

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 September 30, 2020

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:

<u>Title of Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.0001 per share	GOGO	NASDAQ Global Select Market
Preferred Stock Purchase Rights	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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 November 6, 2020, 85,249,840 shares of \$0.0001 par value common stock were outstanding.

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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)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 117,483	\$ 170,016
Accounts receivable, net of allowances of \$1,539 and \$660, respectively	32,497	42,322
Inventories	35,107	35,205
Prepaid expenses and other current assets	6,448	6,813
Current assets held for sale	627,499	170,469
Total current assets	819,034	424,825
Non-current assets:		
Property and equipment, net	64,307	69,183
Goodwill and intangible assets, net	53,188	51,803
Operating lease right-of-use assets	32,564	35,807
Other non-current assets, net of allowances of \$320 and \$0, respectively	15,362	12,121
Non-current assets held for sale	-	620,961
Total non-current assets	165,421	789,875
Total assets	\$ 984,455	\$ 1,214,700
Liabilities and Stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 6,060	\$ 5,495
Accrued liabilities	77,901	48,070
Deferred revenue	2,492	2,225
Current liabilities held for sale	369,436	196,852
Total current liabilities	455,889	252,642
Non-current liabilities:		
Long-term debt	1,126,634	1,101,248
Non-current operating lease liabilities	38,223	42,016
Other non-current liabilities	10,903	7,531
Non-current liabilities held for sale	-	210,153
Total non-current liabilities	1,175,760	1,360,948
Total liabilities	1,631,649	1,613,590
Commitments and contingencies (Note 14)	-	-
Stockholders' deficit		
Common stock, par value \$0.0001 per share; 500,000,000 shares authorized at September 30, 2020 and December 31, 2019; 85,255,574 and 88,292,821 shares issued at September 30, 2020 and December 31, 2019, respectively; and 85,237,282 and 88,240,877 shares outstanding at September 30, 2020 and December 31, 2019, respectively	9	9
Additional paid-in-capital	1,086,665	979,499
Accumulated other comprehensive loss	(4,323)	(2,256)
Treasury stock, at cost	(98,857)	-
Accumulated deficit	(1,630,688)	(1,376,142)
Total stockholders' deficit	(647,194)	(398,890)
Total liabilities and stockholders' deficit	\$ 984,455	\$ 1,214,700

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 September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue:				
Service revenue	\$ 53,324	\$ 55,349	\$ 155,083	\$ 163,318
Equipment revenue	13,201	25,991	37,001	59,812
Total revenue	<u>66,525</u>	<u>81,340</u>	<u>192,084</u>	<u>223,130</u>
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	11,635	10,046	32,809	29,847
Cost of equipment revenue (exclusive of items shown below)	8,543	14,915	24,036	38,122
Engineering, design and development	4,510	8,130	17,365	18,620
Sales and marketing	3,758	5,178	10,724	15,946
General and administrative	12,539	12,157	36,378	41,627
Depreciation and amortization	3,320	3,861	10,117	11,876
Total operating expenses	<u>44,305</u>	<u>54,287</u>	<u>131,429</u>	<u>156,038</u>
Operating income	<u>22,220</u>	<u>27,053</u>	<u>60,655</u>	<u>67,092</u>
Other (income) expense:				
Interest income	(36)	(960)	(689)	(3,231)
Interest expense	31,199	30,694	93,595	99,368
Loss on extinguishment of debt	-	-	-	57,962
Other expense	12	19	12	27
Total other expense	<u>31,175</u>	<u>29,753</u>	<u>92,918</u>	<u>154,126</u>
Loss from continuing operations before income taxes	<u>(8,955)</u>	<u>(2,700)</u>	<u>(32,263)</u>	<u>(87,034)</u>
Income tax provision (benefit)	(65)	154	216	461
Net loss from continuing operations	<u>(8,890)</u>	<u>(2,854)</u>	<u>(32,479)</u>	<u>(87,495)</u>
Net loss from discontinued operations, net of tax	<u>(71,234)</u>	<u>(20,037)</u>	<u>(218,402)</u>	<u>(36,158)</u>
Net loss	<u>\$ (80,124)</u>	<u>\$ (22,891)</u>	<u>\$ (250,881)</u>	<u>\$ (123,653)</u>
Net loss attributable to common stock per share – basic and diluted:				
Net loss from continuing operations	\$ (0.11)	\$ (0.04)	\$ (0.40)	\$ (1.09)
Net loss from discontinued operations	(0.86)	(0.25)	(2.67)	(0.45)
Net loss	<u>\$ (0.97)</u>	<u>\$ (0.29)</u>	<u>\$ (3.07)</u>	<u>\$ (1.54)</u>
Weighted average number of shares—basic and diluted	<u>82,707</u>	<u>80,908</u>	<u>81,892</u>	<u>80,370</u>

See the Notes to Unaudited Condensed Consolidated Financial Statements

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss	\$ (80,124)	\$ (22,891)	\$ (250,881)	\$ (123,653)
Currency translation adjustments, net of tax	535	(663)	(2,067)	674
Comprehensive loss	<u>\$ (79,589)</u>	<u>\$ (23,554)</u>	<u>\$ (252,948)</u>	<u>\$ (122,979)</u>

See the Notes to Unaudited Condensed Consolidated Financial Statements

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

	For the Nine Months Ended September 30,	
	2020	2019
Operating activities from continuing operations:		
Net loss	\$ (32,479)	(87,495)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	10,117	11,876
Loss on asset disposals, abandonments and write-downs	64	438
Provision for expected credit losses	1,048	-
Deferred income taxes	134	133
Stock-based compensation expense	8,283	6,731
Amortization of deferred financing costs	4,355	3,901
Accretion and amortization of debt discount and premium	10,311	11,490
Loss on extinguishment of debt	-	57,962
Changes in operating assets and liabilities:		
Accounts receivable	8,619	(6,986)
Inventories	98	5,019
Prepaid expenses and other current assets	1,487	715
Contract assets	(7,581)	(567)
Accounts payable	577	2,425
Accrued liabilities	(11,364)	(1,835)
Deferred revenue	277	(186)
Accrued interest	26,379	(1,993)
Warranty reserves	(450)	700
Right-of-use assets and operating lease liabilities	(924)	(1,065)
Other non-current assets and liabilities	1,364	158
Net cash provided by operating activities from continuing operations	20,315	1,421
Investing activities from continuing operations:		
Purchases of property and equipment	(448)	(1,091)
Acquisition of intangible assets—capitalized software	(5,915)	(4,229)
Redemptions of short—term investments	-	39,323
Net cash provided by (used in) investing activities from continuing operations	(6,363)	34,003
Financing activities from continuing operations:		
Proceeds from credit facility draw	26,000	-
Repayments of amounts drawn from credit facility	(6,000)	-
Repurchase of convertible notes	(2,498)	(159,502)
Proceeds from issuance of senior secured notes	-	920,683
Redemption of senior secured notes	-	(741,360)
Payment of debt issuance costs	-	(23,409)
Other financing activities	(1,461)	88
Net cash provided by (used in) financing activities from continuing operations	16,041	(3,500)
Cash flows from discontinued operations:		
Cash provided by (used in) operating activities	(56,009)	73,917
Cash used in investing activities	(28,152)	(70,403)
Cash used in financing activities	(344)	(576)
Net cash provided by (used in) discontinued operations	(84,505)	2,938
Effect of exchange rate changes on cash	(19)	(357)
Increase (decrease) in cash, cash equivalents and restricted cash	(54,531)	34,505
Cash, cash equivalents and restricted cash at beginning of period	177,675	191,116
Cash, cash equivalents and restricted cash at end of period	\$ 123,144	\$ 225,621
Cash, cash equivalents and restricted cash at end of period	\$ 123,144	\$ 225,621
Less: current restricted cash	560	535
Less: non-current restricted cash	5,101	7,424
Cash and cash equivalents at end of period	\$ 117,483	\$ 217,662
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 53,230	\$ 86,477
Cash paid for taxes	311	456

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 September 30, 2020							
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock		Total
	Shares	Par Value				Shares	Amount	
Balance at June 30, 2020	84,032,343	\$ 8	\$ 1,085,254	\$ (4,858)	\$ (1,550,564)	5,077,400	\$ (98,857)	\$ (569,017)
Net loss	-	-	-	-	(80,124)	-	-	(80,124)
Currency translation adjustments, net of tax	-	-	-	535	-	-	-	535
Stock-based compensation expense	-	-	2,577	-	-	-	-	2,577
Issuance of common stock upon exercise of stock options	38,383	-	102	-	-	-	-	102
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	1,066,909	-	-	-	-	-	-	-
Tax withholding related to vesting of restricted stock units	-	-	(1,464)	-	-	-	-	(1,464)
Issuance of common stock in connection with employee stock purchase plan	99,647	1	196	-	-	-	-	197
Balance at September 30, 2020	<u>85,237,282</u>	<u>\$ 9</u>	<u>\$ 1,086,665</u>	<u>\$ (4,323)</u>	<u>\$ (1,630,688)</u>	<u>5,077,400</u>	<u>\$ (98,857)</u>	<u>\$ (647,194)</u>

For the Three Months Ended September 30, 2019

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock		Total
	Shares	Par Value				Shares	Amount	
Balance at June 30, 2019	88,062,965	\$ 9	\$ 971,130	\$ (2,217)	\$(1,332,529)	-	\$ -	\$ (363,607)
Net loss	-	-	-	-	(22,891)	-	-	(22,891)
Currency translation adjustments, net of tax	-	-	-	(663)	-	-	-	(663)
Stock-based compensation expense	-	-	4,066	-	-	-	-	4,066
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	13,892	-	-	-	-	-	-	-
Tax withholding related to vesting of restricted stock units	-	-	(27)	-	-	-	-	(27)
Issuance of common stock in connection with employee stock purchase plan	80,969	-	293	-	-	-	-	293
Balance at September 30, 2019	<u>88,157,826</u>	<u>\$ 9</u>	<u>\$ 975,462</u>	<u>\$ (2,880)</u>	<u>\$(1,355,420)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (382,829)</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 Nine Months Ended September 30, 2020							
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock		Total
	Shares	Par Value				Shares	Amount	
Balance at January 1, 2020	88,240,877	\$ 9	\$ 979,499	\$ (2,256)	\$ (1,376,142)	-	\$ -	\$ (398,890)
Net loss	-	-	-	-	(250,881)	-	-	(250,881)
Currency translation adjustments, net of tax	-	-	-	(2,067)	-	-	-	(2,067)
Stock-based compensation expense	-	-	9,736	-	-	-	-	9,736
Issuance of common stock upon exercise of stock options	38,383	-	102	-	-	-	-	102
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	1,708,337	-	-	-	-	-	-	-
Tax withholding related to vesting of restricted stock units	-	-	(2,273)	-	-	-	-	(2,273)
Issuance of common stock in connection with employee stock purchase plan	327,085	1	743	-	-	-	-	744
Settlement of prepaid forward shares	(5,077,400)	(1)	98,858	-	-	5,077,400	(98,857)	-
Impact of the adoption of new accounting standards	-	-	-	-	(3,665)	-	-	(3,665)
Balance at September 30, 2020	<u>85,237,282</u>	<u>\$ 9</u>	<u>\$ 1,086,665</u>	<u>\$ (4,323)</u>	<u>\$ (1,630,688)</u>	<u>5,077,400</u>	<u>\$ (98,857)</u>	<u>\$ (647,194)</u>
	For the Nine Months Ended September 30, 2019							
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock		Total
	Shares	Par Value				Shares	Amount	
Balance at January 1, 2019	87,560,694	\$ 9	\$ 963,458	\$ (3,554)	\$ (1,228,674)	-	\$ -	\$ (268,761)
Net loss	-	-	-	-	(123,653)	-	-	(123,653)
Currency translation adjustments, net of tax	-	-	-	674	-	-	-	674
Stock-based compensation expense	-	-	12,711	-	-	-	-	12,711
Issuance of common stock upon vesting of restricted stock units and restricted stock awards	359,005	-	-	-	-	-	-	-
Tax withholding related to vesting of restricted stock units	-	-	(834)	-	-	-	-	(834)
Issuance of common stock in connection with employee stock purchase plan	238,127	-	922	-	-	-	-	922
Repurchase of 2020 Convertible Notes	-	-	(795)	-	-	-	-	(795)
Impact of the adoption of new accounting standards	-	-	-	-	(3,093)	-	-	(3,093)
Balance at September 30, 2019	<u>88,157,826</u>	<u>\$ 9</u>	<u>\$ 975,462</u>	<u>\$ (2,880)</u>	<u>\$ (1,355,420)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (382,829)</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 business aviation industry. Through our Business Aviation (“BA”) business, we provide in-flight Internet connectivity and other voice and data communications products and services and sell equipment for in-flight telecommunications to the business aviation market. These 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.

On August 31, 2020, we entered into an agreement to sell our Commercial Aviation, or “CA,” business to Intelsat Jackson Holdings S.A. (“Intelsat” or the “Buyer”), as discussed below. As a result, the CA business is classified as held for sale and reported as discontinued operations and all periods presented in this Form 10-Q have been conformed to represent the CA business as a discontinued operation. See Note 3, “Discontinued Operations,” for additional information.

Services provided on commercial aircraft by our CA business 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 offer airlines connectivity for various operations and currently includes, among other services, real-time credit card transaction processing, electronic flight bags and real-time weather information. Before classifying the CA business as held for sale we divided it into two segments – Commercial Aviation North America, or “CA-NA,” and Commercial Aviation Rest of World, or “CA-ROW.”

As a result of the pending sale of the CA business, the chief operating decision maker evaluates performance and business results for continuing operations, and makes resource and operating decisions, on a consolidated basis. As such, we do not have segment information to disclose in this Form 10-Q.

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, 2019 as filed with the Securities and Exchange Commission (“SEC”) on March 13, 2020 (the “2019 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 nine month periods ended September 30, 2020, including the impact of COVID-19, are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2020.

We have one class of common stock outstanding as of September 30, 2020 and December 31, 2019.

Sale of CA Business - On August 31, 2020, we entered into a purchase and sale agreement (the “Purchase Agreement”) with the Buyer, pursuant to which, subject to the satisfaction of the conditions set forth in the Purchase Agreement, we will sell our CA Business to the Buyer through the sale of all of the issued and outstanding units of our subsidiaries Gogo LLC, a Delaware limited liability company, and Gogo International Holdings LLC, a Delaware limited liability company, for a purchase price of \$400 million in cash, subject to certain adjustments (the “Transaction”).

Consummation of the Transaction is subject to the satisfaction or waiver of (i) certain customary mutual closing conditions, including (a) the absence of any law or injunction prohibiting consummation of the Transaction, (b) the expiration or termination of the required waiting, notice or review periods and approvals or clearances under the Hart-Scott-Rodino Act, as amended (the “HSR Act”), and certain other approvals under competition laws, (c) the receipt of the CFIUS Clearance (as defined in the Purchase Agreement) and (d) the receipt of certain specified regulatory approvals, including the receipt of approvals required by the Federal Communications Commission and (ii) certain conditions in favor of the Company, including that the DIP (“debtor-in-possession”) Order and the Bankruptcy Court Order (each as defined in the Purchase Agreement), remain in full force and effect. The waiting period under the HSR Act expired on October 15, 2020. The Transaction has been approved by the U.S. Bankruptcy Court for the Eastern District of Virginia, Richmond Division.

Under the Purchase Agreement, until the closing of the Transaction, we will be subject to a customary exclusivity covenant, which restricts our ability to solicit alternative acquisition proposals from third parties, to provide non-public information to third parties and to engage in negotiations with third parties regarding alternative acquisition proposals.

The Purchase Agreement contains certain termination rights, including, among others, (i) for the Company and Buyer, if the Transaction is not consummated on or before April 30, 2021, subject to extension to July 31, 2021 for certain limited purposes, including obtaining certain required regulatory consents, and (ii) for the Company, if either the DIP Order or the Bankruptcy Court Order ceases to be in full force and effect.

At the closing of the Transaction, the parties will enter into certain ancillary agreements, including a transition services agreement, an intellectual property license agreement and commercial agreements, including an ATG network sharing agreement, pursuant to which we will provide to the Buyer certain inflight connectivity services on our current ATG network and access to the 5G ATG network upon its launch, subject to certain revenue sharing obligations. Under the ATG network sharing agreement, the Buyer will have exclusive access to the ATG network for commercial aviation in North America, subject to minimum revenue guarantees starting at \$5 million in the first year of the agreement.

We expect to use the proceeds from the Transaction to improve our net debt position and continue to invest in growth opportunities, such as Gogo 5G. The Transaction is currently expected to close before the end of the first quarter of 2021.

As a result of the pending Transaction, the CA business is classified as held for sale and reported in discontinued operations and all periods presented in this Form 10-Q have been conformed to represent the CA business as a discontinued operation. We report the financial results of discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs only when the disposal of a component or a group of components (i) meets the held-for-sale classification criteria or is disposed of by sale or other than by sale, and (ii) represents a strategic shift that will have a major effect on our operations and financial results. The results of operations and cash flows of a discontinued operation are restated for all comparative periods presented. Unless otherwise noted, discussion in these Notes to Unaudited Condensed Consolidated Financial Statements refers to our continuing operations. Refer to Note 3, “Discontinued Operations” for further information.

Shareholder Rights Plan - On September 23, 2020, our Board of Directors adopted a Section 382 Rights Agreement (the “Rights Agreement”), between the Company and Computershare Trust Company, N.A., as rights agent, and declared a dividend of one preferred share purchase right (a “Right”) for each outstanding share of common stock of the Company, outstanding on the record date of October 2, 2020, to the stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Preferred Stock, par value \$0.01 per share, of the Company (the “Preferred Shares”) at a price of \$38.40 per one one-thousandth of a Preferred Share represented by a Right, subject to adjustment.

The purpose of the Rights Agreement is to facilitate the Company’s ability to preserve its net operating losses (“NOLs”) and certain other tax attributes in order to be able to offset potential future income taxes for federal income tax purposes. The Company’s ability to use its NOLs and other tax attributes would be substantially limited if it experiences an “ownership change,” as such term is defined in Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). A company generally experiences an ownership change if the percentage of the value of its stock owned by certain “5-percent shareholders,” as such term is defined in Section 382 of the Code, increases by more than 50 percentage points over a rolling three-year period. The Rights Agreement is intended to reduce the likelihood of an ownership change under Section 382 of the Code by deterring any person or group from acquiring beneficial ownership of 4.9% or more of the shares of the Company’s common stock then-outstanding.

Initially, the Rights will be attached to all shares of the Company’s common stock. Until the Distribution Date (as defined below), the Rights will be transferred with and only with the common stock. As long as the Rights are attached to the common stock, the Company will issue one Right with each new share of common stock so that all such shares of common stock will have Rights attached (subject to certain limited exceptions). The Rights will separate and begin trading separately from the common stock, and Right certificates will be caused to evidence the Rights, on the earlier to occur of (i) the close of business on the tenth day following public disclosure of facts indicating that a person or group has acquired beneficial ownership of 4.9% or more of the outstanding common stock (an “Acquiring Person”) (or, in the event the Board of Directors determines to effect an exchange in accordance with Section 24 of the Rights Agreement and the Board of Directors determines that a later date is advisable, then such later date) and (ii) the close of business on the tenth business day (or such later date as may be determined by action of the Board of Directors prior to such time as any person becomes an Acquiring Person) following the commencement of a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 4.9% or more of the outstanding common stock (the earlier of such dates, the “Distribution Date”).

