances to such subsidiary from the Issuers or from transferring any of such subsidiary's properties or assets to the Issuers or any other subsidiary of the Company, except as disclosed in the Time of Sale Memorandum and the Final Memorandum or as would not reasonably be expected to materially affect the Issuers' ability to make payments on the Securities as required by the Indenture.

(uu) None of the Issuers or the Guarantors is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against Gogo or any of its subsidiaries or any Initial Purchaser for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Securities.

(vv) None of the Issuers or the Guarantors or any of their respective Affiliates has, directly or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act), that is or will be integrated with the sale of the Securities in a manner that would require registration of the Securities under the Securities Act.

(ww) Other than the Existing Secured Notes and the Notes, there are no securities or preferred stock of or guaranteed by the Issuers or the Guarantors that are rated by a "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Exchange Act.

2. *Agreements to Sell and Purchase.* Each of (x) the Issuers and the Signing Guarantors hereby agrees and (y) upon execution and delivery of the Joinder Agreement, each of the Closing Guarantors will agree, to issue and sell to the Initial Purchasers, and each Initial Purchaser, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Issuers and the Guarantors the respective principal amount of Securities set forth in Schedule I hereto opposite its name at a purchase price of 98.012% of the principal amount thereof (the “**Purchase Price**”), plus accrued and unpaid interest, if any, from April 25, 2019 to the Closing Date. In addition, the Initial Purchasers agree that, on behalf (and at the direction) of the Issuers, they will pay an amount equal to 0.075% of the aggregate principal amount of Securities being purchased from the Issuers by the several Initial Purchasers on the date hereof to BDT & Company, LLC as a financial advisory fee. Such amount will be paid on a pro rata basis by each Initial Purchaser in the same proportion as the ratio of the aggregate principal Securities set forth opposite the name of such Initial Purchaser in Schedule I hereto bears to the aggregate principal amount of Securities being purchased from the Issuers by the several Initial Purchasers.

3. *Terms of Offering.* You have advised the Issuers that the Initial Purchasers will make an offering of the Securities purchased by the Initial Purchasers hereunder as soon as practicable after this Agreement is entered into as in your judgment is advisable.

4. *Payment and Delivery.* Payment for the Securities shall be made to the Issuers in Federal or other funds immediately available in New York City against delivery of such Securities for the respective accounts of the several Initial Purchasers at 10:00 a.m., New York City time, on April 25, 2019, or at such other time on the same or such other date, not later than May 2, 2019, as the Representatives and the Issuers may agree upon in writing. The time and date of such payment are hereinafter referred to as the “**Closing Date.**” Such delivery and payment shall be made at the offices of Latham & Watkins LLP, 555 Eleventh Street, NW, Washington, D.C. 20004 (or such other place as may be agreed to by the Representatives and the Issuers). The Issuers hereby acknowledge that circumstances under which the Representatives may provide notice to postpone the Closing Date as originally scheduled include, but are in no way limited to, any determination by the Issuers or the Initial Purchasers to recirculate to investors copies of an amended or supplemented Offering Memorandum or a delay as contemplated by the provisions of Section 10 hereof.

Payment for the Securities to be purchased on the Closing Date shall be made against delivery to the nominee of The Depository Trust Company (“**DTC**”), for the respective accounts of the several Initial Purchasers of the Securities to be purchased on such date of one or more global notes representing the Securities, registered in such names and in such denominations as the Representatives shall request in writing not later than one full business day prior to the Closing Date. The Securities shall be delivered to the Representatives on the Closing Date for the respective accounts of the Initial Purchasers, with any transfer, stamp, documentary and similar taxes payable in connection with the transfer of the Securities to the Initial Purchasers duly paid, against payment of the Purchase Price therefor plus accrued interest, if any, to the date of payment and delivery. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a condition to the obligations of the Initial Purchasers.

5. *Conditions to the Initial Purchasers' Obligations.* The several obligations of the Initial Purchasers to purchase and pay for the Securities as provided herein on the Closing Date are subject to the satisfaction or waiver, as determined by the Representatives in their sole discretion, of the following conditions precedent on or prior to the Closing Date:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of Gogo or any of its subsidiaries by any "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Exchange Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of Gogo and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Memorandum provided to the prospective purchasers of the Securities that, in the judgment of the Representatives, is material and adverse and that makes it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the offer, sale or delivery of the Securities on the terms and in the manner contemplated in the Time of Sale Memorandum.

(b) The representations and warranties of the Issuers and the Signing Guarantors contained in this Agreement shall be true and correct on and as of the Time of Sale and on and as of the Closing Date as if made on and as of the Closing Date; the statements of the officers of the Issuers and the Signing Guarantors made pursuant to any certificate delivered in accordance with the provisions hereof shall be true and correct on and as of the date made and on and as of the Closing Date; and the Issuers and the Signing Guarantors shall have performed all covenants and agreements and satisfied all conditions on their part to be performed or satisfied hereunder at or prior to the Closing Date.

(c) The Initial Purchasers shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of each Issuer and each Signing Guarantor to the effect set forth in Section 5(a), and further to the effect that the representations and warranties of the Issuers and the Signing Guarantors contained in this Agreement were true and correct as of the Time of Sale and are true and correct as

of the Closing Date; that the Issuers and the Signing Guarantors have complied with all of the agreements and satisfied all of the conditions on their part to be performed or satisfied hereunder on or before the Closing Date.

(d) The Initial Purchasers shall have received on the Closing Date an opinion and negative assurance letter of Debevoise & Plimpton LLP, outside counsel for the Issuers and the Guarantors, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives. Such opinion and letter shall be rendered to the Initial Purchasers at the request of the Issuers and shall so state therein.

(e) The Initial Purchasers shall have received on the Closing Date an opinion of Hogan Lovells US LLP, outside regulatory counsel for the Issuers and the Guarantors, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives.

(f) The Initial Purchasers shall have received on the Closing Date an opinion of Sidley Austin LLP, outside Delaware counsel for the Issuers and certain of the Guarantors, dated the Closing Date, in form and substance reasonably satisfactory to the Representatives.

(g) The Initial Purchasers shall have received on the Closing Date an opinion and negative assurance letter of Latham & Watkins LLP, counsel for the Initial Purchasers, dated the Closing Date, with respect to such matters as may be reasonably requested by the Initial Purchasers.

(h) On the date hereof, the Initial Purchasers shall have received from Deloitte & Touche LLP, the independent registered public accounting firm for Gogo, a “comfort letter” dated the date hereof addressed to the Initial Purchasers, in form and substance satisfactory to the Representatives, covering the financial information included or incorporated by reference in the Time of Sale Memorandum and other customary matters. In addition, on the Closing Date, the Initial Purchasers shall have received from such accountants a “bring-down comfort letter” dated the Closing Date addressed to the Representatives, in the form of the “comfort letter” delivered on the date hereof, except that (i) it shall cover the financial information included or incorporated by reference in the Final Memorandum and any amendment or supplement thereto and (ii) procedures shall be brought down to a date no more than three days prior to the Closing Date.

(i) On the date hereof and on the Closing Date, Gogo shall have furnished to the Representatives a certificate, dated the respective dates of delivery thereof and addressed to the Initial Purchasers, of its chief financial officer with respect to certain financial data included or incorporated by reference in the Time of Sale Memorandum and the Final Memorandum, providing “management comfort” with respect to such information, in form and substance reasonably satisfactory to the Representatives.

(j) The Representatives shall have received on and as of the Closing Date satisfactory evidence of the good standing of Gogo and its subsidiaries in their respective jurisdictions of organization and their good standing in such other jurisdictions as the Representatives may reasonably request, in each case in writing or any standard form of telecommunication from the appropriate governmental authorities of such jurisdictions.

(k) The Issuers and the Guarantors shall have executed and delivered the Indenture, the Securities and the Security Documents, in form and substance reasonably satisfactory to the Initial Purchasers, and the Initial Purchasers shall have received executed copies thereof.

(l) Except as otherwise provided for in the Security Documents, the Indenture or the other documents entered into related to the issuance and sale of the Securities, the Representatives and the Collateral Agent shall have received each of the Security Documents, in form and substance reasonably satisfactory to the Representatives, and all other certificates, agreements or instruments necessary to perfect the Collateral Agent's security interest in all of the Collateral, including but not limited to, as applicable, stock certificates accompanied by instruments of transfer and stock powers undated and endorsed in blank, Uniform Commercial Code financing statements in appropriate form for filing and filings with the United States Patent and Trademark Office and United States Copyright Office in appropriate form for filing; each such document executed by the Issuers and each other party thereto, and each such document shall be in full force and effect and evidence that all of the liens on the Collateral other than Permitted Liens have been released. The Representatives shall also have received certified copies of Uniform Commercial Code, tax and judgment lien searches or equivalent reports or searches, and a copy of searches at the United States Patent and Trademark Office and the United States Copyright Office, each of a recent date listing all effective financing statements, lien notices or comparable documents that name either Issuer or any Guarantor as debtor and that the Representatives deem necessary or appropriate, none of which encumber the Collateral covered or intended to be covered by the Security Documents (other than Permitted Liens). The Representatives shall have received customary lender's loss payable endorsements with respect to the Issuers' and the Signing Guarantors' insurance policies and insurance certificates naming the Collateral Agent as an additional insured or loss payee, as applicable.

(m) The Securities shall be eligible for clearance and settlement through DTC.

(n) Within 15 days of the Closing Date, each of the Closing Guarantors shall have executed and delivered the Joinder Agreement.

(o) On or before the Closing Date, the Initial Purchasers and counsel for the Initial Purchasers shall have received such information, documents, letters and opinions as they may reasonably require for the purposes of enabling them to

pass upon the issuance and sale of the Securities as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained.

If any condition specified in this Section 5 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representatives by notice to the Issuers at any time on or prior to the Closing Date, which termination shall be without liability on the part of any party to any other party, except that Sections 6(g), 8 and 11 hereof shall at all times be effective and shall survive such termination.

6. *Covenants of the Issuers and the Guarantors.* Each of the Issuers and the Signing Guarantors covenants, and upon execution and delivery of the Joinder Agreement, each of the Closing Guarantors will covenant, with each Initial Purchaser as follows:

(a) To furnish to you in New York City, without charge, as promptly as practicable following the Time of Sale and in any event not later than the second business day following the date hereof and during the period mentioned in Section 6(d) or (e), as many copies of the Time of Sale Memorandum, the Final Memorandum, any documents incorporated by reference therein and any supplements and amendments thereto as you may reasonably request.

(b) Before amending or supplementing the Preliminary Memorandum, the Time of Sale Memorandum or the Final Memorandum, to furnish to you a copy of each such proposed amendment or supplement and not to use any such proposed amendment or supplement to which you reasonably object.