The Rights are not exercisable until the Distribution Date. The Rights will expire on the earliest to occur of (i) the close of business on the day following the certification of the voting results of the Company’s 2021 annual meeting of stockholders, if at such stockholder meeting or any other meeting of stockholders of the Company duly held prior to such meeting, a proposal to ratify the Rights Agreement has not been passed by the requisite vote of the Company’s stockholders, (ii) the date on which the Board of Directors determines in its sole discretion that (x) the Rights Agreement is no longer necessary for the preservation of material valuable NOLs or tax attributes or (y) the NOLs and tax attributes have been fully utilized and may no longer be carried forward and (iii) the close of business on September 23, 2023.

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. Impact of COVID-19 Pandemic

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported in Wuhan, China, and the World Health Organization (the “WHO”) subsequently declared COVID-19 a “Public Health Emergency of International Concern.” The COVID-19 pandemic has caused a significant decline in commercial and business air travel, which has materially and adversely affected our business.

In BA, we continue to see signs that the business is recovering from mid-April lows, including an increase in daily flights and many previously suspended and deactivated aircraft returning to pre-COVID plans or better. With respect to the CA business held for sale, passenger traffic on commercial airlines started to decline significantly in late March 2020 and while it has increased somewhat from mid-April lows, it has continued to be significantly below pre-COVID levels through October 2020. The duration and severity of the reduction in travel demand due to the COVID-19 pandemic in both BA and CA is uncertain. In CA, we expect these trends to continue until the global pandemic has moderated and demand for air travel returns. There can be no assurance that any recovery observed to date will continue.

In response to the significant decline in revenue caused by the pandemic, we have implemented the following liquidity-preservation initiatives:

- *Personnel actions* – We implemented several cost-cutting measures related to personnel, including a hiring freeze, a suspension of 2020 merit salary increases and a modification of the 2020 bonus program allowing awards to be paid in stock or a combination of stock and cash at our option. Additionally, the Chief Executive Officer’s 2019 bonus payout was deferred and in July 2020 the Chief Executive Officer accepted common stock in lieu of cash for the after-tax portion of his 2019 bonus. We also furloughed approximately 54% of our workforce beginning May 4, 2020. Additionally, effective August 14, 2020, we implemented a reduction in force of approximately 14% of our workforce. Furloughed employees not affected by the reduction in force returned to full time work on August 31, 2020. Effective May 4, 2020, we reduced compensation for salaried employees who were not furloughed. Salary reductions, which will be effective at least through the end of 2020, begin at 30% for the Chief Executive Officer, then 20% for the executive leadership team and reducing downward by staff level from there. In addition, the compensation for the members of our Board of Directors has been reduced by 30% for the last three quarters of 2020.
- *Expense management* – We have identified and are implementing or continuing to pursue action plans / levers in areas not involving personnel to further reduce costs, including the following:
 - Renegotiating terms with suppliers, including agreements executed with satellite capacity providers to reduce and defer payments;
 - Deferring purchases of capital equipment;
 - Delaying aircraft equipment installations;
 - Reducing marketing, travel and other non-essential spend; and
 - Renegotiating terms with airline partners.

- *Financing* – In March 2020, we drew \$22 million under the ABL Credit Facility and in the second quarter we repaid \$5 million of such amount. In the third quarter we repaid an additional \$1 million and subsequently drew \$4 million. As of September 30, 2020, \$20 million was outstanding and less than \$1 million remained available for borrowing under the terms of the agreement that would allow for the company to meet the “payment conditions” criteria as described in our ABL Credit Agreement. On November 6, 2020, we agreed to issue \$50 million aggregate principal amount of additional 9.875% senior secured notes due 2024 at a price equal to 103.5% of their face value, which upon issuance will result in gross proceeds of \$51.8 million. See Note 11, “Long-Term Debt and Other Liabilities,” for additional information.

We expect COVID-19 to continue to have a significant negative impact on our revenue and we are unable to predict how long that impact will continue. The extent of the impact of COVID-19 on both our continuing BA business and the CA business now held for sale, as well as on our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions, and the extent of the impact of COVID-19 on overall demand for commercial and business aviation travel, all of which are highly uncertain and cannot be predicted. We are unable to predict how long the pandemic and its negative impact will persist, what additional measures may be introduced by governments or private parties or what effect any such additional measures may have on air travel, our business partners and our business. Not only is the duration of the pandemic and future combative measures unknown, the overall situation is extremely fluid, and it is impossible to predict the timing of future material changes in the situation and whether the Company’s actions in response will be sufficient or successful. However, based on our current plans, including the measures taken in our response to COVID-19, we believe that our cash and cash equivalents and cash flows provided by operating activities will be sufficient to meet our operating obligations, including our capital expenditure requirements, for at least the next twelve months.

Impairment assessments - We review our long-lived assets and indefinite-lived intangible assets for potential impairment whenever events indicate that the carrying amount of such assets may not be recoverable. We are continuously monitoring the COVID-19 pandemic and its impact. If the impact of the pandemic exceeds management’s estimates, we could incur material impairment charges in future periods. See Note 3, “Discontinued Operations,” for additional information on our long-lived assets and Note 9, “Intangible Assets,” for additional information on our indefinite-lived assets.

Credit Losses — We regularly evaluate our accounts receivable and contract assets for expected credit losses and recorded credit losses for the three and nine month periods ended September 30, 2020. We are continuously monitoring our assumptions used to determine our expected credit losses, including the impact of the COVID-19 pandemic, which could cause us to record additional credit losses in future periods. See Note 10, “Composition of Certain Reserves and Allowances,” for additional information.

3. Discontinued Operations

As discussed in Note 1, “Basis of Presentation,” on August 31, 2020, we entered into a Purchase Agreement with Intelsat pursuant to which, Intelsat will purchase the CA business. As a result of the pending transaction, the CA business is classified as held for sale and reported as discontinued operations.

Total assets and liabilities held for sale related to discontinued operations are stated separately in our unaudited condensed consolidated balance sheet and are comprised of the following items (*in thousands*):

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Accounts receivable, net of allowances of \$2,959 and \$0, respectively	\$ 46,314	\$ 59,038
Inventories	82,033	81,939
Prepaid expenses and other current assets, net of allowances of \$1,511 and \$0, respectively	34,101	29,492
Total current assets	<u>162,448</u>	<u>170,469</u>
Non-current assets:		
Property and equipment, net	355,674	491,135
Goodwill and intangible assets, net	20,886	24,696
Operating lease right-of-use assets	22,229	27,579
Other non-current assets, net of allowances of \$9,302 and \$0, respectively	66,262	77,551
Total non-current assets	<u>465,051</u>	<u>620,961</u>
Total assets	<u>\$ 627,499</u>	<u>\$ 791,430</u>
Liabilities and Stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 30,622	\$ 11,665
Accrued liabilities	94,796	126,041
Deferred revenue	25,249	32,564
Deferred airborne lease incentives	54,255	26,582
Total current liabilities	<u>204,922</u>	<u>196,852</u>
Non-current liabilities:		
Deferred airborne lease incentives	82,523	135,399
Non-current operating lease liabilities	38,823	35,792
Other non-current liabilities	43,168	38,962
Total non-current liabilities	<u>164,514</u>	<u>210,153</u>
Total liabilities	<u>\$ 369,436</u>	<u>\$ 407,005</u>

All assets and liabilities held for sale were classified as Current assets held for sale and Current liabilities held for sale as of September 30, 2020 in the unaudited condensed consolidated balance sheets as it is probable that the sale will occur within one year.

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

The following table summarizes the results of discontinued operations which are presented as Net loss from discontinued operations in our unaudited condensed consolidated statements of operations (*in thousands*):

	For the Three Months September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue:				
Service revenue	\$ 40,498	\$ 103,050	\$ 163,800	\$ 333,824
Equipment revenue	3,496	16,792	35,750	57,462
Total revenue	43,994	119,842	199,550	391,286
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	29,530	63,845	121,334	183,659
Cost of equipment revenue (exclusive of items shown below)	5,984	13,915	31,907	56,010
Engineering, design and development	16,285	20,747	41,702	61,897
Sales and marketing	5,742	7,156	14,308	21,700
General and administrative	11,306	8,583	37,138	28,648
Impairment of long-lived assets	—	—	47,376	—
Depreciation and amortization	45,666	25,431	120,229	78,132
Total operating expenses	114,513	139,677	413,994	430,046
Operating income (loss)	(70,519)	(19,835)	(214,444)	(38,760)
Total other (income) expense	315	143	3,565	(2,865)
Loss before income taxes	(70,834)	(19,978)	(218,009)	(35,895)
Income tax provision	400	59	393	263
Net loss from discontinued operations, net of tax	\$ (71,234)	\$ (20,037)	\$ (218,402)	\$ (36,158)

Change in estimates - During the second quarter of 2020, our agreement with Delta Air Lines, Inc. (“Delta”) to provide 2Ku service on certain Delta aircraft was amended to change the contract expiration date from February 2027 with respect to all aircraft to a staggered, fleet by fleet expiration schedule under which expiration dates will occur between November 2020 and July 2022 (the “Delta amendment”). As a result, the useful lives of the equipment installed on these fleets have been shortened to align with the expiration dates in the amended agreement. The change in estimated useful lives resulted in approximately \$27 million and \$41 million, respectively, of accelerated depreciation during the three and nine month periods ended September 30, 2020. We ceased depreciating these assets and other depreciable assets included as part of the discontinued operations when the CA business was classified as held for sale. Additionally, the amortization periods for the remaining deferred airborne lease incentives associated with the equipment installed on the 2Ku fleets have been shortened to align with the new expiration dates, which resulted in approximately \$18 million and \$24 million, respectively, of accelerated amortization during the three and nine month periods ended September 30, 2020. Amortization of deferred airborne lease incentives is a reduction to cost of service revenue in our unaudited condensed consolidated statements of operations.

Credit Losses - During the nine month period ended September 30, 2020, we recorded \$10.7 million of provisions for expected credit losses, primarily related to one international airline partner entering bankruptcy administration during the period, while we had recoveries of approximately \$0.4 million during the three month period ended September 30, 2020. See Note 4, “Recent Accounting Pronouncements” for additional information.

Arrangements with commercial airlines – For our CA business, 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.

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

We recognized \$27.4 million and \$49.3 million, respectively, for the three and nine month periods ended September 30, 2020 and \$6.3 million and \$21.4 million, respectively, for the prior-year periods as a reduction to our cost of service revenue in our unaudited condensed consolidated statements of operations from the amortization of deferred airborne lease incentives. The increase during the three and nine month periods ended September 30, 2020 was due to the Delta amendment.

Under the turnkey model, the revenue share paid to our airline partners represents operating lease payments. These payments are deemed to be contingent rental payments as the payments due to each airline are based on a percentage of our CA 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. Due to the accelerated amortization resulting from the Delta amendment and a significant reduction in revenue share as a result of COVID-19, the amortization of deferred airborne lease incentives exceeded our revenue share expense by \$23.0 million and \$30.2 million, respectively, for the three and nine month periods ended September 30, 2020. We incurred net rental expense of \$5.0 million and \$15.6 million, respectively, for the prior-year periods.

Asset impairment - We review our long-lived assets, including property and equipment, right-of-use assets, and other non-current assets, for potential impairment whenever events indicate that the carrying amount of such assets may not be recoverable. We perform this review by comparing the carrying value of the long-lived assets to the estimated future undiscounted cash flows expected to result from the use of the assets. We group certain long-lived assets by airline contract and by connectivity technology. If we determine an impairment exists, the amount of the impairment is computed as the difference between the asset group's carrying value and its estimated fair value, following which the assets are written down to their estimated fair value.

In light of the COVID-19 pandemic and its impact on air travel, including decreased flights, decreased gross passenger opportunity and our airline partners' temporary parking of a significant number of their aircraft, we conducted a review as of March 31, 2020 and determined that the carrying values for the asset groups related to three of our airline agreements for the CA business exceeded their estimated undiscounted cash flows, which triggered the need to estimate the fair value of these assets. Fair value reflects our best estimate of the discounted cash flows of the impaired assets. For the airborne assets and right-of-use assets associated with the three airline agreements (the "impaired assets"), we recorded an impairment charge of \$46.4 million for the three month period ended March 31, 2020, reflecting the difference between the carrying value and the estimated fair value of the impaired assets. We conducted another review as of June 30, 2020 due to the continuation of the COVID-19 pandemic as well as the signing of the Delta amendment and determined that \$1.0 million of deferred STC costs was impaired due to the bankruptcy of three airline partners. As such, we recorded a \$1.0 million charge for impairment of long-lived assets for the three month period ended June 30, 2020. We had no such impairment charges during the three months ended September 30, 2020.

We are continuously monitoring the COVID-19 pandemic and its impact. If the negative impact of the pandemic on the assets related to our airline agreements continues, including as a result of airline partners' decisions to temporarily park certain aircraft or permanently remove certain aircraft from their fleets to reduce capacity, we could incur additional material impairment charges in future periods.

Stock-based compensation – In August 2020, our compensation committee approved modifications to the vesting conditions and exercise periods of outstanding equity compensation awards held by certain of our current employees. These modifications were made in connection with, and contingent upon the consummation of, the Transaction. Certain of these awards vest based on conditions that are not classified as a service, market or performance condition and as a result such awards are classified as a liability.

The following is a summary of our stock-based compensation expense by operating expense line contained within the results of discontinued operations (*in thousands*):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Cost of service revenue	\$ 2,259	\$ 367	\$ 3,066	\$ 1,106
Engineering, design and development	2,712	559	3,735	1,832
Sales and marketing	2,141	463	2,957	1,597
General and administrative	1,409	405	2,319	1,445
Total stock-based compensation expense	<u>\$ 8,521</u>	<u>\$ 1,794</u>	<u>\$ 12,077</u>	<u>\$ 5,980</u>

For additional information on our stock-based compensation plans, see Note 17, “Employee Retirement and Postretirement Benefits.”

Contractual Commitments - We have agreements with vendors to provide us with satellite transponder and teleport services. These agreements vary in length and amount and as of September 30, 2020 commit us to purchase satellite transponder and teleport services totaling approximately \$28.8 million in 2020 (October 1 through December 31), \$138.6 million in 2021, \$118.5 million in 2022, \$92.3 million in 2023, \$59.4 million in 2024 and \$259.4 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 on a per aircraft, per day or per hour basis 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.

4. Recent Accounting Pronouncements

Accounting standards adopted:

On January 1, 2020, we adopted ASU 2016-13, *Financial Instruments-Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost.

The cumulative effect adjustment from using the modified retrospective approach for the adoption of ASC 326 impacted our unaudited condensed consolidated balance sheet as of January 1, 2020 by the recognition of allowance for credit losses as summarized below:

	Balance at December 31, 2019	Impact of ASC 326	Balances with Adoption of ASC 326
Assets			
Accounts receivable	\$ 42,322	\$ (404)	\$ 41,918
Other non-current assets	\$ 12,121	\$ (75)	\$ 12,046
Equity			
Accumulated deficit (1)	\$ (1,376,142)	\$ (3,665)	\$ (1,379,807)

- (1) The impact of the adoption of ASC 326 includes the impacts related to our discontinued operations of \$1.0 million related to accounts receivable, \$0.4 million related to prepaid and other current assets, and \$1.8 million related to other non-current assets, for a total impact of \$3.7 million when combined with the amounts related to continuing operations.

See Note 10, “Composition of Certain Reserves and Allowances,” for additional information.

On January 1, 2020, we adopted ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (“ASU 2018-15”), which requires an entity in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. Adoption of this standard did not have a material impact on our unaudited condensed consolidated financial statements.

On January 1, 2020, we adopted ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which modifies the disclosure requirements related to recurring or nonrecurring fair value measurements. Currently all of our fair value measurements are classified as Level 2 within the fair value hierarchy and, as such, the adoption of this standard did not have an impact on our unaudited condensed consolidated financial statements. See Note 15, “Fair Value of Financial Assets and Liabilities,” for additional information.

New pronouncements:

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank offered rates. This guidance is effective beginning on March 12, 2020 through December 31, 2022. We do not currently believe that the adoption of this standard will have a material impact on our consolidated financial statements.

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update No. 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* (“ASU 2020-06”). This ASU simplifies the accounting for certain convertible instruments by removing the separation models for convertible debt with a cash conversion feature or convertible instruments with a beneficial conversion feature. As a result, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. Additionally, this ASU amends the diluted earnings per share calculation for convertible instruments by requiring the use of the if-converted method. The treasury stock method is no longer available. This guidance is effective beginning on January 1, 2022. We are currently evaluating the impact that this guidance will have upon our consolidated financial statements.

5. Revenue Recognition

Remaining performance obligations

As of September 30, 2020, the aggregate amount of the transaction price in our contracts allocated to the remaining unsatisfied performance obligations was approximately \$66.2 million. Approximately \$1.9 million represents future equipment revenue that is expected to be recognized within the next year. The remaining \$64.3 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. We have excluded from this amount consideration from contracts that have an original duration of one year or less.

Disaggregation of revenue

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Service revenue				
Connectivity	\$ 52,607	\$ 54,698	\$ 153,029	\$ 161,559
Entertainment and other	717	651	2,054	1,759
Total service revenue	\$ 53,324	\$ 55,349	\$ 155,083	\$ 163,318
Equipment revenue				
ATG	\$ 10,785	\$ 20,099	\$ 27,285	\$ 43,778
Satellite	2,176	5,292	9,068	14,336
Other	240	600	648	1,698
Total equipment revenue	\$ 13,201	\$ 25,991	\$ 37,001	\$ 59,812
Customer type				
Aircraft owner/operator	\$ 53,324	\$ 55,349	\$ 155,083	\$ 163,318
OEM and aftermarket dealer	13,201	25,991	37,001	59,812
Total revenue	\$ 66,525	\$ 81,340	\$ 192,084	\$ 223,130

Contract balances

Our current and non-current deferred revenue balances totaled \$2.5 million and \$2.2 million as of September 30, 2020 and December 31, 2019, respectively. Deferred revenue includes, among other things, equipment and subscription connectivity products.

Our current and non-current contract asset balances totaled \$10.4 million and \$3.1 million as of September 30, 2020 and December 31, 2019, respectively. The contract asset balance as of September 30, 2020 was net of allowances of \$0.3 million. See Note 10, “Composition of Certain Reserves and Allowances,” for additional information regarding allowances. Contract assets represent the aggregate amount of revenue recognized in excess of billings primarily for certain promotional sales programs.

6. 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 11, “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. Additionally, the calculation of weighted average shares outstanding as of September 30, 2020 and 2019 excludes approximately 2.1 million shares and 7.2 million shares, respectively, associated with the Forward Transactions.