(c) To furnish to you a copy of each proposed Additional Written Offering Communication to be prepared by or on behalf of, used by, or referred to by the Issuers and not to use or refer to any proposed Additional Written Offering Communication to which you reasonably object.

(d) If the Time of Sale Memorandum is being used to solicit offers to buy the Securities at a time when the Final Memorandum is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Memorandum in order to make the statements therein, in the light of the circumstances under which they are made, not misleading or if, in the judgment of the Representatives or counsel for the Initial Purchasers, it is necessary to amend or supplement the Time of Sale Memorandum to comply with applicable law, forthwith to prepare and furnish, at its own expense, to the Initial Purchasers and to any dealer upon request, either amendments or supplements to the Time of Sale Memorandum so that the statements in the Time of Sale Memorandum as so amended or supplemented will not, in the light of the circumstances under which they are made, when delivered to a Subsequent Purchaser, be misleading or so that the Time of Sale Memorandum, as amended or supplemented, will comply with applicable law.

(e) If, during such period after the date hereof and prior to the date on which all of the Securities shall have been sold by the Initial Purchasers, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Final Memorandum in order to make the statements therein, in the light of the circumstances under which they are made, not misleading or if, in the judgment of the Representatives or counsel for the Initial Purchasers, it is necessary to amend or supplement the Final Memorandum to comply with applicable law, forthwith to prepare and furnish, at its own expense, to the Initial Purchasers, either amendments or supplements to the Final Memorandum so that the statements in the Final Memorandum as so amended or supplemented will not, in the light of the circumstances under which they are made, when delivered to a Subsequent Purchaser, be misleading or so that the Final Memorandum, as amended or supplemented, will comply with applicable law.

(f) (i) To cooperate with the Representatives and counsel for the Initial Purchasers to qualify or register (or to obtain exemptions from qualifying or registering) all or any part of the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives shall reasonably request, and to comply with such laws and to continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Securities and (ii) to advise the Representatives promptly of any notice with respect to any suspension of the qualification or registration of (or any such exemption relating to) the Securities for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, to use its reasonable best efforts to obtain the withdrawal thereof as soon as possible. Notwithstanding the foregoing, neither Issuer nor any Guarantor shall be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify; (ii) take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified; or (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject.

(g) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Issuers will pay or cause to be paid all costs and expenses incident to the performance of their obligations hereunder, including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Securities and any transfer, stamp, documentary and similar taxes payable in connection therewith; (ii) the costs incident to the preparation and printing of the Preliminary Memorandum, any other Time of Sale Memorandum, any Additional Written Offering Communication and the Final Memorandum (including any amendments and supplements thereto) and the distribution thereof; (iii) the costs of reproducing and distributing the Transaction Documents; (iv) the fees and expenses of counsel for the Issuers and the Guarantors and Gogo's independent accountants; (v) the fees and expenses incurred in connection with the registration or qualification and

determination of eligibility for investment of the Securities under the laws of such jurisdictions as the Representatives may designate and the preparation, printing and distribution of a Blue Sky Memorandum (including the related fees and expenses of counsel for the Initial Purchasers); (vi) any fees charged by rating agencies for the rating of the Securities; (vii) the fees and expenses of the Trustee, the Collateral Agent and any paying agent (including related fees and expenses of any counsel to such parties); (viii) all expenses and application fees incurred in connection with the approval of the Securities for book-entry transfer by DTC; (ix) the costs and expenses of the Issuers relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Securities, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Issuers and travel and lodging expenses of the representatives and officers of the Issuers or the Guarantors and any such consultants; (x) all fees and expenses incurred with respect to negotiating, disclosing, creating and perfecting the security interests in the Collateral contemplated by the Security Documents (including the related fees and expenses of counsel for the Initial Purchasers for all periods prior to and after the Closing Date); and (xi) all other cost and expenses incident to the performance of the obligations of the Issuers and the Guarantors hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 8 and the last paragraph of Section 11, the Initial Purchasers will pay all of their costs and expenses, including fees and disbursements of their counsel and any advertising expenses connected with any offers they may make.

(h) None of the Issuers or the Guarantors or any of their respective Affiliates will, directly or through any agent, sell, offer for sale, solicit offers to buy or otherwise negotiate in respect of, any security (as defined in the Securities Act), that is or will be integrated with the sale of the Securities in a manner that would require registration of the Securities under the Securities Act.

(i) Not to solicit any offer to buy or offer to sell the Securities by means of any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act.

(j) (i) For so long as any of the Securities remain outstanding, to furnish to the Initial Purchasers copies of all reports and other communications (financial or otherwise) furnished by Gogo or the Issuers to the Trustee or to the holders of the Securities; (ii) prior to the Closing Date, to furnish to the Initial Purchasers, as soon as they have been prepared, a copy of any audited annual financial statements or unaudited interim financial statements of Gogo and its consolidated subsidiaries for any period subsequent to the period covered by the most recent financial statements appearing in the Time of Sale Memorandum and the Final Memorandum; and (iii) while any of the Securities remain outstanding,

to make available, upon request, to any holder of such Securities and any prospective purchasers thereof the information specified in Rule 144A(d)(4), unless at such time Gogo shall be subject to Section 13 or 15(d) of the Exchange Act and shall have filed all reports required to be filed pursuant to such sections and the related rules and regulations of the Commission.

(k) During the period of one year after the Closing Date, neither Issuer will be, nor will it become, an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act.

(l) None of the Issuers, their respective Affiliates or any person acting on their behalf (other than the Initial Purchasers) will engage in any directed selling efforts (as defined in Regulation S) with respect to the Securities, and the Issuers and their respective Affiliates and each person acting on its or their behalf (other than the Initial Purchasers) will comply with the offering restrictions requirement of Regulation S.

(m) During the period of one year after the Closing Date, the Issuers will not, and will not permit any person that is an affiliate (as defined in Rule 144 under the Securities Act) at such time (or has been an affiliate within the three months preceding such time) to, resell any of the Securities that have been acquired by any of them, except for Securities purchased by the Issuers or any of their affiliates and resold in a transaction registered under the Securities Act.

(n) Not to take any action prohibited by Regulation M under the Exchange Act in connection with the distribution of the Securities contemplated hereby.

(o) To apply the net proceeds from the sale of the Securities in the manner described under the caption "Use of Proceeds" in the Time of Sale Memorandum and the Final Memorandum.

(p) During the period of 90 days following the date hereof, none of the Issuers or the Guarantors will, without the prior written consent of the Representatives (which consent may be withheld at the sole discretion of the Representatives), directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1 under the Exchange Act, or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act in respect of, any debt securities of the Issuers or any Guarantor or securities exchangeable for or convertible into debt securities of the Issuers or any Guarantor (other than as contemplated by this Agreement).

(q) The Issuers will deliver to each Initial Purchaser (or its agent), on the date of execution of this Agreement, one or more properly completed and executed Certifications Regarding Beneficial Owners of Legal Entity Customers,

together with copies of identifying documentation, and Issuers undertake to provide such additional supporting documentation as each Initial Purchaser may reasonably request in connection with the verification of the foregoing Certification.

(r) On the date each Closing Guarantor executes and delivers the Joinder Agreement, such Closing Guarantors shall use their reasonable best efforts to cause to be delivered to the Initial Purchasers an opinion of outside counsel for such Closing Guarantor, dated the date of delivery of the Joinder Agreement, in form and substance reasonably satisfactory to the Representatives.

(s) That all payments to be made by or on behalf of any of the Closing Guarantors hereunder shall be paid free and clear of and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties or charges whatsoever unless the Issuers or Guarantors are required by law to deduct or withhold such taxes, levies, imposts, duties or governmental charges. In that event, the Closing Guarantors shall pay such additional amounts as may be necessary in order that the net amounts received after such withholding or deduction shall equal the amounts that would have been received if no withholding or deduction had been made, except (i) to the extent that such taxes, levies, imposts, duties, governmental charges or other deductions or withholdings were imposed due to the failure of an Initial Purchaser, upon the request of the Issuers or any Guarantor, to use its reasonable efforts to provide any form, certificate, document or other information that would have reduced or eliminated the withholding or deduction of such taxes, levies, imposts, duties or governmental charges, (ii) to the extent such taxes, levies, imposts, duties or governmental charges would not have been imposed but for the recipient being a resident of the jurisdiction imposing such taxes, having any other present or former connection with such jurisdiction or having a permanent establishment therein, provided that, for the avoidance of doubt, no recipient shall be deemed resident of any applicable jurisdiction imposing such taxes, levies, imposts, duties or governmental charges, having any other present or former connection with such jurisdiction or having a permanent establishment therein solely as a result of the recipient having executed, performed its obligations under, or received payments pursuant to, or from the enforcement of, this Agreement, or (iii) no additional amounts shall be payable with respect to (x) any U.S. federal, state or local taxes, levies, imposts, duties or governmental charges, (y) any taxes, levies, imposts duties or governmental charges payable other than by deduction or withholding from payments made under or with respect to a Closing Guarantor's obligation to an Initial Purchaser hereunder or (z) any taxes, levies, imposts, duties or governmental charges imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") as of the issue date (or any amended or successor version of such sections that is substantively comparable and not materially more onerous to comply with), any current or future regulations promulgated thereunder, any official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code or any fiscal or regulatory legislation, rules or practices

adopted pursuant to any intergovernmental agreement, treaty or convention between a non-U.S. jurisdiction and the United States with respect to the foregoing.

7. *Offering of Securities; Restrictions on Transfer.* (a) Each Initial Purchaser, severally and not jointly, represents and warrants that it is a qualified institutional buyer as defined in Rule 144A (a “**QIB**”). Each Initial Purchaser, severally and not jointly, agrees with the Issuers that:

(i) it will not solicit offers for, or offer or sell, such Securities by any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act;

(ii) it will sell such Securities in the United States only to persons that it reasonably believes to be QIBs; and

(iii) in the case of offers outside the United States it will solicit offers for such Securities only from, and will offer such Securities only to, persons that it reasonably believes to be persons other than U.S. persons (including dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust)) in reliance upon Regulation S that, in each case, in purchasing such Securities are deemed to have represented and agreed as provided in the Final Memorandum under the caption “Notice to Investors.”

(b) Each Initial Purchaser acknowledges and agrees that the Issuers and the Guarantors and, for purposes of the opinions to be delivered to the Initial Purchasers pursuant to Sections 5(d), 5(e), 5(f) and 5(g), counsel for the Issuers and the Guarantors, regulatory counsel for the Issuers and the Guarantors, Delaware counsel for the Issuers and the Guarantors and counsel for the Initial Purchasers, respectively, may rely upon the accuracy of the representations and warranties of the Initial Purchasers, and compliance by the Initial Purchasers, with their agreements contained in paragraph (a) above, and each Initial Purchaser hereby consents to such reliance.