As a result of the net loss for the three and nine month periods ended September 30, 2020 and 2019, 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 nine month periods ended September 30, 2020 and 2019; 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 2020 and 2019 as undistributed losses are not allocated to these shares (*in thousands, except per share amounts*):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss from continuing operations	\$ (8,890)	\$ (2,854)	\$ (32,479)	\$ (87,495)
Net loss from discontinued operations	(71,234)	(20,037)	(218,402)	(36,158)
Net loss	(80,124)	(22,891)	(250,881)	(123,653)
Less: Participation rights of the Forward Transactions	-	-	-	-
Undistributed losses	<u>\$ (80,124)</u>	<u>\$ (22,891)</u>	<u>\$ (250,881)</u>	<u>\$ (123,653)</u>
Weighted-average common shares outstanding-basic and diluted	<u>82,707</u>	<u>80,908</u>	<u>81,892</u>	<u>80,370</u>
Net loss attributable to common stock per share from continuing operations-basic and diluted	\$ (0.11)	\$ (0.04)	\$ (0.40)	\$ (1.09)
Net loss attributable to common stock per share from discontinued operations-basic and diluted	<u>(0.86)</u>	<u>(0.25)</u>	<u>(2.67)</u>	<u>(0.45)</u>
Net loss attributable to common stock per share -basic and diluted	<u>\$ (0.97)</u>	<u>\$ (0.29)</u>	<u>\$ (3.07)</u>	<u>\$ (1.54)</u>

7. Inventories

Inventories consist primarily of telecommunications systems and parts and are recorded at the lower of 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 September 30, 2020 and December 31, 2019 were as follows (*in thousands*):

	September 30, 2020	December 31, 2019
Work-in-process component parts	\$ 19,663	\$ 23,141
Finished goods	15,444	12,064
Total inventory	<u>\$ 35,107</u>	<u>\$ 35,205</u>

8. Composition of Certain Balance Sheet Accounts

Prepaid expenses and other current assets as of September 30, 2020 and December 31, 2019 were as follows (*in thousands*):

	September 30, 2020	December 31, 2019
Contract assets	\$ 1,670	\$ 540
Restricted cash	560	560
Other	4,218	5,713
Total prepaid expenses and other current assets	<u>\$ 6,448</u>	<u>\$ 6,813</u>

Property and equipment as of September 30, 2020 and December 31, 2019 were as follows (*in thousands*):

	September 30, 2020	December 31, 2019
Office equipment, furniture, fixtures and other	\$ 10,650	\$ 10,526
Leasehold improvements	12,012	12,012
Network equipment	139,049	138,727
	161,711	161,265
Accumulated depreciation	(97,404)	(92,082)
Total property and equipment, net	<u>\$ 64,307</u>	<u>\$ 69,183</u>

Other non-current assets as of September 30, 2020 and December 31, 2019 were as follows (*in thousands*):

	September 30, 2020	December 31, 2019
Contract assets, net of allowances of \$320 and \$0, respectively (1)	\$ 8,719	\$ 2,588
Restricted cash	5,101	7,099
Other	1,542	2,434
Total other non-current assets	<u>\$ 15,362</u>	<u>\$ 12,121</u>

(1) Allowances for contract assets as of September 30, 2020 is due to the adoption of ASC 326. See Note 10, "Composition of Certain Reserves and Allowances," for additional information.

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

Accrued liabilities as of September 30, 2020 and December 31, 2019 were as follows (*in thousands*):

	September 30, 2020	December 31, 2019
Accrued interest	\$ 43,427	\$ 17,048
Operating leases	7,197	7,580
Employee compensation and benefits (1)	11,296	9,818
Taxes	1,950	5,037
Current portion of ABL Credit Facility (2)	6,000	-
Warranty reserve	2,050	2,500
Other	5,981	6,087
Total accrued liabilities	<u>\$ 77,901</u>	<u>\$ 48,070</u>

- (1) Includes certain amounts expected to be paid in Gogo common stock for employees classified within discontinued operations. See Note, 17 “Employee Retirement and Postretirement Benefits,” for additional information.
- (2) See Note 11, “Long-Term Debt and Other Liabilities,” for additional information.

Other non-current liabilities as of September 30, 2020 and December 31, 2019 were as follows (*in thousands*):

	September 30, 2020	December 31, 2019
Asset retirement obligations	\$ 4,296	\$ 4,093
Deferred tax liabilities	2,474	2,340
Employee compensation (1)	1,308	-
Other	2,825	1,098
Total other non-current liabilities	<u>\$ 10,903</u>	<u>\$ 7,531</u>

- (1) Includes certain amounts expected to be paid in Gogo common stock for employees classified within discontinued operations. See Note, 17 “Employee Retirement and Postretirement Benefits,” for additional information.

9. 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 2019 indicated no impairment. As of September 30, 2020, as a result of COVID-19, we reviewed the carrying value of our indefinite-lived intangible assets and goodwill and concluded there were no impairments.

As of both September 30, 2020 and December 31, 2019, our goodwill balance was \$0.6 million.

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

Our intangible assets, other than goodwill, as of September 30, 2020 and December 31, 2019 were as follows (*in thousands, except for weighted average remaining useful life*):

	Weighted Average Remaining Useful Life (in years)	As of September 30, 2020			As of December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:							
Software	3.4	\$ 48,572	\$ (29,787)	\$ 18,785	\$ 42,591	\$ (25,191)	\$ 17,400
Other intangible assets	8.0	1,500	-	1,500	1,500	-	1,500
Service customer relationships		8,081	(8,081)	-	8,081	(8,081)	-
OEM and dealer relationships		6,724	(6,724)	-	6,724	(6,724)	-
Total amortized intangible assets		64,877	(44,592)	20,285	58,896	(39,996)	18,900
Unamortized intangible assets:							
FCC Licenses		32,283	-	32,283	32,283	-	32,283
Total intangible assets		\$ 97,160	\$ (44,592)	\$ 52,568	\$ 91,179	\$ (39,996)	\$ 51,183

Amortization expense was \$1.6 million and \$4.6 million, respectively, for the three and nine month periods ended September 30, 2020 and \$1.2 million and \$4.2 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
2020 (period from October 1 to December 31)	\$ 1,817
2021	\$ 7,168
2022	\$ 4,637
2023	\$ 2,159
2024	\$ 873
Thereafter	\$ 3,631

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

10. Composition of Certain Reserves and Allowances

Credit Losses — We regularly evaluate our accounts receivable and contract assets for expected credit losses. Our expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of each customer’s trade accounts receivables. Due to the short-term nature of such receivables, the estimated amount of accounts receivable that may not be collected is based on the aging of the accounts receivable balances and the financial condition of customers. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. Our monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of each customer’s financial condition and macroeconomic conditions. Balances are written off when determined to be uncollectible. We apply a similar methodology towards our current and non-current contract asset balances. However, due to the inherent additional risk associated with a long-term receivable, an additional provision is applied towards contract asset balances that will diminish over time as the contract nears its expiration date. For the three and nine months ended September 30, 2020, we also considered the current and estimated future economic and market conditions resulting from the COVID-19 pandemic in the determination of our estimated credit losses.

Estimates are used to determine the expected loss allowances. Such allowances are based on management’s assessment of anticipated payment, taking into account available historical and current information as well as management’s assessment of potential future developments. We are continuously monitoring our assumptions used to determine our expected credit losses, including the impact of COVID-19, which could cause us to record additional material credit losses in future periods.

A summary of our allowances for credit losses were as follows (*in thousands*):

	For the three months ended September 30, 2020	
	Accounts Receivable	Other non-current assets
Balance at July 1, 2020	\$ 1,619	\$ 250
Current-period provision for expected credit losses	127	70
Write-offs charged against the allowances	(216)	-
Other and foreign currency	9	-
Balance at September 30, 2020	<u>\$ 1,539</u>	<u>\$ 320</u>
	For the nine months ended September 30, 2020	
	Accounts Receivable	Other non-current assets
Balance at January 1, 2020	\$ 660	\$ -
Cumulative-effect adjustment of ASC 326 adoption	404	75
Current-period provision for expected credit losses	803	245
Write-offs charged against the allowances	(411)	-
Other and foreign currency	83	-
Balance at September 30, 2020	<u>\$ 1,539</u>	<u>\$ 320</u>

Warranties — We provide warranties on parts and labor related to our products. Our warranty terms range from two to five 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 \$2.1 million and \$2.5 million, respectively, as of September 30, 2020 and December 31, 2019.

11. Long-Term Debt and Other Liabilities

Long-term debt as of September 30, 2020 and December 31, 2019 was as follows (*in thousands*):

	September 30, 2020	December 31, 2019
2024 Senior Secured Notes	\$ 921,672	\$ 921,137
2022 Convertible Notes	211,643	201,868
ABL Credit Facility	14,000	-
2020 Convertible Notes	-	2,498
Total debt	1,147,315	1,125,503
Less deferred financing costs	(20,681)	(24,255)
Total long-term debt	\$ 1,126,634	\$ 1,101,248

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) (“Gogo Finance” 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 “Initial 2024 Subsidiary Guarantors” and, together with us, the “Initial 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 Initial 2024 Guarantors and the Trustee entered into the first supplemental indenture (the “First Supplemental 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 (as defined below) by \$20 million in aggregate principal amount. On March 6, 2020, the Issuers, the Initial 2024 Guarantors, Gogo Air International GmbH (an indirect subsidiary of GIH) (“Gogo International”) and the Trustee entered into a second supplemental indenture (the “Second Supplemental Indenture”) to add Gogo International as a guarantor under the 2024 Indenture. On July 31, 2020, the Issuers, the Initial 2024 Guarantors, Gogo International and Gogo Inflight Internet Canada Ltd., Gogo ATG LLC and Gogo CA Licenses LLC (collectively, the “Additional Guarantors” and, together with the Initial 2024 Guarantors and Gogo International, the “2024 Guarantors”) and the Trustee entered into a third supplemental indenture (together with the Base Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the “2024 Indenture”) to add the Additional Guarantors as guarantors under the 2024 Indenture. 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” and, together with the Initial Notes, the “Existing 2024 Senior Secured Notes”). We refer to the Initial Notes, the Additional Notes and the 2020 Additional Notes (as defined below) 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 was included in our interest payment on November 1, 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 Gogo Finance), subject to certain exceptions. The 2024 Senior Secured Notes and the related guarantees are secured by second-priority liens on the ABL Priority Collateral (as defined below) and by first-priority liens on the Cash Flow Priority Collateral (as defined below), 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. Upon the closing of the Transaction, certain subsidiaries will be released from their guarantees under the 2024 Indenture, and certain of the ABL Priority Collateral and Cash Flow Priority Collateral will be released.

As of September 30, 2020 and December 31, 2019, the outstanding principal amount of the 2024 Senior Secured Notes was \$925.0 million for both dates, the unaccreted debt discount was \$3.3 million and \$3.9 million, respectively, and the net carrying amount was \$921.7 million and \$921.1 million, respectively.

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).

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 November 1, 2019.

We paid approximately \$22.0 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 \$0.9 million and \$2.7 million for the three and nine month periods ended September 30, 2020, respectively, and \$0.9 million and \$1.5 million, respectively, for the prior-year periods. Amortization expense is included in interest expense in the unaudited condensed consolidated statements of operations. As of September 30, 2020 and December 31, 2019, the balance of unamortized deferred financing costs related to the 2024 Senior Secured Notes was \$17.0 million and \$19.7 million, respectively, and was included as a reduction to long-term debt in our unaudited condensed consolidated balance sheet. See Note 12, “Interest Costs,” for additional information.

The 2024 Senior Secured Notes are the senior secured indebtedness of the Issuers and are:

- effectively senior to (i) all of the Issuers’ existing and future senior unsecured indebtedness to the extent of the value of the collateral securing the 2024 Senior Secured Notes and (ii) the Issuers’ indebtedness secured on a junior priority basis by the same collateral securing the 2024 Senior Secured Notes to the extent of the value of such collateral, including the obligations under the ABL Credit Facility (as defined below) to the extent of the value of the Cash Flow Priority Collateral;
- 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 (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;
- structurally subordinated to all of the indebtedness and other liabilities of any non-2024 Guarantors (other than the Issuers); and
- effectively subordinated to all of our existing and future indebtedness secured on a senior priority basis by the same collateral securing the 2024 Senior Secured Notes to the extent of the value of such collateral, including the obligations under the ABL Credit Facility to the extent of the value of ABL Priority Collateral.

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

- effectively senior in right of payment to all existing and future (i) senior unsecured indebtedness to the extent of the value of the collateral securing such guarantee owned by such 2024 Guarantor and (ii) indebtedness secured on a junior priority basis by the same collateral securing the guarantee owned by such 2024 Guarantor to the extent of the value of the collateral securing the guarantee, including the obligations under the ABL Credit Facility to the extent of the value of the Cash Flow Priority Collateral;
- 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 owned by such 2024 Guarantor, if any, in each case to the extent of any insufficiency in the collateral securing such guarantee;
- effectively subordinated to the obligations under the ABL Credit Facility of each 2024 Guarantor to the extent of the value of the ABL Priority Collateral 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).

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

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 2024 Indenture permits indebtedness incurred under the ABL Credit Facility to be secured on a first-priority basis by certain of the same collateral that secures the 2024 Senior Secured Notes.

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	<u>Redemption Price</u>
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.

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 2024 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 September 30, 2020, no event of default had occurred.

On November 6, 2020, the Issuers and the 2024 Guarantors entered into a Purchase Agreement with certain holders of the Existing 2024 Senior Secured Notes (the "Purchasers") pursuant to which the Purchasers agreed to purchase \$50 million aggregate principal amount of the Issuers' 9.875% senior secured notes due 2024 (the "2020 Additional Notes"). The 2020 Additional Notes will be issued at a price equal to 103.5% of their face value, resulting in aggregate gross proceeds of \$51.8 million. The closing of the purchase of 2020 Additional Notes (the "Notes Closing") is subject to customary conditions, including execution by the Issuers, the 2024 Guarantors and the Trustee of a fourth supplemental indenture (the "Fourth Supplemental Indenture") to the 2024 Indenture to increase the amount of additional indebtedness under Credit Facilities (as defined in the 2024 Indenture) that may be incurred by the Issuers or the Subsidiary Guarantors (as defined in the 2024 Indenture) under the 2024 Indenture by \$50 million (from \$20 million to \$70 million in aggregate principal amount). The Fourth Supplemental Indenture was executed on November 9, 2020, following our receipt of consents from holders of a majority of the outstanding principal amount of the Existing 2024 Senior Secured Notes

(excluding Existing 2024 Senior Secured Notes held by the Issuers or any affiliates of the Issuers). The Purchase Agreement will terminate on November 13, 2020 if the Notes Closing has not occurred by such date.

On November 6, 2020, we entered into the Letter Agreement with the Purchasers, pursuant to which, and conditioned on the Notes Closing, we agreed that if the Transaction has not closed by May 5, 2021, we will issue equity securities in one or more transactions with aggregate net proceeds of no less than \$20 million by no later than May 5, 2021. If by May 5, 2021, the closing of the Transaction has not occurred and we have not issued equity securities with net proceeds of at least \$20 million, then subject to certain conditions, we will be required to issue up to \$5.0 million in aggregate principal amount of 2020 Additional Notes to the Purchasers and the Purchasers will have the right to require the Issuers to repurchase all or a portion of the 2020 Additional Notes from the Purchasers between December 15, 2021 and the maturity date of the 2024 Senior Secured Notes.

In order to permit the transactions contemplated by the Purchase Agreement and the Letter Agreement, on November 6, 2020, the Borrowers entered into an amendment to the ABL Credit Agreement (the “ABL Credit Agreement Amendment”) with the lenders party thereto and the Administrative Agent to permit (i) the issuance of \$50.0 million aggregate principal amount of 2020 Additional Notes by November 13, 2020 and (ii) the issuance of \$5.0 million aggregate principal amount of 2020 Additional Notes by May 7, 2021, in each case, subject to the terms of the Intercreditor Agreement (as defined below). The ABL Credit Agreement Amendment became effective immediately upon execution.

ABL Credit Facility – On August 26, 2019, Gogo Inc., GIH and Gogo Finance (together GIH and Gogo Finance are referred to as the “Borrowers”) entered into a credit agreement (the “ABL Credit Agreement”) among the Borrowers, the other loan parties party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent (the “Administrative Agent”), and Morgan Stanley Senior Funding, Inc., as syndication agent, which provides for an asset-based revolving credit facility (the “ABL Credit Facility”) of up to \$30 million, subject to borrowing base availability, and includes letter of credit and swingline sub-facilities.

Borrowing availability under the ABL Credit Facility is determined by a monthly borrowing base collateral calculation that is based on specified percentages of the value of eligible accounts receivable (including eligible unbilled accounts receivable) and eligible credit card receivables, less certain reserves and subject to certain other adjustments as set forth in the ABL Credit Agreement. Availability is reduced by issuance of letters of credit as well as any borrowings. As of September 30, 2020, less than \$1 million remained available for borrowing under the terms of the agreement that would allow for the company to meet the “payment conditions” criteria as described in our ABL Credit Agreement. As of September 30, 2020 and December 31, 2019, \$20.0 million and zero, were outstanding under the ABL Credit Facility, respectively. As a result of the borrowing base collateral that we have forecasted for the next twelve months, of the \$20.0 million outstanding under the ABL Credit Facility as of September 30, 2020, \$6.0 million was classified as current and included in accrued liabilities on our unaudited condensed consolidated balance sheet.

The final maturity of the ABL Credit Facility is August 26, 2022, unless the aggregate outstanding principal amount of our 2022 Convertible Notes (as defined below) has not, on or prior to December 15, 2021, been repaid in full or refinanced with a new maturity date no earlier than February 26, 2023, in which case the final maturity date shall instead be December 16, 2021.

Loans outstanding under the ABL Credit Facility bear interest at a floating rate measured by reference to, at the Borrowers’ option, either (i) an adjusted London Interbank Offered Rate (LIBOR) plus an applicable margin ranging from 1.50% to 2.00% per annum depending on a fixed charge coverage ratio, or (ii) an alternate base rate plus an applicable margin ranging from 0.50% to 1.00% per annum depending on a fixed charge coverage ratio. If LIBOR ceases to exist or otherwise becomes unsuitable for use as a benchmark, the alternate base rate will automatically apply unless we agree with the Administrative Agent on another rate that is the then prevailing market rate for syndicated loans. Unused commitments under the ABL Credit Facility are subject to a per annum fee ranging from 0.25% to 0.375% depending on the average quarterly usage of the revolving commitments.

The obligations under the ABL Credit Agreement are guaranteed by Gogo Inc. and all of its existing and future subsidiaries, subject to certain exceptions (collectively, the “ABL Guarantors”), and such obligations and the obligations of the ABL Guarantors are secured on a (i) senior basis by a perfected security interest in all present and after-acquired inventory, accounts receivable, deposit accounts, securities accounts, and any cash or other assets in such accounts and other related assets owned by each ABL Guarantor and the proceeds of the foregoing, subject to certain exceptions (the “ABL Priority Collateral”) and (ii) junior basis by a perfected security interest in substantially all other tangible and intangible assets owned by each ABL Guarantor (the “Cash Flow Priority Collateral”). Upon the closing of the Transaction, certain subsidiaries will be released from their guarantees under the ABL Credit Agreement, and certain of the ABL Priority Collateral and Cash Flow Priority Collateral will be released.

The ABL Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants include restrictions on, among other things: the incurrence of additional indebtedness; the incurrence of additional liens; dividends or other distributions on equity; the purchase, redemption or retirement of capital stock; the payment or redemption of certain indebtedness; loans, guarantees and other investments; entering into other agreements that create

restrictions on the ability to pay dividends or make other distributions on equity, make or repay certain loans, create or incur certain liens or guarantee certain indebtedness; asset sales; sale-leaseback transactions; swap agreements; consolidations or mergers; amendment of certain material documents; certain regulatory matters; Canadian pension plans; and affiliate transactions. The negative covenants are subject to customary exceptions and also permit dividends and other distributions on equity, investments, permitted acquisitions and payments or redemptions of indebtedness upon satisfaction of the “payment conditions.” The payment conditions are deemed satisfied upon Specified Availability (as defined in the ABL Credit Agreement) on the date of the designated action and Specified Availability for the prior 30-day period exceeding agreed-upon thresholds, the absence of the occurrence and continuance of any default and, in certain cases, pro forma compliance with a fixed charge coverage ratio of no less than 1.10 to 1.00.

The ABL Credit Agreement includes a minimum fixed charge coverage ratio test of no less than 1.00 to 1.00, which is tested only when Specified Availability is less than the greater of (A) \$4.5 million and (B) 15.0% of the then effective commitments under the ABL Credit Facility, and continuing until the first day immediately succeeding the last day of the calendar month which includes the thirtieth (30th) consecutive day on which Specified Availability is in excess of such threshold so long as no default has occurred and is continuing and certain other conditions are met. As of September 30, 2020, Specified Availability had not fallen below the amount specified and therefore the minimum fixed charge coverage ratio test was not applicable. Full availability under the ABL Credit Facility may be limited by our ability to comply with the fixed charge coverage ratio in future periods.

The ABL Credit Agreement provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all of the then outstanding obligations under the ABL Credit Facility to be due and payable immediately and the commitments under the ABL Credit Facility to be terminated.