(c) Each Initial Purchaser, severally and not jointly, represents, warrants, and agrees with respect to offers and sales outside the United States that:

(i) such Initial Purchaser understands that no action has been or will be taken in any jurisdiction by the Issuers or the Guarantors that would permit a public offering of the Securities, or possession or distribution of the Preliminary Memorandum, the Time of Sale Memorandum, the Final Memorandum or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required;

(ii) the Securities have not been registered under the Securities Act and may not be sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or Regulation S;

(iii) such Initial Purchaser has offered the Securities and will offer and sell the Securities (A) as part of its distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S or as otherwise permitted in Section 7(a); accordingly, neither such Initial Purchaser, its Affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Securities, and any such Initial Purchaser, its Affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S;

(iv) such Initial Purchaser, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Securities to the public in that Relevant Member State, other than:

(A) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(B) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Representatives on behalf of the Initial Purchasers for any such offer; or

(C) in any other circumstances falling within Article 3 of the Prospectus Directive, provided that no such offer of Securities shall require the Issuers, the Guarantors or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an “offer of Securities to the public” in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for

the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in that Member State.

(v) such Initial Purchaser has represented and agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of such Act does not apply to us and it has complied and will comply with all applicable provisions of such Act with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom; and

(vi) such Initial Purchaser agrees that, at or prior to confirmation of sales of the Securities, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it during the restricted period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S.”

Terms used in this Section 7(c) have the meanings given to them by Regulation S.

8. *Indemnity and Contribution.* (a) Each of the Issuers and the Signing Guarantors, jointly and severally, agrees, and upon execution and delivery of the Joinder Agreement, each Closing Guarantor, jointly and severally, agrees, to indemnify and hold harmless each Initial Purchaser, its affiliates, its directors and officers and each person, if any, who controls any Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of each Initial Purchaser within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages, liabilities and expenses (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim, as such expenses are incurred) caused by any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Memorandum, the Time of Sale Memorandum, any Additional Written Offering Communication prepared by or on behalf of, used by, or referred to by the

Issuers, or the Final Memorandum (or any amendment or supplement thereto), or caused by any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Initial Purchaser furnished to the Issuers by such Initial Purchaser through the Representatives expressly for use in the Preliminary Memorandum, the Pricing Supplement, any Additional Written Offering Communication or the Final Memorandum (or any amendment or supplement thereto). The indemnity agreement set forth in this Section 8(a) shall be in addition to any liabilities that the Issuers and the Guarantors may otherwise have.

(b) Each Initial Purchaser agrees, severally and not jointly, to indemnify and hold harmless (x) each Issuer, each Signing Guarantor, each of their respective directors and officers and each person, if any, who controls an Issuer or any Guarantor within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and (y) upon execution and delivery of the Joinder Agreement, each Closing Guarantor, each of their respective directors and officers and each person, if any, who controls any Closing Guarantor within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, in each case, to the same extent as the foregoing indemnity from the Issuers and the Guarantors to such Initial Purchaser, but only with reference to information relating to such Initial Purchaser furnished to the Issuers by such Initial Purchaser through the Representatives expressly for use in the Preliminary Memorandum, the Pricing Supplement, any Additional Written Offering Communication or the Final Memorandum (or any amendment or supplement thereto). Each of the Issuers and the Guarantors hereby acknowledges that the only information that the Initial Purchasers through the Representatives have furnished to the Issuers expressly for use in the Preliminary Memorandum, the Time of Sale Memorandum, any Additional Written Offering Communication set forth in Schedule II hereto or the Final Memorandum (or any amendment or supplement thereto) are the statements set forth in the fourth and seventh paragraphs under the caption "Plan of Distribution" in the Preliminary Memorandum and the Final Memorandum. The indemnity agreement set forth in this Section 8(b) shall be in addition to any liabilities that each Initial Purchaser may otherwise have.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b), such person (the "**indemnified party**") shall promptly notify the person against whom such indemnity may be sought (the "**indemnifying party**") in writing; provided, however, that the failure to so notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party under this Section 8 except to the extent that it has been materially prejudiced by such failure (through the forfeiture of substantive rights and defenses) and shall not relieve the indemnifying party from any liability that the indemnifying party may have to an indemnified party other than under this

Section 8. The indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party (who shall not, without the consent of the indemnified party, be counsel to the indemnifying party) to represent the indemnified party in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding, as incurred. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the indemnifying party has failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party, (iii) the indemnified party shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the indemnifying party, or (iv) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Representatives, in the case of parties indemnified pursuant to Section 8(a), and by the Issuers, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and does not include any statements as to or any admissions of fault, culpability or failure to act by or on behalf of any indemnified party.

(d) To the extent the indemnification provided for in Section 8(a) or 8(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuers and the Guarantors on the one hand and the Initial Purchasers on the other hand from the offering of the Securities or (ii) if the allocation provided by clause 8(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Issuers and the Guarantors on the one hand and of the Initial Purchasers on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Issuers and the Guarantors on the one hand and the Initial Purchasers on the other hand in connection with the offering of the Securities shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Securities (before deducting expenses) received by the Issuers and the total discounts and commissions received by the Initial Purchasers bear to the aggregate offering price of the Securities. The relative fault of the Issuers and the Guarantors on the one hand and of the Initial Purchasers on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuers or the Guarantors, or by the Initial Purchasers, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Initial Purchasers' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective principal amount of Securities they have purchased hereunder as set forth opposite their names in Schedule I hereto, and not joint.