On August 26, 2019, the Borrowers and the ABL Guarantors entered into an ABL collateral agreement (the “ABL Collateral Agreement”), in favor of the Administrative Agent, whereby the Borrowers and the ABL Guarantors granted a security interest in substantially all tangible and intangible assets of each Borrower and each ABL Guarantor, to secure all obligations of the Borrowers and the ABL Guarantors under the ABL Credit Agreement, and U.S. Bank National Association, as cash flow collateral representative, and JPMorgan Chase Bank, N.A., as ABL agent, entered into a crossing lien intercreditor agreement (the “Intercreditor Agreement”) to govern the relative priority of liens on the collateral that secures the ABL Credit Agreement and the 2024 Senior Secured Notes and certain other rights, priorities and interests.

We paid approximately \$0.9 million of origination fees and financing costs related to the issuance of the ABL Credit Facility, 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 ABL Credit Facility using the effective interest method. Total amortization expense was \$0.1 million and \$0.3 million, respectively, for the three and nine month periods ended September 30, 2020. Amortization expense is included in interest expense in the unaudited condensed consolidated statements of operations. As of September 30, 2020 and December 31, 2019, the balance of unamortized deferred financing costs related to the ABL Credit Facility was \$0.5 million and \$0.8 million, respectively, and is included as a reduction to long-term debt in our unaudited condensed consolidated balance sheet. See Note 12, “Interest Costs,” for additional information.

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 (as amended and supplemented thereafter, the “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 25, 2017, the Issuers issued \$100 million aggregate principal amount of additional 12.500% senior secured notes due 2022 (the “September 2017 Additional Notes”). 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 \$11.7 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 consolidated statements of operations for the year ended December 31, 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. Amortization expense is included in interest expense in the unaudited condensed consolidated statements of operations. 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, beginning 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 consolidated statements of operations through the 2022 Convertible Notes maturity date (see Note 12, “Interest Costs,” for additional information). The effective interest rate on the 2022 Convertible Notes, including accretion of the notes to par and debt issuance cost amortization, was approximately 13.6%. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

As of September 30, 2020 and December 31, 2019, the outstanding principal on the 2022 Convertible Notes was \$237.8 million on both dates, the unaccreted debt discount was \$26.2 million and \$35.9 million, respectively, and the net carrying amount of the liability component was \$211.6 million and \$201.9 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 was \$0.5 million and \$1.3 million, respectively, for the three and nine month periods ended September 30, 2020, and \$0.4 million and \$1.2 million, respectively, for the prior-year periods. Amortization expense is included in interest expense in the consolidated statements of operations. As of September 30, 2020 and December 31, 2019, the balance of unamortized deferred financing costs related to the 2022 Convertible Notes was \$3.2 million and \$4.5 million, respectively, and is included as a reduction to long-term debt in our consolidated balance sheets. See Note 12, “Interest Costs,” for additional information.

The 2022 Convertible Notes had an initial conversion rate of 166.6667 shares of common stock 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.

The first of the above events allowing for conversion prior to January 15, 2022 occurred during the three month period ended September 30, 2020, and, as a result, the 2022 Convertible Notes are convertible during the fourth quarter of 2020. None of the above events allowing for conversion prior to January 15, 2022 occurred during the year ended December 31, 2019. 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 that were not repurchased prior to maturity, as described below, matured on March 1, 2020. We paid interest on the 2020 Convertible Notes semi-annually in arrears on March 1 and September 1 of each year from September 1, 2015 through March 1, 2020. 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 statements 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 consolidated statements of operations for the year ended December 31, 2019. During September 2019, we purchased an additional \$0.5 million of outstanding 2020 Convertible Notes. The remaining \$2.5 million of outstanding 2020 Convertible Notes matured on March 1, 2020 and we repaid the remaining outstanding aggregate principal amount of the 2020 Convertible Notes, plus accrued and unpaid interest, in order to satisfy our obligations in full and retire the securities.

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 elected not to settle the debt through conversion, we were required to 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 consolidated statements of operations (see Note 12, “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%.

As noted above, the 2020 Convertible Notes were no longer outstanding upon maturity on March 1, 2020. As of December 31, 2019, the outstanding principal on the 2020 Convertible Notes and the net carrying amount of the liability component was \$2.5 million and the unamortized debt discount was zero.

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 was amortized over the term of the 2020 Convertible Notes using the effective interest method. As of December 31, 2019, the balance of unamortized deferred financing costs related to the 2020 Convertible Notes was zero. Total amortization expense of the deferred financing costs was \$0.3 million for the nine month period ended September 30, 2019 and is included in interest expense in the unaudited condensed consolidated statements of operations. See Note 12, “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 was equivalent to an initial conversion price of approximately \$23.85 per share of our common stock. The shares of common stock subject to conversion were excluded from diluted earnings per share calculations under the if-converted method as their impact was anti-dilutive.

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.

On December 11, 2019, we entered into an amendment to one of the Forward Transactions (the “Amended and Restated Forward Transaction”) to extend the expected settlement date with respect to approximately 2.1 million shares of common stock held by one of the Forward Counterparties, JPMorgan Chase Bank, National Association (the “2022 Forward Counterparty”), to correspond with the May 15, 2022 maturity date for the 2022 Convertible Notes. In the future, we may request that the 2022 Forward Counterparty modify the settlement terms of the Amended and Restated 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 the Amended and Restated Forward Transaction in accordance with its terms, the 2022 Forward Counterparty would pay to us the net proceeds from the sale by the 2022 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 2022 Forward Counterparty is not required to effect any such settlement in cash in lieu of delivery of shares of our common stock and, if we request that the 2022 Forward Counterparty effect any such settlement, it will be entered into in the discretion of the 2022 Forward Counterparty on such terms as may be mutually agreed upon at the time. As a result of the Forward Transactions, total shareholders’ equity within our consolidated balance sheet was reduced by approximately \$140 million. During March 2020, approximately 5.1 million shares of common stock were delivered to us in connection with the Forward Transactions (as defined and described in Note 10, “Long-Term Debt and Other Liabilities”). We accounted for these shares as Treasury Stock and reclassified \$98.9 million from Additional Paid-In Capital to Treasury Stock, at cost, in our unaudited condensed consolidated balance sheet.

Restricted Cash - Our restricted cash balances were \$5.7 million and \$7.7 million, respectively, as of September 30, 2020 and December 31, 2019 and primarily consist of letters of credit. Certain of the letters of credit require us to maintain restricted cash accounts in a similar amount, and are issued for the benefit of the landlords at our current office locations in Chicago, IL, Bensenville, IL and Broomfield, CO.

12. 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 nine month periods ended September 30, 2020 and 2019 (*in thousands*):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest costs charged to expense	\$ 26,164	\$ 26,250	\$ 78,928	\$ 83,977
Amortization of deferred financing costs	1,484	1,328	4,355	3,901
Accretion of debt discount	3,551	3,116	10,312	12,508
Amortization of debt premium	-	-	-	(1,018)
Interest expense	31,199	30,694	93,595	99,368
Interest costs capitalized to property and equipment	-	-	-	11
Interest costs capitalized to software	381	188	565	428
Total interest costs	<u>\$ 31,580</u>	<u>\$ 30,882</u>	<u>\$ 94,160</u>	<u>\$ 99,807</u>

13. Leases

Operating and Financing Leases — We determine 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 September 30, 2020, there were 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 September 30, 2020	For the Three Months Ended September 30, 2019
	Operating lease cost	\$ 2,864
Financing lease cost:		
Amortization of leased assets	38	171
Interest on lease liabilities	31	8
Total lease cost	<u>\$ 2,933</u>	<u>\$ 3,016</u>

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
	Operating lease cost	\$ 8,657
Financing lease cost:		
Amortization of leased assets	219	548
Interest on lease liabilities	80	35
Total lease cost	<u>\$ 8,956</u>	<u>\$ 9,383</u>

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

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Supplemental cash flow information		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows used in operating leases	\$ 9,331	\$ 9,847
Operating cash flows used in financing leases	\$ 80	\$ 35
Financing cash flows used in financing leases	\$ 513	\$ 532
Non-cash items:		
Operating leases obtained	\$ 2,660	\$ 2,795
Financing leases obtained	\$ 428	\$ -
Weighted average remaining lease term		
Operating leases	7 years	8 years
Financing leases	2 years	1 year
Weighted average discount rate		
Operating leases	10.4%	10.3%
Financing leases	11.1%	8.1%

Annual future minimum lease payments as of September 30, 2020 (in thousands):

Years ending December 31,	Operating Leases	Financing Leases
2020 (period from October 1 to December 31)	\$ 2,280	\$ 126
2021	12,566	503
2022	11,278	442
2023	7,276	80
2024	5,521	-
Thereafter	28,956	-
Total future minimum lease payments	67,877	1,151
Less: Amount representing interest	(22,457)	(177)
Present value of net minimum lease payments	\$ 45,420	\$ 974
Reported as of September 30, 2020		
Accrued liabilities	\$ 7,197	\$ 339
Non-current operating lease liabilities	38,223	-
Other non-current liabilities	-	635
Total lease liabilities	\$ 45,420	\$ 974

14. Commitments and Contingencies

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

Linksmart Litigation - On April 20, 2018, Linksmart Wireless Technology, LLC filed suit against Gogo Inc., Gogo LLC 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 October 2019 the judge granted the motion to dismiss on two independent grounds, finding that plaintiffs failed to plausibly allege that defendants made materially false or misleading statements and that plaintiffs failed to plead with particularity that defendants acted with scienter. The amended complaint was dismissed without prejudice, and in December 2019, plaintiffs filed a second amended complaint. In February 2020 we filed a motion to dismiss such second amended complaint. In July 2020, plaintiffs filed a motion requesting leave to file a proposed third amendment complaint, which was granted by the Court. Plaintiffs proceeded to file the third amended complaint in July 2020 and we filed a motion to dismiss in September 2020. We believe that the claims are without merit and intend to continue to defend the claims 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 until a final disposition of the motion to dismiss in the class action suit. We believe that the claims are without merit and intend to defend them vigorously if the litigation resumes. 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.

15. Fair Value of Financial Assets and Liabilities

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

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

Long-Term Debt:

Our financial assets and liabilities that are disclosed but not measured at fair value include the 2024 Senior Secured Notes and the 2022 Convertible Notes, and, while outstanding, the 2020 Convertible Notes, which are reflected on the 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, the 2022 Convertible Notes, and, while outstanding, the 2020 Convertible Notes, by calculating the upfront cash payment a market participant would require to assume these obligations. The upfront cash payments used in the calculations of fair value on our September 30, 2020 unaudited condensed consolidated balance sheet, excluding any issuance costs, are the amount that a market participant would be willing to lend at September 30, 2020 to an entity with a credit rating similar to ours and that would allow such an entity to achieve sufficient cash inflows to cover the scheduled cash outflows under the 2024 Senior Secured Notes, the 2022 Convertible Notes and, while outstanding, the 2020 Convertible Notes. The calculated fair value of each of the 2022 Convertible Notes and, while outstanding, the 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 September 30, 2020 and December 31, 2019 were as follows (*in thousands*):

	September 30, 2020		December 31, 2019	
	Fair Value (1)	Carrying Value	Fair Value (1)	Carrying Value
2024 Senior Secured Notes	\$ 989,000	\$ 921,672 (2)	\$ 982,000	\$ 921,137 (2)
2022 Convertible Notes	\$ 379,000	\$ 211,643 (3)	\$ 297,000	\$ 201,868 (3)
2020 Convertible Notes	\$ -	\$ -	\$ 2,498	\$ 2,498

- (1) Fair value amounts are rounded to the nearest million, except for the 2020 Convertible Notes, as of December 31, 2019.
- (2) Carrying value of the 2024 Senior Secured Notes reflects the unaccreted debt discount of \$3.3 million and \$3.9 million, respectively, as of September 30, 2020 and December 31, 2019. See Note 11, “Long-Term Debt and Other Liabilities,” for further information.
- (3) Carrying value of the 2022 Convertible Notes reflects the unaccreted debt discount of \$26.1 million and \$35.9 million, respectively, as of September 30, 2020 and December 31, 2019. See Note 11, “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 nine month periods ended September 30, 2020 and 2019.

16. Income Tax

The effective income tax rates for continuing operations for the three and nine month periods ended September 30, 2020 and 2019 were 0.7% and (0.7)%, respectively, as compared with (5.7)% and (0.5)%, respectively, for the prior-year periods. For the three and nine month periods ended September 30, 2020 and 2019, our income tax expense was not significant primarily due to the full valuation allowance against our net 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 September 30, 2020, we are no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2016.

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 nine month periods ended September 30, 2020 and 2019. As of September 30, 2020 and December 31, 2019, we did not have a liability recorded for interest or potential penalties.

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

17. Employee Retirement and Postretirement Benefits

Stock-Based Compensation — As of September 30, 2020, we maintained three stock-based incentive compensation plans (“Stock Plans”), as well as an Employee Stock Purchase Plan (“ESPP”). See Note 12, “Stock-Based Compensation,” in our 2019 10-K for further information regarding these plans. Most of our equity grants are awarded on an annual basis.

Effective March 17, 2020, the performance-vesting conditions for all outstanding options to purchase shares of common stock and restricted stock units (“RSUs”) subject to both service and performance vesting requirements that were granted in 2017, 2018, and 2019 were eliminated. The performance modification resulted in the immediate issuance of 186,139 shares of common stock, corresponding to the portion of RSUs for which service-vesting dates had previously elapsed.

For the nine month period ended September 30, 2020, options to purchase 4,140,378 shares of common stock were granted, 38,383 options to purchase shares of common stock were exercised, options to purchase 71,008 shares of common stock were forfeited and options to purchase 2,929,350 shares of common stock expired. In addition, pursuant to an option exchange program that closed on June 12, 2020, we accepted for exchange, in the aggregate, eligible options (which excluded options granted for service by non-executive members of our board of directors) to purchase 6,664,773 shares of common stock. The surrendered eligible options were cancelled, and we granted replacement options to purchase an aggregate of 2,896,383 shares of our common stock in exchange for the tendered eligible options.

The stock-based compensation expense resulting from the option exchange program was less than \$1.0 million, and the amount will be recorded on a straight-line basis through December 31, 2022.

For the nine month period ended September 30, 2020, 3,033,702 RSUs were granted, 2,146,750 RSUs vested (of which 193,154 were RSUs that vested in connection with the performance modification) and 549,493 RSUs were forfeited.

For the nine month period ended September 30, 2020, 25,977 restricted shares vested and no shares were cancelled. These shares are deemed issued as of the date of grant, but not outstanding until they vest.

For the nine month period ended September 30, 2020, 192,702 Deferred Stock Units were granted and 26,508 vested.

For the nine month period ended September 30, 2020, 327,085 shares of common stock were issued under the ESPP.

In August 2020, we communicated to employees that the 2020 annual bonus, which historically has been paid in cash, is expected to be paid in shares of Gogo common stock. The bonus payment amount will be determined based upon our performance against established goals and as a result, the value of the shares of Gogo common stock expected to be distributed is classified as a liability as of September 30, 2020. In August 2020, we announced two new bonus plans. One is related to and contingent upon the closing of the Transaction and is expected to be paid in cash. This bonus has not been accrued as of September 30, 2020. The other is related to a reorganization of the business undertaken to prepare for the Transaction and is expected to be paid in shares of Gogo common stock. The payment of the reorganization bonus plan is fixed and as a result, the value of the shares of Gogo common stock expected to be distributed is classified as a liability as of September 30, 2020. The 2020 annual bonus and the reorganization bonus are treated as stock-based compensation in our unaudited condensed consolidated financial statements as they are expected to be paid in shares of Gogo common stock. Our compensation committee reserves the discretion to change the method of payment for any of the three bonus plans from cash to stock or vice versa.

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

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 September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Cost of service revenue	\$ 179	\$ 27	\$ 239	\$ 90
Cost of equipment revenue	203	60	338	211
Engineering, design and development	584	158	902	439
Sales and marketing	413	386	938	1,189
General and administrative	3,301	1,641	5,866	4,802
Total stock-based compensation expense	<u>\$ 4,680</u>	<u>\$ 2,272</u>	<u>\$ 8,283</u>	<u>\$ 6,731</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 \$0.3 million and \$0.9 million, respectively, during the three and nine month periods ended September 30, 2020 and \$0.3 million and \$1.0 million, respectively, for the prior-year periods.

18. Research and Development Costs

Expenditures for research and development are charged to expense as incurred and totaled \$4.5 million and \$17.4 million, respectively, during the three and nine month periods ended September 30, 2020 and \$8.1 million and \$18.6 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 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,” “forecast,” “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 duration for which and the extent to which the COVID-19 pandemic continues to impact demand for commercial and business aviation travel globally, including as a result of governmental restrictions on travel and business and social gatherings and overall economic conditions;
- the failure to successfully implement our cost reduction plan and other measures taken to mitigate the impact of COVID-19 on our business and financial condition, including efforts to renegotiate contractual terms with certain suppliers and customers;
- our ability to complete the sale of our CA business in a timely manner, or at all, and the related uncertainty or disruption to our business and operations during the pendency of the sale, including as a result of certain contractual restrictions in the Purchase Agreement (as defined below);
- our ability to operate as a standalone business subsequent to the sale of our CA business;
- 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 including the results of our ongoing discussions with Delta Air Lines, Inc. (“Delta”) with respect to its transition to free service, the amendment to our agreement with Delta to provide 2Ku service on certain Delta aircraft to change the contract expiration date from February 2027 with respect to all aircraft to a staggered, fleet by fleet expiration schedule under which expiration dates will occur between November 2020 and July 2022 (the “Delta amendment”) and Delta’s stated intent to pursue supplier diversification for its domestic mainline fleet;
- the failure to maintain airline and passenger satisfaction with our equipment or our service;
- any inability to timely and efficiently deploy and operate our 2Ku service or implement our technology roadmap, including developing and deploying upgrades and installations of our ATG-4, 2Ku and 2Ka technologies, Gogo 5G, any technology to which our ATG or satellite networks evolve and other new technologies, for any reason, including technological issues, manufacturing defects and related remediation efforts, changes in regulations or regulatory delays 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 demand and network capacity constraints, including as a result of airline partners shifting to a free-to-passenger business model;
- 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, including a shift toward airlines providing free service to passengers;
- 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, 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;
- 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;
- 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;
- 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 current and future indebtedness and our ability to service our indebtedness;
- our ability to obtain additional financing for operations, or financing intended to refinance our existing indebtedness, on acceptable terms or at all;
- fluctuations in our operating results;
- our ability to attract and retain customers and to capitalize on revenue from our platform;
- the demand for and market acceptance of our products and services;
- changes or developments in the regulations that apply to us, our business and our industry, including changes or developments affecting the ability of passengers or airlines to use our in-flight connectivity services;
- a future act or threat of terrorism, cyber-security attack or other events that could result in adverse regulatory changes or developments as referenced above, or otherwise adversely affect our business and industry;
- our ability to attract and retain qualified employees, including key personnel, including in light of recent furloughs and salary reductions;

- 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 improvements to systems, operations, strategy and procedures needed to support our growth and to effectively evaluate and pursue strategic opportunities; and
- other risks and factors listed under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission (“SEC”) on March 13, 2020 (the “2019 10-K”), in Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, as filed with the SEC on May 11, 2020 (the 2020 Q1 10-Q”), in Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, as filed with the SEC on August 10, 2020 (the “2020 Q2 10-Q”), and in Item 1A of this report.

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 2019 10-K, in Item 1A of the 2020 Q1 10-Q, in Item 1A of the 2020 Q2 10-Q and in Item 1A and “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 business aviation industry. Through our Business Aviation (“BA”) business, we provide in-flight Internet connectivity and other voice and data communications products and services and sell equipment for in-flight telecommunications to the business aviation market. These 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.