(e) The Issuers and the Guarantors and the Initial Purchasers agree that it would not be just or equitable if contribution pursuant to Section 8(d) were determined by *pro rata* allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 8(d) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), no Initial Purchaser shall be obligated to make contributions hereunder that in the aggregate exceed the total discounts, commissions and other compensation received by such Initial Purchaser under this Agreement, less the aggregate amount of any damages that such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged

omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute pursuant to this Section 8 are several in proportion to their respective purchase obligations hereunder and not joint. The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 8 and the representations, warranties and other statements of the Issuers and the Guarantors contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Initial Purchaser, any person controlling any Initial Purchaser, any affiliate of any Initial Purchaser or any of their respective officers or directors or by or on behalf of the Issuers or the Guarantors, their respective officers or directors or any person controlling any Issuer or Guarantor and (iii) acceptance of and payment for any of the Securities.

9. *Termination.* The Representatives may terminate this Agreement by notice given by you to the Issuers, if after the execution and delivery of this Agreement and on or prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange or The NASDAQ Global Select Market; (ii) trading of any securities of Gogo shall have been suspended on any exchange or in any over the counter market; (iii) a material disruption in securities settlement, payment or clearance services in the United States or other relevant jurisdiction shall have occurred; (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities; or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the offer, sale or delivery of the Securities on the terms and in the manner contemplated in the Time of Sale Memorandum or the Final Memorandum.

10. *Effectiveness; Defaulting Initial Purchasers.* This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date, any one or more of the Initial Purchasers shall fail or refuse to purchase Securities that it or they have agreed to purchase hereunder on such date, and the aggregate principal amount of Securities which such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase is not more than one tenth of the aggregate principal amount of Securities to be purchased on such date, the other Initial Purchasers shall be obligated severally in the proportions that the principal amount of Securities set forth opposite their respective names in Schedule I bears to the aggregate principal amount of Securities set forth opposite the names of all such non-defaulting Initial Purchasers, or in such other proportions as may be specified

by the Representatives with the consent of the non-defaulting Initial Purchasers, to purchase the Securities which such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase on the Closing Date; *provided* that in no event shall the principal amount of Securities that any Initial Purchaser has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 10 by an amount in excess of one-eleventh of such aggregate principal amount of Securities without the written consent of such Initial Purchaser. If, on the Closing Date, any Initial Purchaser or Initial Purchasers shall fail or refuse to purchase Securities which it or they have agreed to purchase hereunder on such date and the aggregate principal amount of Securities with respect to which such default occurs is more than one tenth of the aggregate principal amount of Securities to be purchased on the Closing Date, and arrangements satisfactory to the non-defaulting Initial Purchasers and the Issuers for the purchase of such Securities are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser or of the Issuers or any Guarantors except that the provisions of Sections 6(g), 8 and 11 hereof shall at all times be effective and shall survive such termination. In any such case either the Representatives or the Issuers shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Time of Sale Memorandum, the Final Memorandum or in any other documents or arrangements may be effected. As used in this Agreement, the term "Initial Purchaser" shall be deemed to include any person substituted for a defaulting Initial Purchaser under this Section 10. Any action taken under this paragraph shall not relieve any defaulting Initial Purchaser from liability in respect of any default of such Initial Purchaser under this Agreement.

11. *Reimbursement of the Expenses of the Initial Purchasers.* If this Agreement shall be terminated by the Representatives pursuant to Section 9 or because of any failure or refusal on the part of the Issuers to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Issuers shall be unable to perform its obligations under this Agreement, the Issuers will reimburse the Initial Purchasers, severally, for all out of pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Initial Purchasers in connection with this Agreement or the offering contemplated hereunder.

12. *Certain Agreements of the Initial Purchasers.* Each Initial Purchaser hereby represents and agrees that it has not and will not use, authorize use of, refer to, or participate in the planning for use of, any written communication that constitutes an offer to sell or the solicitation of an offer to buy the Securities other than (i) the Preliminary Memorandum and the Final Memorandum; (ii) any written communication that contains either (a) no "issuer information" (as defined in Rule 433(h)(2) under the Securities Act) or (b) "issuer information" that was included (including through incorporation by reference) in the Time of Sale Memorandum or the Final Memorandum; (iii) any written communication listed on Annex A or prepared pursuant to Section 6(c) above (including any electronic road show); (iv) any written communication prepared by such Initial Purchaser and approved by Gogo and the Representatives in advance in writing; or (v) any written communication relating to or that contains the preliminary or final terms of the Securities and/or other information that was included (including through incorporation by reference) in the Time of Sale Memorandum or the Final Memorandum.

13. *Entire Agreement.* (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Securities, represents the entire agreement between the Issuers, the Signing Guarantors and the Initial Purchasers, and upon execution and delivery of the Joinder Agreement, the Closing Guarantors, with respect to the preparation of the Preliminary Memorandum, the Time of Sale Memorandum, the Final Memorandum, the conduct of the offering, and the purchase and sale of the Securities.

(b) This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Issuers, the Guarantors and the Initial Purchasers, or any of them, with respect to the subject matter hereof.