On August 31, 2020, we entered into an agreement to sell our Commercial Aviation, or “CA,” business to Intelsat Jackson Holdings S.A. (the “Buyer”), as discussed below.

Services provided on commercial aircraft by our CA business 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 offer 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. Before classifying the CA business as held for sale, we divided it into two segments – Commercial Aviation North America, or “CA-NA,” and Commercial Aviation Rest of World, or “CA-ROW.”

Sale of the CA Business

On August 31, 2020, we entered into a purchase and sale agreement (the “Purchase Agreement”) with the Buyer, pursuant to which, subject to the satisfaction of the conditions set forth in the Purchase Agreement, we will sell our CA business to the Buyer through the sale of all of the issued and outstanding units of our subsidiaries Gogo LLC, a Delaware limited liability company, and Gogo International Holdings LLC, a Delaware limited liability company, for a purchase price of \$400 million in cash, subject to certain adjustments (the “Transaction”). As a result of the Transaction, the CA business is classified as held for sale and reported as discontinued operations and all periods presented in this Form 10-Q have been conformed to represent the CA business as a discontinued operation. See Note 3, “Discontinued Operations,” to our unaudited condensed consolidated financial statements for additional information.

Consummation of the Transaction is subject to the satisfaction or waiver of (i) certain customary mutual closing conditions, including (a) the absence of any law or injunction prohibiting consummation of the Transaction, (b) the expiration or termination of the required waiting, notice or review periods and approvals or clearances under the Hart-Scott-Rodino Act, as amended (the “HSR Act”), and certain other approvals under competition laws, (c) the receipt of the CFIUS Clearance (as defined in the Purchase Agreement) and (d) the receipt of certain specified regulatory approvals, including the receipt of approvals required by the Federal Communications Commission and (ii) certain conditions in favor of the Company, including that the Buyer Parent’s DIP Order and the Bankruptcy Court Order (each as defined in the Purchase Agreement), remain in full force and effect. The waiting period under the HSR Act expired on October 15, 2020. The Transaction has been approved by the U.S. Bankruptcy Court for the Eastern District of Virginia, Richmond Division.

Under the Purchase Agreement, until the closing of the Transaction, the Company will be subject to a customary exclusivity covenant, which restricts our ability to solicit alternative acquisition proposals from third parties, to provide non-public information to third parties and to engage in negotiations with third parties regarding alternative acquisition proposals.

The Purchase Agreement contains certain termination rights, including, among others, (i) for the Company and Buyer, if the Transaction is not consummated on or before April 30, 2021, subject to extension to July 31, 2021 for certain limited purposes, including obtaining certain required regulatory consents, and (ii) for the Company, if either the DIP Order or the Bankruptcy Court Order ceases to be in full force and effect.

At the closing of the Transaction, the parties will enter into certain ancillary agreements, including a transition services agreement, an intellectual property license agreement and commercial agreements, including a ATG network sharing agreement, pursuant to which we will provide to the Buyer certain inflight connectivity services on our current ATG network and access to the 5G ATG network upon its launch, subject to certain revenue sharing obligations. Under the ATG network sharing agreement, the Buyer will have exclusive access to the ATG network in North America, subject to minimum revenue guarantees starting at \$5 million in the first year of the agreement.

We expect to use the proceeds from the Transaction to improve our net debt position and continue to invest in growth opportunities, such as Gogo 5G. The Transaction is currently expected to close before the end of the first quarter of 2021.

Impact of COVID-19 Pandemic

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported in Wuhan, China, and the World Health Organization (the “WHO”) subsequently declared COVID-19 a “Public Health Emergency of International Concern.” The COVID-19 pandemic has caused a significant decline in commercial and business air travel, which has materially and adversely affected our business.

In BA, we continue to see signs that the business is recovering from mid-April lows, including an increase in daily flights and many previously suspended and deactivated aircraft returning to pre-COVID plans or better. With respect to the CA business held for sale, passenger traffic on commercial airlines started to decline significantly in late March 2020 and while it has increased somewhat from mid-April lows, it has continued to be significantly below pre-COVID levels through October 2020. The duration and severity of the reduction in travel demand due to the COVID-19 pandemic in both BA and CA is uncertain. In CA, we expect these trends to continue until the global pandemic has moderated and demand for air travel returns. There can be no assurance that any recovery observed to date will continue.

In response to the significant decline in revenue caused by the pandemic, we have implemented the following liquidity-preservation initiatives:

- *Personnel actions* – We implemented several cost-cutting measures related to personnel, including a hiring freeze, a suspension of 2020 merit salary increases and a modification of the 2020 bonus program allowing awards to be paid in stock or a combination of stock and cash at our option. Additionally, the Chief Executive Officer’s 2019 bonus payout was deferred and in July 2020 the Chief Executive Officer accepted common stock in lieu of cash for the after-tax portion of his 2019 bonus.

We also furloughed approximately 54% of our workforce beginning May 4, 2020. Additionally, effective August 14, 2020, we implemented a reduction in force of approximately 14% of our workforce. Furloughed employees not affected by the reduction in force returned to full time work on August 31, 2020. Effective May 4, 2020, we reduced compensation for salaried employees who were not furloughed. Salary reductions, which will be effective at least through the end of 2020, begin at 30% for the Chief Executive Officer, then 20% for the executive leadership team and reducing downward by staff level from there. In addition, the compensation for the members of our Board of Directors has been reduced by 30% for the last three quarters of 2020.

- *Expense management* – We have identified and are implementing or continuing to pursue action plans / levers in areas not involving personnel to further reduce costs, including the following:
 - Renegotiating terms with suppliers, including agreements executed with satellite capacity providers to reduce and defer payments;
 - Deferring purchases of capital equipment;
 - Delaying aircraft equipment installations;

- Reducing marketing, travel and other non-essential spend; and
- Renegotiating terms with airline partners.
- *Financing* – In March 2020, we drew \$22 million under the ABL Credit Facility and in the second quarter we repaid \$5 million of such amount. In the third quarter we repaid an additional \$1 million and subsequently drew \$4 million. As of September 30, 2020, \$20 million was outstanding and less than \$1 million remained available for borrowing under the terms of the agreement that would allow for the company to meet the “payment conditions” criteria as described in our ABL Credit Agreement. On November 6, 2020, we agreed to issue \$50 million aggregate principal amount of additional 9.875% senior secured notes due 2024 at a price equal to 103.5% of their face value, which upon issuance will result in gross proceeds of \$51.8 million. See Note 11, “Long-Term Debt and Other Liabilities,” for additional information.

We expect COVID-19 to continue to have a significant negative impact on our revenue and we are unable to predict how long that impact will continue. The extent of the impact of COVID-19 on both our continuing BA business and the CA business now held for sale, as well as on our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions, and the extent of the impact of COVID-19 on overall demand for commercial and business aviation travel, all of which are highly uncertain and cannot be predicted. We are unable to predict how long the pandemic and its negative impact will persist, what additional measures may be introduced by governments or private parties or what effect any such additional measures may have on air travel, our business partners and our business. Not only is the duration of the pandemic and future combative measures unknown, the overall situation is extremely fluid, and it is impossible to predict the timing of future material changes in the situation and whether the Company’s actions in response will be sufficient or successful. However, based on our current plans, including the measures taken in our response to COVID-19, we believe that our cash and cash equivalents and cash flows provided by operating activities will be sufficient to meet our operating obligations, including our capital expenditure requirements, for at least the next twelve months.

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:

- the extent to which the COVID-19 pandemic continues to impact demand for commercial and business air travel globally, including as a result of governmental restrictions on travel and social gatherings and overall economic conditions;
- the effectiveness of our cost reduction plan and other measures taken to mitigate the impact of COVID-19 on our business and financial stability, including efforts to renegotiate contractual terms with suppliers, and the impact such actions have on our operations and long-term success;
- 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, 2Ku and 2Ka technologies, Gogo 5G, any technology to which our ATG or satellite networks evolve and other new technologies (including technological issues, manufacturing defects 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 potential licensing of additional spectrum, and the improvements to our network and operations as technology changes and we experience increased demand and network capacity constraints, including as a result of airline partners deciding to provide free service to passengers;
- costs associated with, and our ability to execute, our continued international expansion, including our ability to obtain and comply with foreign telecommunications, aviation and other licenses and approvals necessary for our international operations;
- 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, including our ability to renegotiate the terms of such agreements in light of the COVID-19 pandemic;
- 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 or bankruptcies by one or more of our commercial airline partners or BA large-fleet customers;
- 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;
- the results of our ongoing discussions with Delta with respect to its transition to free service and its stated intent to pursue supplier diversification for its domestic mainline fleet, and our ability to offset the impact of the Delta amendment and any deinstalled aircraft through increased demand and revenue;
- our ability to engage suppliers of equipment components and network services on a timely basis and on commercially reasonable terms;
- 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.

Key Business Metrics

Our management regularly reviews financial and operating metrics, including the following key operating metrics 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.

Business Aviation

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Aircraft online (at period end)				
Satellite	4,737	5,043	4,737	5,043
ATG	5,577	5,527	5,577	5,527
Average monthly service revenue per aircraft online				
Satellite	\$ 211	\$ 244	\$ 207	\$ 244
ATG	2,996	3,087	2,910	3,083
Units Sold				
Satellite	28	137	151	345
ATG	167	293	392	666
Average equipment revenue per unit sold (in thousands)				
Satellite	\$ 78	\$ 39	\$ 60	\$ 42
ATG	65	69	70	66

- *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.

Key Components of Consolidated Statements of Operations

As a result of the pending Transaction, the CA business is classified as held for sale and reported in discontinued operations and all periods presented in this Form 10-Q have been conformed to represent the CA business as a discontinued operation. We report the financial results of discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. The results of operations and cash flows of a discontinued operation are restated for all comparative periods presented. Refer to Note 3, "Discontinued Operations," to our unaudited condensed consolidated financial statements for further information.

The following briefly describes certain key components of revenue and expenses for the BA business, as presented as a single segment in our consolidated statements of operations.

Revenue:

We generate two types of revenue: service revenue and equipment revenue.

Service Revenue:

Service revenue primarily consists of monthly subscription and usage fees paid by aircraft owners and operators for telecommunication, data, and in-flight entertainment services. Revenue is recognized as the services are provided to the customer.

Equipment Revenue:

Equipment revenue primarily consists of the sale of ATG and satellite connectivity equipment and the sale of entertainment equipment. We primarily recognize equipment revenue when the equipment is shipped to OEMs and dealers.

Cost of Service Revenue:

Cost of service revenue consists of ATG network costs, satellite provider service costs, transaction costs and costs related to network operations.

Beginning in January 2019, the BA segment assumed responsibility for operating and maintaining our ATG network and was allocated the majority of the 2019 ATG network costs. In 2020, we adopted a new allocation methodology for the ATG network costs utilizing pricing and usage for each of CA and BA. This allocation methodology has been applied retrospectively to prior periods as the CA business is classified as held for sale and reported in discontinued operations.

Cost of Equipment Revenue:

Our cost of equipment revenue primarily consists of the purchase costs for component parts used in the manufacture of our equipment and the production, installation, technical support and quality assurance costs associated with the equipment sales.

Engineering, Design and Development Expenses:

Engineering, design and development expenses include the costs to design and develop next generation technologies and to obtain and maintain FAA and other regulatory certifications. This includes the development of ground and airborne systems, including customization of network and airborne equipment, along with the design of airborne system installation processes. Engineering, design and development expenses also include costs associated with the enhancement of existing products. Upon adoption of revenue

recognition standard ASC 606 on January 1, 2018, certification and other regulatory costs directly attributable to our new airline-directed customers are capitalized and amortized over the life of the contract.

Sales and Marketing Expenses:

Sales and marketing expenses consist of costs associated with activities related to customer sales (including sales commissions), digital marketing and lead generation, advertising and promotions, product management, trade shows and customer service support related activities to end users.

General and Administrative Expenses:

General and administrative expenses include staff and related operating costs of the business support functions, including finance and accounting, legal, human resources, administrative, information technology, facilities and executive groups.

Depreciation and Amortization:

Depreciation expense includes depreciation expense associated with our office equipment, furniture, fixtures and leasehold improvements. Amortization expense includes the amortization of our finite-lived intangible assets on a straight-line basis over their estimated useful lives that range from three to ten years, depending on the assets being amortized.

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.

Revenue Recognition:

We account for revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). Our CA business airline-directed contracts contain multiple performance obligations, which primarily include the sale of equipment, installation services, connectivity services and entertainment services. For these contracts, we account for each distinct good or service as a separate performance obligation. We allocate the contract's transaction price to each performance obligation using the relative standalone selling price, which is based on the actual selling price for any good or service sold separately to a similar class of customer, if available. To the extent a good or service is not sold separately, we use our best estimate of the standalone selling price and maximize the use of observable inputs. The primary method we use to estimate the standalone selling price is the expected cost-plus margin approach.

The contractual consideration used for allocation purposes includes connectivity and entertainment services, which may be based on a fixed monthly fee per aircraft or a variable fee based on the volume of connectivity activity, or a combination of both. Examples of variable consideration within our contracts include megabyte overages and pay-per-use sessions.

We constrain our estimates to reduce the probability of a significant revenue reversal in future periods, allocate variable consideration to the identified performance obligations and recognize revenue in the period the services are provided. Our estimates are based on historical experience, anticipated future performance, market conditions and our best judgment at the time. For the three and nine months ended September 30, 2020, our estimates included management's best assumptions for the continued impact of COVID-19, which includes decreased flights and gross passenger opportunity ("GPO").

A significant change in one or more of these estimates could affect our estimated contract value. For example, estimates of variable revenue within certain contracts require estimation of the number of sessions or megabytes that will be purchased over the contract term and the average revenue per connectivity session, which varies based on the connectivity options available to passengers on each airline. Estimated revenue under these contracts anticipates increases in take rates over time and assumes an average revenue per session consistent with our historical experience. Our estimated contract revenue may differ significantly from our initial estimates to the extent actual take rates and average revenue per session differ from our historical experience.

We regularly review and update our estimates, especially in light of COVID-19, and recognize adjustments under the cumulative catch-up method. Any adjustments under this method are recorded as a cumulative adjustment in the period identified and revenue for future periods is recognized using the new adjusted estimate.

See Note 5, "Revenue Recognition," to our unaudited condensed consolidated financial statements for additional information.

Long-Lived Assets:

Our long-lived assets (other than goodwill and indefinite-lived assets which are separately tested for impairment) are reviewed for potential impairment whenever events indicate that the carrying amount of such assets may not be recoverable. Within the Commercial Aviation segment, certain certification and installation programs under some of our turnkey airline contracts are still in progress. Accordingly, we evaluate whether an indication of impairment exists for turnkey airline contracts based on our projected future cash flows associated with such contracts. We group certain long-lived assets by airline contract and by connectivity technology.

When an indication of impairment exists, we review long-lived assets for impairment by comparing the carrying value of the long-lived assets with the estimated future undiscounted cash flows expected to result from the use of the assets. If the future undiscounted cash flows are less than the carrying value, we then calculate an impairment loss equal to the difference between the long-lived asset's carrying value and its estimated fair value following which the long-lived assets are written down to estimated fair value and the adjusted balance becomes the new cost basis and is depreciated (amortized) over the remaining useful life of the assets. We also periodically reassess the useful lives of our long-lived assets due to advances and changes in our technologies.

Our impairment loss calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate future cash flows and long-lived asset fair values, including forecasting useful lives of the long-lived assets and selecting discount rates.

In light of the COVID-19 pandemic and its impact on air travel, including decreased flights, decreased gross passenger opportunity and our airline partners' temporary parking of a significant number of their aircraft, we conducted a review as of March 31, 2020 and determined that the carrying value for the asset groups related to three of our airline agreements for the CA business exceeded their estimated undiscounted cash flows, which triggered the need to estimate the fair value of these assets. For the airborne assets and right-of-use assets associated with the three airline agreements (the "impaired assets"), we recorded an impairment charge of \$46.4 million for the three month period ended March 31, 2020. We conducted another review as of June 30, 2020 due to the continuation of the COVID-19 pandemic and the signing of the Delta amendment, and determined that \$1.0 million of deferred STC costs were impaired due to the bankruptcy of three other airline partners. As such, we recorded a \$1.0 million charge for impairment of long-lived assets. See Note 3, "Discontinued Operations," to our unaudited condensed consolidated financial statements for additional information.

We are continuously monitoring the COVID-19 pandemic and its impact. If the negative impact of the pandemic on the assets related to our airline agreements continues, including as a result of airline partners' decisions to temporarily park certain aircraft to reduce capacity, we could incur additional material impairment charges in future periods.

Indefinite-Lived Intangible Assets:

Our indefinite-lived intangible assets consist of our FCC spectrum licenses. Indefinite-lived intangible assets are not amortized but are reviewed for impairment at least annually or whenever events indicate that the carrying amount of such assets may not be recoverable. We perform our annual impairment test during the fourth quarter of each fiscal year. We assess qualitative factors to

determine the likelihood of impairment. Our qualitative analysis includes, but is not limited to, assessing the changes in macroeconomic conditions, regulatory environment, industry and market conditions or events, such as COVID-19, financial performance versus budget and any other events or circumstances specific to the FCC licenses. We believed the impact of COVID-19 could indicate that the carrying value of our FCC spectrum licenses may not be recoverable and as such we reviewed the FCC spectrum licenses for impairment as of March 31, 2020. If it is more likely than not that the fair value of the FCC spectrum licenses is greater than the carrying value, no further testing is required. Otherwise, we apply the quantitative impairment test method. In determining which quantitative approach is most appropriate, we consider the cost approach, market approach and income approach. We determined that the income approach, utilizing the Greenfield method, is the most appropriate way to value our indefinite-lived assets.

For the Greenfield method we estimate the value of our FCC spectrum licenses by calculating the present value of the cash flows of a hypothetical new market participant whose only assets are such licenses to determine the enterprise value of the entire company. It includes all necessary costs and expenses to build the company's infrastructure during the start-up period, projected revenue, and cash flows once the infrastructure is completed. Since there is no corroborating data available in the marketplace that would demonstrate a market participant's experience in establishing an "air-to-ground" business, we utilize our historic results and future projections as the underlying basis for the application of the Greenfield method. We follow the traditional discounted cash flow method, calculating the present value of a new market participant's estimated debt free cash flows.

Our impairment calculations contain uncertainties, including the impact of COVID-19, because they require management to make assumptions and to apply judgment to estimate future projected cash flows and estimated growth rates and discount rates, as well as new market participant assumptions. Estimates of future projected cash flows used in connection with the discounted cash flow analysis were consistent with the plans and estimates that we used to manage the business, including the impact of COVID-19, although there was inherent uncertainty in these estimates. The discount rate used in the calculation was based on our weighted average cost of capital. Our assessment as of March 31, 2020 indicated no impairment. Other than the impact of COVID-19 noted for the three month period ended March 31, 2020, no events were observed during the nine month period ended September 30, 2020 that may indicate that the carrying amount of intangible assets may not be recoverable.

We are continuously monitoring the COVID-19 pandemic and its impact. If the negative impact of the pandemic exceeds management's estimates, we could incur material impairment charges in future periods.

Credit Losses:

We regularly evaluate our accounts receivable and contract assets for expected credit losses and on January 1, 2020 adopted ASC 326.

Our expected loss methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions and a review of the current status of each customer's trade accounts receivables. Due to the short-term nature of such receivables, the estimated amount of accounts receivable that may not be collected is based on aging of the accounts receivable balances and the financial condition of customers. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. Our monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of each customer's financial condition and macroeconomic conditions.

We apply a similar methodology towards our current and non-current contract asset balances. However, due to the inherent additional risk associated with a long-term receivable, an additional provision is applied towards contract asset balances that will diminish over time as the contract nears its expiration date.