(c) The Issuers and the Guarantors acknowledge that in connection with the offering of the Securities: (i) the Initial Purchasers have acted at arm's-length, are not agents of, and owe no fiduciary duties to, the Issuers, the Guarantors or any other person, (ii) the Initial Purchasers owe the Issuers and the Guarantors only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement) if any, (iii) the Initial Purchasers may have interests that differ from those of the Issuers and the Guarantors, and (iv) the Initial Purchasers have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby, and the Issuers and the Guarantors have consulted their own legal, accounting, regulatory and tax advisors to the extent they deemed appropriate. The Issuers and the Guarantors waive to the full extent permitted by applicable law any claims it may have against the Initial Purchasers arising from an alleged breach of fiduciary duty in connection with the offering of the Securities.

14. *Recognition of the U.S. Special Resolution Regimes.* (a) In the event that any Initial Purchaser that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Initial Purchaser of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Initial Purchaser that is a Covered Entity or a BHC Act Affiliate of such Initial Purchaser becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Initial Purchaser are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

For purposes of this Section 14:

“**BHC Act Affiliate**” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

“**Covered Entity**” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“**Default Right**” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“**U.S. Special Resolution Regime**” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

15. *Counterparts.* This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile or other electronic transmission (e.g., a “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart thereof.

16. *Successors.* This Agreement will inure to the benefit of and be binding upon the parties hereto, and to the benefit of the indemnified parties referred to in Section 8 hereof, and in each case their respective successors, and no other person will have any right or obligation hereunder. The term “successors” shall not include any Subsequent Purchaser or other purchaser of the Securities as such from any of the Initial Purchasers merely by reason of such purchase.

17. *Partial Unenforceability.* The invalidity or unenforceability of any section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph or provision hereof. If any section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

18. *Authority of the Representatives.* Any action by the Initial Purchasers hereunder may be taken by the Representatives on behalf of the Initial Purchasers, and any such action taken by the Representatives shall be binding upon the Initial Purchasers.

19. *Applicable Law.* This Agreement, and any claim, controversy or dispute relating to or arising out of this Agreement, shall be governed by and construed in accordance with the internal laws of the State of New York.

(a) Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby (“**Related Proceedings**”) may be instituted in the federal courts of the United States of America located in

the City and County of New York or the courts of the State of New York, in each case, located in the City and County of New York (collectively, the “**Specified Courts**”), and each party irrevocably submits to the exclusive jurisdiction (except for suits, actions or proceedings instituted in regard to the enforcement of a judgment of any Specified Court in a Related Proceeding (a “**Related Judgment**”), as to which such jurisdiction is non-exclusive) of the Specified Courts in any Related Proceeding. Service of any process, summons, notice or document by mail to such party’s address set forth above shall be effective service of process for any Related Proceeding brought in any Specified Court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any Specified Proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any Specified Court that any Related Proceeding brought in any Specified Court has been brought in an inconvenient forum.

(b) With respect to any Related Proceeding, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

(c) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from any Closing Guarantor hereunder into any currency other than U.S. dollars, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Initial Purchasers could purchase U.S. dollars with such other currency in the City of New York on the business day preceding that on which final judgment is given. The obligations of each Closing Guarantor in respect of any sum due from them to any Initial Purchaser shall, notwithstanding any judgment in any currency other than U.S. dollars, not be discharged until the first business day, following receipt by such Initial Purchaser of any sum adjudged to be so due in such other currency, on which (and only to the extent that) such Initial Purchaser may in accordance with normal banking procedures purchase U.S. dollars with such other currency; if the U.S. dollars so purchased are less than the sum originally due to such Initial Purchaser hereunder, each Closing Guarantor agree, as a separate obligation and notwithstanding any such judgment, to indemnify such Initial Purchaser against such loss. If the U.S. dollars so purchased are greater than the sum originally due to such Initial Purchaser hereunder, such Initial Purchaser agrees to pay to the Closing Guarantors (but without duplication) an amount equal to the excess of the U.S. dollars so purchased over the sum originally due to such Initial Purchaser hereunder.

20. *Headings.* The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

21. *Notices.* All communications hereunder shall be in writing and effective only upon receipt and if to the Initial Purchasers shall be delivered, mailed or sent to you in care of Morgan Stanley & Co. LLC, at 1585 Broadway, New York, New York 10036, Attention: High Yield Syndicate Desk, with a copy to the Legal Department; and J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179 (fax: (212) 270-1063); Attention: Richard Gabriel; and if to the Issuers and the Guarantors shall be delivered, mailed or sent to 111 N. Canal St., Chicago, Illinois 60606; Attention: General Counsel.

[*Signature Pages Follow*]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Issuers the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

GOGO INTERMEDIATE HOLDINGS LLC

By: /s/ Marguerite M. Elias

Name: Marguerite M. Elias

Title: Executive Vice President, General
Counsel and Secretary

GOGO FINANCE CO. INC.

By: /s/ Marguerite M. Elias

Name: Marguerite M. Elias

Title: Executive Vice President, General
Counsel and Secretary

[Signature Page to Purchase Agreement]

GUARANTORS:

GOGO INC.

By: /s/ Marguerite M. Elias
Name: Marguerite M. Elias
Title: Executive Vice President, General
Counsel and Secretary

AC BIDCO LLC

By: /s/ Marguerite M. Elias
Name: Marguerite M. Elias
Title: Executive Vice President, General
Counsel and Secretary

GOGO LLC

By: /s/ Marguerite M. Elias
Name: Marguerite M. Elias
Title: Executive Vice President, General
Counsel and Secretary

GOGO BUSINESS AVIATION LLC

By: /s/ Marguerite M. Elias
Name: Marguerite M. Elias
Title: Executive Vice President, General
Counsel and Secretary

[Signature Page to Purchase Agreement]

Morgan Stanley & Co. LLC
J.P. Morgan Securities LLC

Acting on behalf of themselves and as the
Representatives of the several Initial
Purchasers named in Schedule I hereto.