The estimates used to determine the allowances are based on management's assessment of anticipated payment, taking into account available historical and current information as well as management's assessment of potential future developments.

For the three and nine months ended September 30, 2020, we also considered the current and estimated future economic and market conditions resulting from the COVID-19 pandemic in the determination of our estimated credit losses.

As such, we recorded a noncash cumulative effect adjustment to retained earnings of \$3.7 million for estimated credit losses (\$0.5 million associated with continuing operations and \$3.2 million associated with discontinued operations) as a result of the adoption of ASC 326. During the three and nine month periods ended September 30, 2020, we recorded \$0.2 million and \$1.0 million, respectively, of provisions for expected credit losses, associated with our continuing operations. For our discontinued operations, during the nine month period ended September 30, 2020, we recorded \$10.7 million of provisions for expected credit losses, primarily related to one international airline partner entering bankruptcy administration, while we had recoveries of approximately \$0.4 million during the three month period ended September 30, 2020.

We are continuously monitoring our assumptions used to determine our expected credit losses, including the impact of the COVID-19 pandemic, which could cause us to record additional material credit losses in future periods.

Recent Accounting Pronouncements

See Note 4, "Recent Accounting Pronouncements," to our unaudited condensed consolidated financial statements for additional information.

Results of Operations

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

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

	For the Three Months September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue:				
Service revenue	\$ 53,324	\$ 55,349	\$ 155,083	\$ 163,318
Equipment revenue	13,201	25,991	37,001	59,812
Total revenue	66,525	81,340	192,084	223,130
Operating expenses:				
Cost of service revenue (exclusive of items shown below)	11,635	10,046	32,809	29,847
Cost of equipment revenue (exclusive of items shown below)	8,543	14,915	24,036	38,122
Engineering, design and development	4,510	8,130	17,365	18,620
Sales and marketing	3,758	5,178	10,724	15,946
General and administrative	12,539	12,157	36,378	41,627
Depreciation and amortization	3,320	3,861	10,117	11,876
Total operating expenses	44,305	54,287	131,429	156,038
Operating income	22,220	27,053	60,655	67,092
Other (income) expense:				
Interest income	(36)	(960)	(689)	(3,231)
Interest expense	31,199	30,694	93,595	99,368
Loss on extinguishment of debt	-	-	-	57,962
Other expense	12	19	12	27
Total other expense	31,175	29,753	92,918	154,126
Loss from continuing operations before income taxes	(8,955)	(2,700)	(32,263)	(87,034)
Income tax provision (benefit)	(65)	154	216	461
Net loss from continuing operations	(8,890)	(2,854)	(32,479)	(87,495)
Net loss from discontinued operations, net of tax	(71,234)	(20,037)	(218,402)	(36,158)
Net loss	\$ (80,124)	\$ (22,891)	\$ (250,881)	\$ (123,653)

Three and Nine Months Ended September 30, 2020 and 2019

Revenue:

Revenue and percent change for the three and nine month periods ended September 30, 2020 and 2019 were as follows (in thousands, except for percent change):

	For the Three Months Ended September 30,		% Change 2020 over 2019	For the Nine Months Ended September 30,		% Change 2020 over 2019
	2020	2019		2020	2019	
Service revenue	\$ 53,324	\$ 55,349	(3.7)%	\$ 155,083	\$ 163,318	(5.0)%
Equipment revenue	13,201	25,991	(49.2)%	37,001	59,812	(38.1)%
Total revenue	\$ 66,525	\$ 81,340	(18.2)%	\$ 192,084	\$ 223,130	(13.9)%

Revenue decreased to \$66.5 million and \$192.1 million, respectively, for the three and nine month periods ended September 30, 2020, as compared with \$81.3 million and \$223.1 million, respectively, for the prior-year periods, due to decreases in equipment revenue and service revenue.

Service revenue decreased to \$53.3 million and \$155.1 million, respectively, for the three and nine month periods ended September 30, 2020, as compared with \$55.3 million and \$163.3 million, respectively, for the prior-year periods primarily due to ATG deactivations and suspensions related to the COVID-19 pandemic.

Equipment revenue decreased to \$13.2 million and \$37.0 million, respectively, for the three and nine month periods ended September 30, 2020, as compared with \$26.0 million and \$59.8 million, respectively, for the prior-year periods, primarily due to decreases in the number of ATG and satellite units sold due to the COVID-19 pandemic.

COVID-19 continues to impact our revenues, resulting in a decrease in flights from pre-COVID levels, suspension of subscriptions and fewer activations. Despite a steady improvement from the lows experienced during the second quarter we still expect total revenue to be lower during the three month period ending December 31, 2020, as compared with the three month period ended December 31, 2019.

Cost of Revenue:

Cost of revenue and percent change for the three and nine month periods ended September 30, 2020 and 2019 were as follows (in thousands, except for percent change):

	For the Three Months Ended September 30,		% Change 2020 over 2019	For the Nine Months Ended September 30,		% Change 2020 over 2019
	2020	2019		2020	2019	
Cost of service revenue	\$ 11,635	\$ 10,046	15.8%	\$ 32,809	\$ 29,847	9.9%
Cost of equipment revenue	\$ 8,543	\$ 14,915	(42.7)%	\$ 24,036	\$ 38,122	(36.9)%

Cost of service revenue increased to \$11.6 million and \$32.8 million, respectively, for the three and nine month period ended September 30, 2020, as compared with \$10.0 million and \$29.8 million, respectively, for the prior-year periods, primarily due to an increase in allocated ATG network cost.

Cost of equipment revenue decreased to \$8.5 million and \$24.0 million, respectively, for the three and nine month periods ended September 30, 2020 as compared with \$14.9 million and \$38.1 million, respectively, for the prior-year periods, primarily due to a decrease in equipment revenue. We expect cost of service revenue to increase over time, primarily due to service revenue growth as well as increasing ATG network costs associated with Gogo 5G.

As noted in Note 2, "Impact of COVID-19 Pandemic," we implemented various expense management and personnel actions to manage our costs and we continue to work with our vendors and evaluate projects to further improve our cost structure.

Engineering, Design and Development Expenses:

Engineering, design and development expenses decreased to \$4.5 million and \$17.4 million, respectively, for the three and nine month periods ended September 30, 2020, as compared with \$8.1 million and \$18.6 million, respectively, for the prior-year periods primarily due to a decrease in Gogo 5G development costs and decreased personnel costs as a result of cost controls implemented by management.

As noted in Note 2, "Impact of COVID-19 Pandemic," we implemented various expense management and personnel actions to manage our costs and we continue to work with our vendors and evaluate projects to further improve our cost structure.

Sales and Marketing Expenses:

Sales and marketing expenses decreased to \$3.8 million and \$10.7 million, respectively, for the three and nine month periods ended September 30, 2020, as compared with \$5.2 million and \$15.9 million, respectively, for the prior-year periods, primarily due to decreased personnel and advertising expenses as a result of cost controls implemented by management.

As noted in Note 2, "Impact of COVID-19 Pandemic," we implemented various expense management and personnel actions to manage our costs and we continue to work with our vendors and evaluate projects to further improve our cost structure.

General and Administrative Expenses:

General and administrative expenses increased to \$12.5 million for the three month period ended September 30, 2020, as compared with \$12.2 million for the prior-year period, but decreased to \$36.4 million for the nine month period ended September 30, 2020, as compared with \$41.6 million for the prior-year period. The decrease for the nine month period was primarily due to lower outside services costs and the various cost controls implemented by management.

As noted in Note 2, "Impact of COVID-19 Pandemic," we implemented various expense management and personnel actions to manage our costs and we continue to work with our vendors and evaluate projects to further improve our cost structure.

Depreciation and Amortization:

Depreciation and amortization expense decreased to \$3.3 million and \$10.1 million, respectively, for the three and nine month periods ended September 30, 2020, as compared with \$3.9 million and \$11.9 million, respectively, for the prior-year periods, primarily due to certain ATG network assets becoming fully depreciated.

Other (Income) Expense:

Other (income) expense and percent change for the three and nine month periods ended September 30, 2020 and 2019 were as follows (in thousands, except for percent change):

	For the Three Months Ended September 30,		% Change
	2020	2019	2020 over 2019
Interest income	\$ (36)	\$ (960)	(96.3)%
Interest expense	31,199	30,694	1.6%
Other expense	12	19	(36.8)%
Total	<u>\$ 31,175</u>	<u>\$ 29,753</u>	<u>4.8%</u>
	For the Nine Months Ended September 30,		% Change
	2020	2019	2020 over 2019
Interest income	\$ (689)	\$ (3,231)	(78.7)%
Interest expense	93,595	99,368	(5.8)%
Loss on extinguishment of debt	-	57,962	n/a
Other expense	12	27	n/a
Total	<u>\$ 92,918</u>	<u>\$ 154,126</u>	<u>(39.7)%</u>

Total other expense increased to \$31.2 million for the three month period ended September 30, 2020, as compared with \$29.8 million for the prior-year period, and total other expense decreased to \$92.9 million for the nine month period ended September 30, 2020 as compared with \$154.1 million for the prior-year period. The increase for the three month period ended September 30, 2020 was primarily due to an increase in interest expense as a result of higher average debt outstanding during the current period as compared to the prior-year period. The decrease during the nine month period ended September 30, 2020 is due primarily to the loss on extinguishment of debt in the prior year, while no such activity occurred in the current year.

We expect our full-year 2020 interest expense to be down slightly as compared with 2019, primarily due to the reduction in interest expense related to the 2022 Senior Secured Notes, which were redeemed in full in May 2019, the partial repurchase of the 2020 Convertible Notes in April 2019 and the maturity of the remaining outstanding principal amount of 2020 Convertible Notes in March 2020. These decreases will be partially offset by higher average debt outstanding from the issuances of the 2024 Senior Secured Notes in April and May 2019 and November 2020, the drawdowns of the ABL Credit Facility since March 2020 and the associated accretion expense and amortization of deferred financing costs. See Note 11, “Long-Term Debt and Other Liabilities,” to our unaudited condensed consolidated financial statements for additional information.

Income Taxes:

The effective income tax rates for the three and nine month periods ended September 30, 2020 were 0.7% and (0.7)%, respectively, as compared with (5.7)% and (0.5)%, respectively, for the prior-year periods. For the three and nine month periods ended September 30, 2020 and 2019, our income tax expense was not significant primarily due to the full valuation allowance against our net deferred tax assets.

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

Discontinued Operations:

Loss from discontinued operations increased to \$71.2 million and \$218.4 million, respectively, for the three and nine month periods ended September 30, 2020, as compared with \$20.0 million and \$36.2 million, respectively, for the prior year periods due primarily to a decrease in revenue and an increase in depreciation expense. Revenue decreased 63.3% and 49.0% for the three and nine month periods ended September 30, 2020 as compared with prior year periods, primarily as a result of COVID-19. The increase in depreciation expense due primarily to the acceleration of depreciation for Delta aircraft as a result of the Delta amendment, partially offset by an increase in the amortization of deferred lease proceeds. Additionally, the nine month period included charges related to the impairment of long-lived assets and provisions for expected credit losses while no such charges were incurred in the prior year period. These changes were partially offset by declines in cost of service revenue, cost of equipment revenue, engineering, design, and development and general and administrative expenses, primarily due to the cost control measures that we implemented in 2020 as a result of COVID-19.

See Note 3, “Discontinued Operations,” to our unaudited condensed consolidated financial statements for additional information.

Non-GAAP Measures

In our discussion below, we discuss Adjusted EBITDA, as defined below, which is a non-GAAP financial measurements. Management uses Adjusted EBITDA for business planning purposes, including managing our business against internally projected results of operations and measuring our performance. This supplemental performance measure also provides another basis for comparing period-to-period results by excluding potential differences caused by non-operational and unusual or non-recurring items. Adjusted EBITDA may vary from and may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA is not a recognized measurement under accounting principles generally accepted in the United States, or GAAP; when analyzing our performance with Adjusted EBITDA investors should (i) evaluate each adjustment in our reconciliation to the corresponding GAAP measure, and the explanatory footnotes regarding those adjustments, and (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.

Definition and Reconciliation of Non-GAAP Measures

EBITDA represents net loss attributable to common stock before interest expense, interest income, income taxes and depreciation and amortization expense.

Adjusted EBITDA represents EBITDA adjusted for (i) stock-based compensation expense, (ii) discontinued operations, and (iii) 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 that 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 that 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 it is useful for an understanding of our operating performance to exclude the results of our discontinued operations because it is not part of our ongoing operations.

We believe it is useful for an understanding of our operating performance to exclude the loss on extinguishment of debt from Adjusted EBITDA because of the non-recurring nature of this activity.

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.

	Gogo Inc. and Subsidiaries			
	Reconciliation of GAAP to Non-GAAP Measures			
	<i>(in thousands, except per share amounts)</i> <i>(unaudited)</i>			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Adjusted EBITDA:				
Net loss attributable to common stock (GAAP)	\$ (80,124)	\$ (22,891)	\$ (250,881)	\$ (123,653)
Interest expense	31,199	30,694	93,595	99,368
Interest income	(36)	(960)	(689)	(3,231)
Income tax provision (benefit)	(65)	154	216	461
Depreciation and amortization	3,320	3,861	10,117	11,876
EBITDA	(45,706)	10,858	(147,642)	(15,179)
Stock-based compensation expense	4,680	2,272	8,283	6,731
Loss from discontinued operations	71,234	20,037	218,402	36,158
Loss on extinguishment of debt	-	-	-	57,962
Adjusted EBITDA	<u>\$ 30,208</u>	<u>\$ 33,167</u>	<u>\$ 79,043</u>	<u>\$ 85,672</u>

Material limitations of Non-GAAP measures

Although EBITDA and Adjusted EBITDA are measurements frequently used by investors and securities analysts in their evaluations of companies, EBITDA and Adjusted EBITDA 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; 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.

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 Nine Months Ended September 30,	
	2020	2019
Continuing operations cash flow activity:		
Net cash provided by operating activities	\$ 20,315	\$ 1,421
Net cash used in investing activities	(6,363)	34,003
Net cash provided by (used in) financing activities	16,041	(3,500)
Discontinued operations cash flow activity	(84,505)	2,938
Effect of foreign exchange rate changes on cash	(19)	(357)
Net decrease in cash, cash equivalents and restricted cash	(54,531)	34,505
Cash, cash equivalents and restricted cash at the beginning of period	177,675	191,116
Cash, cash equivalents and restricted cash at the end of period	<u>\$ 123,144</u>	<u>\$ 225,621</u>
Supplemental information:		
Cash, cash equivalents and restricted cash at the end of period	\$ 123,144	\$ 225,621
Less: current restricted cash	560	535
Less: non-current restricted cash	5,101	7,424
Cash and cash equivalents at the end of the period	<u>\$ 117,483</u>	<u>\$ 217,662</u>

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:

As disclosed elsewhere in this report, the extent of the impact of COVID-19 on the CA and BA businesses and our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of COVID-19 on overall demand for commercial and business aviation travel, all of which are highly uncertain and cannot be predicted. If our airline partners continue to experience significantly reduced demand for passenger traffic for an extended period and/or if the recent recovery observed in the BA business does not continue, our liquidity and financial condition may be materially adversely affected. The extent to which the outbreak affects our liquidity and financial condition will depend in part on our ability to successfully implement various measures intended to reduce expenses and/or conserve cash, including:

- Personnel actions, including the implementation of a hiring freeze, a suspension of 2020 merit salary increases, a modification of the 2020 bonus program allowing awards to be paid in stock or a combination of stock and cash at our option, paying the after-tax portion of the CEO's bonus payout in stock, a furlough of approximately 54% of our workforce which began May 4, 2020 and ended on August 31, 2020, a reduction in force of approximately 14% of our workforce that was implemented on August 14, 2020 and a reduction in salary for most employees who were not furloughed;
- Expense management, including deferring purchases of capital equipment, delaying equipment installations, renegotiating agreements with suppliers, reducing other non-essential spend and renegotiating certain terms of our contracts with our airline partners; and
- Financing activities, including drawings under the ABL Credit Facility and the issuance of the 2020 Additional Notes (as defined below).

See Note 2, “Impact of COVID-19 Pandemic” to our unaudited condensed consolidated financial statements and “Risk Factors — *The COVID-19 pandemic, and the measures implemented to combat it, are having, and are likely to continue to have, a material adverse effect on our business. Moreover, the longer the pandemic persists, the more material the ultimate effects are likely to be. It is likely that there will be future negative effects that we cannot presently predict, including near-term effects,*” in Item 1A of Part II of this report.

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, the 2022 Senior Secured Notes and the ABL Credit Facility, to date we have not generated positive cash flows on a consolidated basis. However, based on our current plans, including the timely consummation of the Transaction and the measures taken in our response to COVID-19, we believe that our cash and cash equivalents and cash flows provided by operating activities will be sufficient to meet our operating obligations, including our capital expenditure requirements, for at least the next twelve months. As detailed in Note 11, “Long-Term Debt and Other Liabilities,” since March 2020, in order to enhance our liquidity in response to the uncertainty in the global markets resulting from the COVID-19 pandemic, we have made certain drawings and repayments under the revolving ABL Credit Facility, and \$20 million was outstanding as of September 30, 2020. As of September 30, 2020, less than \$1 million remained available for borrowing under the terms of the agreement that would allow for the company to meet the “payment conditions” criteria as described in the agreement. Our intent is to continue to access the capital markets to refinance our future debt obligations on an as-needed basis.

On November 6, 2020, the Issuers and the 2024 Guarantors entered into a Purchase Agreement with certain holders of the Existing 2024 Senior Secured Notes (the “Purchasers”) pursuant to which the Purchasers agreed to purchase \$50 million aggregate principal amount of the Issuers’ 9.875% senior secured notes due 2024 (the “2020 Additional Notes”). The 2020 Additional Notes will be issued at a price equal to 103.5% of their face value, resulting in aggregate gross proceeds of \$51.8 million. The closing of the purchase of 2020 Additional Notes (the “Notes Closing”) is subject to customary conditions, including execution by the Issuers, the 2024 Guarantors and the Trustee of a fourth supplemental indenture (the “Fourth Supplemental Indenture”) to the 2024 Indenture to increase the amount of additional indebtedness under Credit Facilities (as defined in the 2024 Indenture) that may be incurred by the Issuers or the Subsidiary Guarantors (as defined in the 2024 Indenture) under the 2024 Indenture by \$50 million (from \$20 million to \$70 million in aggregate principal amount). The Fourth Supplemental Indenture was executed on November 9, 2020, following our receipt of consents from holders of a majority of the outstanding principal amount of the Existing 2024 Senior Secured Notes (excluding Existing 2024 Senior Secured Notes held by the Issuers or any affiliates of the Issuers). The Purchase Agreement will terminate on November 13, 2020 if the Notes Closing has not occurred by such date.

On November 6, 2020, we entered into the Letter Agreement with the Purchasers, pursuant to which, and conditioned on the Notes Closing, we agreed that if the Transaction has not closed by May 5, 2021, we will issue equity securities in one or more transactions with aggregate net proceeds of no less than \$20 million by no later than May 5, 2021. If by May 5, 2021, the closing of the Transaction has not occurred and we have not issued equity securities with net proceeds of at least \$20 million, then subject to certain conditions, we will be required to issue up to \$5.0 million in aggregate principal amount of 2020 Additional Notes to the Purchasers and the Purchasers will have the right to require the Issuers to repurchase all or a portion of the 2020 Additional Notes from the Purchasers between December 15, 2021 and the maturity date of the 2024 Senior Secured Notes.

In order to permit the transactions contemplated by the Purchase Agreement and the Letter Agreement, on November 6, 2020, the Borrowers entered into an amendment to the ABL Credit Agreement (the “ABL Credit Agreement Amendment”) with the lenders party thereto and the Administrative Agent to permit (i) the issuance of \$50.0 million aggregate principal amount of 2020 Additional Notes by November 13, 2020 and (ii) the issuance of \$5.0 million aggregate principal amount of 2020 Additional Notes by May 7, 2021, in each case, subject to the terms of the Intercreditor Agreement. The ABL Credit Agreement Amendment became effective immediately upon execution.

The 2024 Indenture and the ABL Credit Agreement contain 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, the ABL Credit Facility, the 2022 Senior Secured Notes, the 2022 Convertible Notes and the 2020 Convertible Notes, see Note 11, “Long-Term Debt and Other Liabilities,” to our unaudited condensed consolidated financial statements.

Cash flows provided by 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 Nine Months Ended September 30,	
	2020	2019
Net loss	\$ (32,479)	\$ (87,495)
Non-cash charges and credits	34,312	92,531
Changes in operating assets and liabilities	18,482	(3,615)
Net cash provided by operating activities	<u>\$ 20,315</u>	<u>\$ 1,421</u>

For the nine month period ended September 30, 2020, cash provided by operating activities was \$20.3 million as compared with net cash provided by operating activities of \$1.4 million in the prior-year period. The principal contributors to the year-over-year change in operating cash flows were:

- A \$22.1 million increase in cash flows related to operating assets and liabilities resulting from:
 - An increase in cash flows due to the following:
 - Changes in accrued interest due to changes in the timing of payments as compared to the prior-year; and
 - Changes in accounts receivable due primarily to the timing of collections and a decrease in revenue as a result of COVID-19.
 - Offset in part by a decrease in cash flows due to the following:
 - Changes in accounts payable and accrued liabilities due primarily to the timing of payments; and
 - Changes in contract assets due primarily to additional promotional sales programs in the current year as compared to the prior year.
- Partially offset by a \$3.2 million decrease in net loss and non-cash charges and credits, as noted above under “—Results of Operations.”

Cash flows provided by (used in) Investing Activities:

Cash used in investing activities is primarily for capital expenditures related to 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 for the nine month period ended September 30, 2019, while no such activity occurred in the current year as we no longer hold any short-term investments.

Cash flows provided by (used in) Financing Activities:

Cash provided by financing activities for the nine month period ended September 30, 2020 was \$16.0 million primarily due to the \$26.0 million of proceeds from the ABL Credit Facility offset in part by the repayment of \$6.0 million of the ABL Credit Facility and repayment on maturity of the outstanding \$2.5 million in aggregate principal amount of the 2020 Convertible Notes on March 1, 2020.

Cash used in financing activities for the nine month period ended September 30, 2019 was \$3.5 million primarily due to the redemption of all of our outstanding 2022 Senior Secured Notes (including the make-whole premium payable under the indenture governing the 2022 Senior Secured Notes), at a redemption price totaling \$741.4 million, the repurchase of \$159.5 million of outstanding 2020 Convertible Notes and the payment of \$23.4 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.

Capital Expenditures

Our operations require capital expenditures associated with our ATG network and data centers. We capitalize software development costs related to network technology solutions. We also capitalize costs related to the build out of our office locations.

Capital expenditures for the nine month periods ended September 30, 2020 and 2019 were \$6.4 million and \$5.3 million, respectively.

Capital expenditures are expected to increase over time as we build out Gogo 5G and further invest in capitalized software.

Cash flow (used in) provided by discontinued operations:

For the nine month period ended September 30, 2020, cash used in discontinued operations was \$84.5 million as compared with net cash provided by discontinued operations of \$2.9 million for the prior year period. The change is primarily due to a \$129.9 million change in cash flows from operating activities partially offset by a \$42.3 million decrease in cash used in investing activities. The change in cash flows from operating activities is due to a \$71.0 million decrease in net loss and non-cash charges and credits, primarily due to the impact of COVID-19, and due to a \$58.9 million decrease in cash flows related to operating assets and liabilities primarily due to changes in accounts receivable, inventory, deferred lease proceeds and accrued liabilities, offset in part by changes in accounts payable and contract assets.

Other

Leases and Cell Site Contracts: We have lease agreements relating to certain facilities and equipment, which are considered operating leases. See Note 13, "Leases," to our unaudited condensed consolidated financial statements for additional information.

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

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

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is currently confined to our cash and cash equivalents, short-term investments and our debt. We have not used derivative financial instruments for speculation or trading purposes. The primary objectives of our investment activities are to preserve our capital for the purpose of funding operations while at the same time maximizing the income we receive from our investments without significantly increasing risk. To achieve these objectives, our investment policy allows us to maintain a portfolio of cash equivalents and short-term investments through a variety of securities, including U.S. Treasury securities, U.S. government agency securities, and money market funds. Our cash and cash equivalents as of September 30, 2020 and December 31, 2019 primarily included amounts in bank deposit accounts and money market funds. We believe that a change in average interest rates would not 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 September 30, 2020 and December 31, 2019 included amounts in bank deposit accounts and money market funds. We believe we have minimal interest rate risk as a 10% decrease in the average interest rate on our portfolio would have reduced interest income for the three and nine month periods ended September 30, 2020 and 2019 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 September 30, 2020. 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 September 30, 2020.

(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 Gogo Inc., Gogo LLC 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 October 2019 the judge granted the motion to dismiss on two independent grounds, finding that plaintiffs failed to plausibly allege that defendants made materially false or misleading statements and that plaintiffs failed to plead with particularity that defendants acted with scienter. The amended complaint was dismissed without prejudice, and in December 2019, plaintiffs filed a second amended complaint. In February 2020 we filed a motion to dismiss such second amended complaint. In July 2020, plaintiffs filed a motion requesting leave to file a proposed third amendment complaint, which was granted by the Court. Plaintiffs proceeded to file the third amended complaint in July 2020 and we filed a motion to dismiss in September 2020. We believe that the claims are without merit and intend to continue to defend the claims 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 until a final disposition of the motion to dismiss in the class action suit. We believe that the claims are without merit and intend to defend them vigorously if the litigation resumes. 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.

ITEM 1A. Risk Factors

“Item 1A. Risk Factors” of our Form 10-K includes a discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our 2019 10-K, our 2020 Q1 10-Q and our 2020 Q2 10-Q. Except as set forth below, there have been no material changes to the risk factors previously disclosed in our 2019 10-K, 2020 Q1 10-Q or 2020 Q2 10-Q.

The COVID-19 pandemic, and the measures implemented to combat it, are having, and are likely to continue to have, a material adverse effect on our business. Moreover, the longer the pandemic persists, the more material the ultimate effects are likely to be. It is likely that there will be future negative effects that we cannot presently predict, including near term effects.

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported in Wuhan, China, and the World Health Organization (the “WHO”) subsequently declared COVID-19 a “Public Health Emergency of International Concern.” On March 13, 2020, the U.S. government declared a national emergency and on March 19, 2020, the U.S. Department of State issued a global Level 4 “do not travel” advisory advising U.S. citizens to avoid all international travel due to the global impact of COVID-19. The U.S. government has also implemented enhanced screenings, mandatory quarantine requirements and other travel restrictions in connection with the COVID-19 pandemic, including restrictions on travel from Asia, Europe, Mexico and Canada, and many foreign and U.S. state governments have instituted similar measures (including travel restrictions to and within the European Union) and declared states of emergency. At various points, most states and U.S. territories have issued instructions for their residents to stay home or “shelter in place” and to avoid any non-essential travel for varied durations of time and may lift, have lifted or will be lifting or easing these instructions at varied times, often with certain restrictions still in place. In addition, depending on the results of any easing or lifting of instructions and other restrictions, federal, state or local governments or authorities may determine to reinstate, enhance or enforce the same or other instructions or restrictions in the future. Governments, non-governmental organizations and entities in the private sector have also issued and may continue to issue non-binding advisories or recommendations regarding air travel or other social distancing measures, including limitations on the number of persons that should be present at public gatherings.

The COVID-19 pandemic has caused a significant decline in international and domestic commercial and business aviation travel, which has materially and adversely affected our business. Passenger traffic on commercial airlines using Gogo’s service started to decline in late March 2020 and while it has increased somewhat from mid-April lows, it has continued to be significantly below pre-COVID levels through October 2020. Our airline partners have significantly reduced capacity in response to the reduced demand, both by taking a significant number of aircraft out of service and by reducing the number of flights flown by aircraft that remain in service and we are unable to predict how long such capacity reductions will continue. Our BA business also saw a sharp decrease in flight activity, as well as an increase in requests for account suspensions and decreases in new plan activations. Though we continue to see signs of recovery in the BA business from mid-April lows, there can be no assurance that such recovery will continue at the current pace or at all.

We expect COVID-19 to continue to negatively impact our CA and BA businesses and we are unable to predict how long or with what degree of severity that impact will continue. The extent of the impact of COVID-19 on our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of COVID-19 on overall demand for commercial and business aviation travel, all of which are highly uncertain and cannot be predicted. If our airline partners continue to experience significantly reduced demand for passenger traffic, or continue to keep a significant number of aircraft out of service, for an extended period, our business, results of operations, liquidity and financial condition may be materially adversely affected.

In addition to directly impacting demand for air travel, COVID-19 and related restrictions may have a material and adverse impact on other aspects of our business, including:

- enhanced risk of delays or defaults in payments by airline partners and other third parties due to liquidity constraints that extend in some cases to bankruptcy;
- delays and difficulties in completing installations on certain aircraft;
- delays or shortages in our supply chain;
- our competitive position, including with respect to connectivity providers that do not operate exclusively in the aviation industry; and
- limitations on our ability to market and grow our business and to promote technological innovation.

At this time we are also not able to predict whether the COVID-19 pandemic will result in long-term changes to business practices and consumer behavior, with such changes including but not limited to a long-term reduction in travel as a result of increased usage of “virtual” and “teleconferencing” products, a general reluctance to travel by consumers and the impact on demand and capacity, which could result from government mandates on commercial aviation service including, for instance, any requirement for passengers to wear masks while traveling or any limitation on the number of seats that can be occupied on an aircraft to allow for social distancing. Each of these factors could have a material impact on our business. The full extent of the ongoing impact of COVID-19 on our longer-term operational and financial performance will depend on future developments, many of which are outside of our control.

The extent to which the outbreak affects our future earnings and liquidity will depend in part on our ability to implement various measures intended to reduce expenses and/or conserve cash, which themselves may have negative consequences with respect to our business and operations. In April 2020, we applied for an \$81 million grant and a \$150 million loan under the Coronavirus Aid, Relief, and Economic Security Act, and in the third quarter we were informed that we did not qualify for relief under either program. In addition, we have taken various actions with respect to our workforce, including the furlough of approximately 54% of our workforce which began May 4, 2020 and ended on August 31, 2020, a reduction in force affecting approximately 14% of our workforce that took effect on August 14, 2020 and reductions in compensation for certain employees who were not furloughed. Such actions could adversely affect employee morale, reduce overall productivity, lead to departures of key personnel or otherwise adversely impact normal operations. We may also be unsuccessful in amending contracts with certain suppliers, service providers and airline partners, including satellite service providers. We are continuing to implement and may consider other cost-saving or other measures, such as delaying aircraft equipment installations, deferring purchases of capital equipment, freezing new hires, reducing marketing and travel expenses and eliminating non-essential spend. There can be no assurances that any of the cost-saving or other measures described above, or any other actions, will successfully mitigate the impact of COVID-19 or the related decrease in demand for commercial air travel.

We are unable to predict how long these conditions will persist, what additional measures may be introduced by governments or private parties or what effect any such additional measures may have on air travel and our business. Furthermore, not only is the duration of the pandemic and future measures taken to combat it presently unknown, the overall situation is extremely fluid, and it is impossible to predict the timing of future material changes in the situation. It therefore is impossible to predict whether any such unknown future developments will occur in the near, medium or long term, and depending on the duration of the pandemic, such negative developments may occur over the entirety of the event.

The pendency of the sale of our CA business, and certain contractual restrictions and other obligations contained in the Purchase Agreement, may disrupt and adversely affect our business.

The pending sale of our CA business may be disruptive to our business and our relationships with current and prospective airline partners, customers, suppliers and other business partners, and may create uncertainty surrounding our ongoing business operations, which could materially adversely affect our business, financial condition and results of operations. Uncertainties related to the pending sale of our CA business may impair our ability to recruit, train and retain the highly skilled, key personnel that are necessary to our business, and could cause our airline partners, customers, suppliers and other business partners to defer entering into contracts with us or seek to terminate or change existing business relationships with us. In addition, activities relating to the pending sale and related uncertainties could divert the attention of our management and other employees from our day-to-day business or disrupt our operations in preparation for and during the post-closing separation of our CA business. If we are unable to effectively manage these risks, including the potential loss or deterioration of significant business and operational relationships, our business, financial condition and results of operations may be adversely affected.

Additionally, under the terms of the Purchase Agreement entered into in connection with the sale of our CA business, we are subject to certain restrictions on the conduct of the CA business without the consent of Intelsat, the Buyer, or its permitted assignee, including the ability in certain cases to enter into or amend contracts, acquire, encumber or dispose of assets, make certain changes with respect to employees or employee benefits plans, incur indebtedness or make capital expenditures in excess of designated amounts. Such limitations could negatively affect our business and operations prior to the completion of the sale of our CA business, and could be exacerbated by delays or other adverse developments with respect to the completion of the sale of our CA business.

The sale of our CA business may not be completed or could be significantly delayed.

The completion of the sale of our CA business is subject to customary closing conditions, including the expiration or termination of the required waiting, notice or review periods and approvals or clearances under the HSR Act, and certain other approvals under competition laws, the receipt of the CFIUS Clearance (as defined in the Purchase Agreement) and the receipt of certain specified regulatory approvals, including the receipt of approvals required by the Federal Communications Commission. It is also a condition to the closing that the Bankruptcy Court Order and the DIP Order (each as defined in the Purchase Agreement) remain in full force and effect prior to the consummation of the transaction. If any condition to the closing of the sale of our CA business is neither satisfied nor, where permissible, waived, the sale will not be completed. In addition, satisfying the closing conditions to the sale of our CA business may take longer than expected due to, among other things, longer than expected regulatory review periods, unanticipated developments and uncertainty in the financial markets, or may result in increased transaction costs. Regulators may impose material conditions, terms, obligations, costs or restrictions in connection with their approval of or consent to the sale of the CA business, which could delay completion of the transaction, or if such approvals or consents are not obtained, could prevent completion of the transaction. There can be no assurance that all of the closing conditions will be satisfied or waived or that other events will not intervene to delay, or result in a failure to close, the sale of our CA business.

In addition, both we and the Buyer maintain certain termination rights pursuant to the Purchase Agreement. Either party may terminate if, among other things, the sale has not been consummated by April 30, 2021 (subject to extension to July 31, 2021 for certain limited purposes, including obtaining certain required regulatory consents). Additionally, the Buyer may terminate the

Purchase Agreement if certain closing conditions are not met, subject to a cure period, and we may terminate the Purchase Agreement if either the DIP Order or Bankruptcy Court Order (each as defined in the Purchase Agreement) ceases to be in full force and effect, subject to a cure period. If either party terminates the Purchase Agreement and we seek an alternative transaction or another buyer for the sale of our CA business, we may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Purchase Agreement, or at all. Furthermore, if the Buyer terminates the Purchase Agreement, we will not receive any fees or other compensation in connection with such termination.

If the sale of our CA business is not completed for any reason, or if there is a significant delay in completing the sale, our business, financial condition, results of operations and stock price may be materially adversely affected. A failed transaction may result in negative publicity and may affect our relationships with airline partners, customers, suppliers and other business partners. In addition, in the event of a failed transaction, we will have expended significant management resources in an effort to complete the sale and we will have incurred significant transaction costs, including legal fees, financial advisor fees and other related costs, without any commensurate benefit. We have incurred, and will continue to incur, transaction costs in connection with the pending sale of our CA business, and many of these fees and costs are payable regardless of whether or not the sale is completed. Further, if the sale is not completed or is significantly delayed, we may require additional financing in order to continue to operate our business, including the CA business. However, conditions in the economy and the financial markets may make it more difficult for us to obtain necessary additional capital or financing on acceptable terms, or at all. See the risk factors in our 2019 Form 10-K, including “Risk Factors—Risks Related to Our Business and Industry—We may need additional financing to execute our business plan or new initiatives and we expect that we will need additional financing to refinance or repay our existing indebtedness at maturity; we may not be able to secure additional financing on acceptable terms, or at all” and “Risk Factors—Risks Related to Our Indebtedness.”

We may not achieve some or all of the anticipated benefits of, or be able to operate as, a standalone BA business after the sale of our CA business.

We cannot be sure that the sale of the CA business, if completed, will be successful in reducing our overall expenses and the expected efficiencies, benefits and cost savings of such a transaction and operating our BA business as a standalone business might be delayed or not realized. We expect to use the proceeds of the sale of our CA business to, among other things, reduce our net debt position and continue to invest in growth opportunities such as Gogo 5G. Such use of proceeds, however, may not ultimately have the desired result.

Upon the closing of the Transaction, we currently expect to enter into a short term Transition Services Agreement (the “TSA”) with Buyer under which we and Buyer will agree to, among other things, provide certain services to one another following the closing at negotiated prices. We will be dependent upon Buyer for certain resources essential to the day to day operation of our business. In addition, performance of our obligations to Buyer under the TSA may divert the attention of management and other employees from our day-to-day business and could disrupt our operations. If we are unable to manage the costs and the other risks associated with the TSA, our business, financial condition and results of operations could be adversely affected.

Moreover, after the sale of our CA business, we will operate as a standalone BA business and will be smaller and less diversified, with a narrower business focus and may be more vulnerable to changing market conditions in the business aviation market. Additionally, the sale will reduce our ability to share certain costs across our businesses, such as the costs of operating as a public company or ATG network costs, and may increase certain other operating costs, as we will no longer share suppliers and other business partners with the CA business. In connection with the Purchase Agreement, we and the Buyer also entered into a term sheet that sets forth the key terms of an ATG Network Sharing Agreement to be entered into by the parties in connection with the closing of the sale, pursuant to which we will provide certain inflight connectivity services on our ATG network to the Buyer, subject to certain revenue sharing obligations, and pursuant to which the Buyer will have exclusive commercial aviation access to the ATG network in North America, subject to certain revenue guarantees. There can be no assurances that the Buyer will satisfy the revenue guarantees or that the Buyer will maximize the revenues we could have generated if it did not have exclusive rights under the ATG Network Sharing Agreement. In addition, the Purchase Agreement provides that the parties will enter into a satellite network sharing agreement in connection with the closing of the sale, pursuant to which the Buyer will provide certain network services to us on their Ku-band and Ka-band satellite network. There can be no certainty that such agreement will provide us with sufficient network capacity or other benefits that we anticipate, or that it will remain in effect beyond the contemplated initial term. If we are unable to manage our cost structure and benefit from our ongoing relationship with the Buyer following the closing of the sale of the CA business, our business, financial condition and results of operations may be materially and adversely affected.

Finally, the sale of the CA business could adversely impact our business and financial condition, or ability to obtain financing going forward. The transfer of assets associated with the sale of the CA business may adversely affect our ability to retain personnel, our earnings and our cash flows. Further, our borrowing capacity under the ABL Agreement will likely be significantly reduced as a result of the sale, and we may not be able to secure other forms of financing in the future on favorable terms, if at all, as a result of our change in business.

The utilization of our tax losses could be substantially limited if we experienced an “ownership change” as defined in the Internal Revenue Code.

As of September 30, 2020, we had approximately \$719 million in federal and \$462 million in state NOLs. These deferred tax assets are currently fully reserved. The federal NOLs begin to expire in 2031. The state NOLs expire in various tax years and began to expire in 2016. Under Section 382 of the Code and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is generally defined as an increase of more than 50% of the value of the Company’s stock owned by certain “5-percent shareholders,” as such term is defined in Section 382 of the Code, in its equity ownership over a rolling three-year period, the corporation’s ability to use its pre-change NOLs and other pre-change tax attributes to offset its post-change income or taxes may be limited.