By: Morgan Stanley & Co. LLC

By: /s/ Andrew W. Earls

Name: Andrew Earls

Title: Authorized Signatory

By: J.P. Morgan Securities LLC

By: /s/ Ben Sykes

Name: Ben Sykes

Title: Executive Director

[Signature Page to Purchase Agreement]

<u>Initial Purchaser</u>	<u>Principal Amount of Notes to be Purchased</u>
Morgan Stanley & Co. LLC	\$ 419,160,000
J.P. Morgan Securities LLC	\$ 419,160,000
Cowen and Company, LLC	\$ 18,340,000
William Blair & Company, L.L.C.	\$ 18,340,000
Raymond James & Associates, Inc.	\$ 12,000,000
Roth Capital Partners, LLC	\$ 6,000,000
Stifel, Nicolaus & Company, Incorporated	\$ 6,000,000
SunTrust Robinson Humphrey, Inc.	\$ 6,000,000
Total:	\$ 905,000,000

Permitted Communications

Time of Sale Memorandum

1. Preliminary Memorandum issued April 15, 2019
2. Pricing term sheet

Permitted Additional Written Offering Communications

Each electronic “road show” as defined in Rule 433(h) furnished to the Initial Purchasers prior to use that the Initial Purchasers and the Issuers have agreed may be used in connection with the offering of the Securities

Filings/Filing Offices

<u>Entity</u>	<u>Filing Type</u>	<u>Jurisdiction</u>	<u>Filing Office</u>
Gogo Inc.	UCC-1 Financing Statement	Delaware	Secretary of State
Gogo Intermediate Holdings LLC	UCC-1 Financing Statement	Delaware	Secretary of State
Gogo Finance Co. Inc.	UCC-1 Financing Statement	Delaware	Secretary of State
AC BidCo LLC	UCC-1 Financing Statement	Delaware	Secretary of State
Gogo LLC	UCC-1 Financing Statement	Delaware	Secretary of State
Gogo Business Aviation LLC	UCC-1 Financing Statement	Delaware	Secretary of State
Closing Guarantors	UCC-1 Financing Statement	Washington, D.C.	Recorder of Deeds

FORM OF JOINDER AGREEMENT

[•], 2019

WHEREAS, Gogo Intermediate Holdings LLC, a Delaware limited liability company, Gogo Finance Co. Inc., a Delaware corporation, Gogo Inc., a Delaware corporation, the other guarantors party thereto and Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC, as representatives of the several initial purchasers named in the Purchase Agreement (as defined below) (the “**Initial Purchasers**”), heretofore executed and delivered a purchase agreement, dated April 17, 2019 (the “**Purchase Agreement**”), providing for the issuance and sale of the Securities (as defined therein); and

WHEREAS, the Purchase Agreement contemplates that, substantially concurrently with the consummation of the issuance and sale of the Securities on the Closing Date, each Closing Guarantor will agree to join the Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing, each of the undersigned hereby agrees for the benefit of the Initial Purchasers as follows:

1. Joinder. Each of the undersigned hereby acknowledges that it has received and reviewed a copy of the Purchase Agreement and all other documents it deems fit to enter into this joinder agreement (the “**Joinder Agreement**”), and acknowledges and agrees to (i) join and become a party to the Purchase Agreement as indicated by its signature below; (ii) be bound by all covenants, agreements, indemnities, representations, warranties and acknowledgments attributable to it in the Purchase Agreement as if made by, and with respect to, it as of the date thereof and as of the Closing Date; and (iii) perform all obligations and duties required of it pursuant to the Purchase Agreement.

2. Counterparts. This Joinder Agreement may be signed in one or more counterparts (which may be delivered in original form or facsimile or “pdf” file thereof), each of which shall constitute an original when so executed and all of which together shall constitute one and the same agreement.

3. Amendments. No amendment or waiver of any provision of this Joinder Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

4. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

5. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

6. APPLICABLE LAW. THIS JOINDER AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SUCH STATE WITHOUT REGARD

TO CONFLICTS OF LAW PRINCIPLES THEREOF. EACH PARTY NOT LOCATED IN THE UNITED STATES IRREVOCABLY APPOINTS [CT CORPORATION SYSTEM] AS ITS AGENT TO RECEIVE SERVICE OF PROCESS OR OTHER LEGAL SUMMONS FOR PURPOSES OF ANY RELATED PROCEEDING THAT MAY BE INSTITUTED IN ANY SPECIFIED COURT.

[Signature Page Follows]

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IN WITNESS WHEREOF, each of the undersigned has executed this Joinder Agreement as of the date first written above.

[Foreign Guarantor], as a Guarantor

By: _____
Name:
Title:

Morgan Stanley & Co. LLC
J.P. Morgan Securities LLC

Acting on behalf of themselves and as the
Representatives of the several Initial
Purchasers named in the Purchase
Agreement.

By: Morgan Stanley & Co. LLC

By: _____
Name:
Title:

By: J.P. Morgan Securities LLC

By: _____
Name:
Title:

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: August 8, 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: August 8, 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 Thome, 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 June 30, 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: August 8, 2019

/s/Oakleigh Thome

Oakleigh Thome
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 June 30, 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: August 8, 2019

/s/ Barry Rowan

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