In September 2020, our Board of Directors adopted the Rights Agreement and declared a dividend of one Right for each outstanding share of common stock of the Company outstanding on the record date of October 2, 2020, to the stockholders of record on that date. The Rights Agreement is designed to facilitate the Company’s ability to protect its NOLs and certain other tax attributes in order to be able to offset potential future income taxes for federal income tax purposes. The Rights Agreement may make it more difficult for the Company to undergo an ownership change by deterring a third party from acquiring 4.9% or more of the shares of our common stock. This may adversely affect the marketability of our common stock by discouraging any individual, firm, corporation, partnership or other person or group of affiliated or associated persons from acquiring beneficial ownership of 4.9% or more shares of our common stock then outstanding. In addition, although the Rights Agreement is intended to reduce the likelihood of an ownership change that could adversely affect utilization of our NOLs, there is no assurance that the Rights Agreement will prevent all transfers that could result in such an ownership change. We may experience ownership changes in the future as a result of subsequent shifts in our common stock ownership, some of which may be outside of our control. If an ownership change occurs and our ability to use our NOLs is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

Anti-takeover provisions in our charter documents and Delaware law, and certain provisions in our existing and any future credit facility could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws include a number of provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. These provisions include:

- Authorization of the issuance of “blank check” preferred stock that could be issued by our Board of Directors to thwart a takeover attempt;
- Establishment of a classified Board of Directors, as a result of which our board will be divided into three classes, with each class serving for staggered three-year terms, which prevents stockholders from electing an entirely new Board of Directors at an annual meeting;
- A requirement that directors only be removed from office for cause and only upon a supermajority stockholder vote;
- A provision that vacancies on the Board of Directors, including newly-created directorships, may be filled only by a majority vote of directors then in office;
- A limitation on who may call special meetings of stockholders;
- A prohibition on stockholder action by written consent, thereby requiring all actions to be taken at a meeting of the stockholders; and
- A requirement of supermajority stockholder voting to effect certain amendments to our amended and restated certificate of incorporation and amended and restated bylaws.

Additionally, our Board of Directors adopted the Rights Agreement, which is intended to reduce the likelihood of an ownership change under Section 382 of the Code by deterring a third party from acquiring 4.9% or more of our shares of common stock then outstanding. The Rights Agreement, as well as the provisions described above, may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of the Rights Agreement or such provisions may adversely affect the prevailing market price of our common stock if viewed as discouraging takeover attempts in the future.

The Rights Agreement as well as the provisions of our amended and restated certificate of incorporation and amended and restated bylaws may also make it difficult for stockholders to replace or remove our management or Board of Directors. These provisions may facilitate management entrenchment that may delay, deter, render more difficult or prevent a change in our control, which may not be in the best interests of our stockholders.

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

a) Sales of Unregistered Securities

None.

b) Use of Proceeds from Public Offering of Common Stock

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

On November 6, 2020, the Issuers and the 2024 Guarantors entered into a Purchase Agreement (the “Note Purchase Agreement”) with certain holders of the Existing 2024 Senior Secured Notes (the “Purchasers”) pursuant to which the Purchasers agreed to purchase \$50 million aggregate principal amount of the Issuers’ 9.875% senior secured notes due 2024 (the “2020 Additional Notes”). The 2020 Additional Notes will be issued at a price equal to 103.5% of their face value, resulting in aggregate gross proceeds of \$51.8 million. The closing of the purchase of 2020 Additional Notes (the “Notes Closing”) is subject to customary conditions, including execution by the Issuers, the 2024 Guarantors and the Trustee of a fourth supplemental indenture (the “Fourth Supplemental Indenture”) to the 2024 Indenture to increase the amount of additional indebtedness under Credit Facilities (as defined in the 2024 Indenture) that may be incurred by the Issuers or the Subsidiary Guarantors (as defined in the 2024 Indenture) under the 2024 Indenture by \$50 million (from \$20 million to \$70 million in aggregate principal amount). The Fourth Supplemental Indenture was executed on November 9, 2020, following our receipt of consents from holders of a majority of the outstanding principal amount of the Existing 2024 Senior Secured Notes (excluding Existing 2024 Senior Secured Notes held by the Issuers or any affiliates of the Issuers). The Note Purchase Agreement will terminate on November 13, 2020 if the Notes Closing has not occurred by such date.

On November 6, 2020, we entered into the Letter Agreement with the Purchasers, pursuant to which, and conditioned on the Notes Closing, we agreed that if the Transaction has not closed by May 5, 2021, we will issue equity securities in one or more transactions with aggregate net proceeds of no less than \$20 million by no later than May 5, 2021. If by May 5, 2021, the closing of the Transaction has not occurred and we have not issued equity securities with net proceeds of at least \$20 million, then subject to certain conditions, we will be required to issue up to \$5.0 million in aggregate principal amount of 2020 Additional Notes to the Purchasers and the Purchasers will have the right to require the Issuers to repurchase all or a portion of the 2020 Additional Notes from the Purchasers between December 15, 2021 and the maturity date of the 2024 Senior Secured Notes.

In order to permit the transactions contemplated by the Note Purchase Agreement and the Letter Agreement, on November 6, 2020, the Borrowers entered into an amendment to the ABL Credit Agreement (the “ABL Credit Agreement Amendment”) with the lenders party thereto and the Administrative Agent to permit (i) the issuance of \$50.0 million aggregate principal amount of 2020 Additional Notes by November 13, 2020 and (ii) the issuance of \$5.0 million aggregate principal amount of 2020 Additional Notes by May 7, 2021, in each case, subject to the terms of the Intercreditor Agreement. The ABL Credit Agreement Amendment became effective immediately upon execution.

The ABL Credit Agreement Amendment, the Letter Agreement and the Note Purchase Agreement are attached hereto as Exhibits 10.1.48, 10.1.49 and 10.1.50, respectively. The foregoing descriptions of the ABL Credit Agreement Amendment, the Letter Agreement and the Note Purchase Agreement are qualified in their entirety by reference to the full texts of the agreements, which are incorporated herein by reference.

ITEM 6. Exhibits

Exhibit Number	Description of Exhibits
2.1**†	Purchase and Sale Agreement by and among Gogo Inc. and Intelsat Jackson Holdings S.A, dated August 31, 2020 (incorporated by reference to Exhibit 2.1 to Form 8-K filed on September 1, 2020 (File Number 001-35975))
3.3	Certificate of Designations of Series A Preferred Stock of Gogo Inc., as filed with the Secretary of State of the State of Delaware on September 23, 2020 (incorporated by reference to Exhibit 3.1 to Form 8-K filed on September 23, 2020 (File Number 001-35975))
4.12	Third Supplemental Indenture, dated as of July 31, 2020, between Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., Gogo Inc., the Subsidiary Guarantors party thereto and U.S. Bank National Association, as trustee
4.13	Section 382 Rights Agreement, dated as of September 23, 2020, between Gogo Inc. and Computershare Trust Company, N.A., as rights agent (incorporated by reference to Exhibit 4.1 to Form 8-K filed on September 23, 2020 (File Number 001-35975))
10.1.47†	Letter Agreement, dated as of August 13, 2020, between New Skies Satellites B.V. and Gogo LLC
10.1.48	Amendment to the Credit Agreement, dated as of November 6, 2020, by and among Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.
10.1.49**	Letter Agreement, dated as of November 6, 2020, by and among Gogo Inc. and the purchasers named therein.
10.1.50**	Purchase Agreement, dated as of November 6, 2020, by and among Gogo Intermediate Holdings LLC, Gogo Finance Co. Inc., the guarantors party thereto and the purchasers named therein
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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	Inline XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* 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.

- ** Certain schedules and other similar attachments to such agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish a copy of such omitted documents to the SEC upon request.
- # Indicates management contract or compensatory plan or arrangement
- † Certain provisions of this exhibit have been omitted pursuant to Item 601 (b)(10)(iv) of Regulation S-K.

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: November 9, 2020

Gogo Inc.

/s/ Oakleigh Thorne

Oakleigh Thorne

President and Chief Executive Officer

(Principal Executive Officer)

/s/ Barry Rowan

Barry Rowan

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

AMENDMENT NO. 1 TO CREDIT AGREEMENT

This AMENDMENT NO. 1 TO CREDIT AGREEMENT (this "Amendment") is entered into as of November 6, 2020, by and among GOGO INTERMEDIATE HOLDINGS LLC, a Delaware limited liability company ("Intermediate Holdings"), GOGO FINANCE CO. INC., a Delaware corporation (together with Intermediate Holdings, the "Borrowers" and each individually, a "Borrower"), the financial institutions listed on the signature pages hereof, and JPMORGAN CHASE BANK, N.A., as administrative agent (the "Administrative Agent").

RECITALS

- A. The Borrowers, the other Loan Parties party thereto, the Lenders party thereto and the Administrative Agent are party to that certain Credit Agreement dated as of August 26, 2019 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the "Existing Credit Agreement", and as modified by this Amendment, the "Credit Agreement"). Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed to them by the Credit Agreement.
- B. The Borrower Representative has informed the Administrative Agent of the proposed issuance by the Borrower of up to \$55,000,000 of incremental 9.875% Senior Secured Notes due 2024 pursuant to the Senior Secured Notes Indenture.
- C. The Borrower Representative has requested that the Lenders amend the Credit Agreement to permit such issuance.
- D. The Lenders are willing to amend the Credit Agreement on the terms and conditions set forth below.

Now, therefore, in consideration of the mutual execution hereof and other good and valuable consideration, the parties hereto agree as follows:

1. Amendment.
- (a) Section 1.1 of the Credit Agreement is hereby amended to restate the definition of Senior Secured Notes in its entirety as follows:
- "Senior Secured Notes" means the Borrowers' 9.875% Senior Secured Notes due 2024 and issued pursuant to the Senior Secured Notes Indenture, as the same may be replaced or refinanced in whole or in part in accordance with the terms hereof.*
- (b) Section 6.01(b) of the Credit Agreement is hereby restated in its entirety as follows:
- (b) (i) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and any extensions, renewals, refinancings and replacements of any such Indebtedness in accordance with clause (f) hereof, (ii) (x) Indebtedness evidenced by the Senior Secured Notes on the Effective Date plus (y) additional Senior Secured Notes issued after the Effective Date and on or before November 13, 2020 in an aggregate principal amount not to exceed \$50,000,000 plus (z) additional Senior Secured Notes issued after the*

Effective Date and on or before May 7, 2021 in an aggregate principal amount not to exceed \$5,000,000, in each case, subject to the Senior Secured Notes Intercreditor Agreement, and (iii) Indebtedness evidenced by the Convertible Notes on the Effective Date, and in the case of each of the foregoing, any extensions, renewals, refinancings and replacements of any such Indebtedness in accordance with clause (f) hereof;

2. Representations and Warranties of the Borrowers. Each Borrower represents and warrants that as of the Effective Date (as defined below):

(a) The execution and delivery by the Borrowers of this Amendment, and the performance by the Loan Parties of this Amendment and the Credit Agreement have been duly authorized by all necessary organizational action and that this Amendment and the Credit Agreement are legal, valid and binding obligations of the Loan Parties enforceable against the Loan Parties in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law;

(b) The representations and warranties of the Loan Parties set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects (or in all respects if the applicable representation and warranty is qualified by any materiality qualifier (including Material Adverse Effect)) with the same effect as though made on and as of the date hereof, unless such representation and warranty is made as of a specific date, in which case such representation and warranty shall be true and correct in all material respects (or in all respects if the applicable representation and warranty is qualified by any materiality qualifier (including Material Adverse Effect) on and as of such earlier date; and

(c) No Default or Event of Default has occurred and is continuing, nor would result from the consummation of the Sale.

3. Conditions to Effectiveness. This Amendment shall become effective on the date (the "Effective Date") upon which all of the following conditions have been satisfied:

(a) the Administrative Agent shall have received duly executed copies of this Amendment from each of the Borrowers, the Lenders and the Administrative Agent;

(b) the Administrative Agent shall have received duly executed copies of a Reaffirmation of Loan Guaranty and Collateral Documents in the form of Exhibit A hereto (the "Reaffirmation") from each of the Loan Parties (other than the Borrowers);

(c) the Loan Parties shall have paid all reasonable out-of-pocket expenses (including reasonable fees, charges and disbursements of counsel) of the Administrative Agent payable pursuant to Section 9.03 of the Credit Agreement; and

(d) the Administrative Agent shall have received such other documents as the Administrative Agent, any Lender or their respective counsel may have reasonably requested.

4. Reference to and Effect Upon the Loan Documents.

(a) Except as specifically set forth herein, the Existing Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and

confirmed. Without limiting the foregoing, each Borrower hereby reaffirms (a) its obligations under the each Loan Document to which it is a party and (b) all Liens on the Collateral which have been granted by it in favor of the Administrative Agent (for itself and the other Secured Parties) pursuant to any of the Loan Documents, and all filings made with a Governmental Authority in connection therewith. This Amendment and the Reaffirmation shall each constitute a Loan Document.

(b)The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders under the Credit Agreement or any Loan Document, nor constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein.

5. Costs and Expenses. Each Borrower hereby affirms its obligation under Section 9.03 of the Credit Agreement to reimburse the Administrative Agent for all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates in connection with the preparation, negotiation, execution and delivery of this Amendment, including but not limited to the reasonable fees, charges and disbursements of counsel for the Administrative Agent with respect thereto.

6. Reaffirmation of Obligations. Each Borrower hereby ratifies the Credit Agreement and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement, (b) that it is responsible for the observance and full performance of the Secured Obligations and (c) all Liens on the Collateral which have been granted by it in favor of the Administrative Agent (for itself and the other Secured Parties) pursuant to any of the Loan Documents, and all filings made with a Governmental Authority in connection therewith.

7. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

9. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic mail shall be effective as delivery of manually executed counterpart hereof. The words "execution," "signed," "signature," and words of like import in this Amendment or in any other certificate, agreement or document related to this Amendment shall include images of manually executed signatures transmitted by facsimile or other electronic format (including, without limitation, "pdf", "tif" or "jpg") and other electronic signatures (including, without limitation, DocuSign and AdobeSign). The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Uniform Commercial Code.

[signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

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 Amendment No. 1]

1006349216v1

By: /s/ Jerome Prince

Name: Jerome Prince

Title: Authorized Signer

[Signature Page to Amendment No. 1]

By: /s/ Jonathan Kerner

Name: Jonathan Kerner

Title: Vice President

[Signature Page to Amendment No. 1]

EXHIBIT A

FORM OF REAFFIRMATION OF LOAN GUARANTY AND COLLATERAL DOCUMENTS

REAFFIRMATION OF LOAN GUARANTY AND COLLATERAL DOCUMENTS

Each of the undersigned acknowledges receipt of a copy of that certain Amendment No. 1 to Credit Agreement dated as of the date hereof (the "Amendment") relating to the Credit Agreement dated as of August 26, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") referred to therein, consents to the Amendment and each of the transactions referenced therein, hereby reaffirms (a) its obligations under the Loan Guaranty and each Collateral Document to which it is a party and (b) all Liens on the Collateral which have been granted by it in favor of the Administrative Agent (for itself and the other Secured Parties) pursuant to any of the Loan Documents, and all filings made with a Governmental Authority in connection therewith. Capitalized terms used herein, but not otherwise defined herein, shall have the meanings ascribed to such terms in the Credit Agreement.

This Reaffirmation of Loan Guaranty and Collateral Documents shall be governed by, and construed in accordance with, the laws of the State of New York.

Dated as of November 6, 2020

[signature page follows]

GOGO INC.

By
Name:
Title:

AC BIDCO LLC

By
Name:
Title:

GOGO BUSINESS AVIATION LLC

By
Name:
Title:

GOGO CONNECTIVITY LTD.

By
Name:
Title:

GOGO LLC

By
Name:
Title:

GOGO INTERNATIONAL HOLDINGS LLC

By
Name:
Title:

[Signature Page to Reaffirmation of Loan Guaranty and Collateral Documents]

GOGO ATG LLC

By
Name:
Title:

GOGO CA LICENSES LLC

By
Name:
Title:

GOGO INFLIGHT INTERNET CANADA LTD.

By
Name:
Title:

GOGO AIR INTERNATIONAL GMBH

By
Name:
Title:

[Signature Page to Reaffirmation of Loan Guaranty and Collateral Documents]

LETTER AGREEMENT

LETTER AGREEMENT (this "Agreement"), dated as of November 6, 2020, between, Gogo Inc., a Delaware corporation (the "Company"), and each of the parties identified on Schedule I hereto (each, a "Purchaser" and collectively, the "Purchasers").

RECITALS

WHEREAS, on and subject to the terms and conditions set forth in the purchase agreement (the "Notes Purchase Agreement"), dated as of November 6, 2020, between Gogo Intermediate Holdings LLC, a Delaware limited liability company ("Holdings"), Gogo Finance Co. Inc., a Delaware corporation (the "Co-Issuer" and, together with Holdings, the "Issuers"), the Guarantors (as defined in the Notes Purchase Agreement), and the Purchasers, the Issuers agreed to issue and sell to the Purchasers \$50,000,000 aggregate principal amount of 9.875% Senior Secured Notes due 2024 of the Issuers (the "Notes"), to be issued pursuant to the indenture, dated as of April 25, 2019, among the Issuers, each of the guarantors party thereto and U.S. Bank National Association, as trustee and collateral agent (as amended and supplemented from time to time, the "Indenture") (such issuance and sale of Notes, the "Offering"); and

WHEREAS, on August 31, 2020, the Company entered into a Purchase and Sale Agreement (the "CA Purchase Agreement") with Intelsat Jackson Holdings S.A., a *societe anonyme* ("Buyer"), pursuant to which, subject to the satisfaction of the conditions set forth in the CA Purchase Agreement, the Company will sell to Buyer all of the issued and outstanding units of Gogo LLC, a Delaware limited liability company, and Gogo International Holdings LLC, a Delaware limited liability company, for a purchase price of \$400 million in cash, subject to certain adjustments (the "CA Sale Transaction").

NOW, THEREFORE, in consideration of the mutual promises and of the mutual covenants, representations, warranties and obligations hereinafter set forth, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

ARTICLE I**COVENANTS****1.1 Company Covenants.**

(a) If (i) the Offering is consummated, pursuant to the terms of the Notes Purchase Agreement, and (ii) by 5:00 p.m., New York City time, on May 5, 2021 (the "Equity Issuance Deadline"), the CA Sale Transaction has not been completed, then, subject to the terms and conditions hereof, the Company agrees with each of the Purchasers that it shall engage in one or more transactions (which transactions may, but need not, involve a primary issuance of securities for cash)

involving shares of the Company's common stock or other equity securities (including securities convertible into equity securities but not including any instruments with mandatory redemption features) of the Company (collectively, "Equity Securities"), which transactions result in net proceeds of at least \$20.0 million in the aggregate (the "Qualifying Equity Issuance Condition").

(b) For purposes of determining whether the Qualifying Equity Issuance Condition has been satisfied:

(i) with respect to Equity Securities issued for cash, the net proceeds of such issued Equity Securities shall be equal to the total cash proceeds received by the Company, less any costs and expenses (including underwriters' or initial purchasers' fees, discounts or commissions) incurred in connection with such issuance, and such net proceeds shall have been provided to Holdings in the form of a common equity capital contribution or the purchase of units or other equity interests of Holdings (other than units or equity with a maturity date, mandatory redemption date or other similar features);

(ii) with respect to all other issuances of Equity Securities, the net proceeds of such issued Equity Securities shall be equal to the value of the savings generated, services or assets received or cash recouped by Holdings or its "Restricted Subsidiaries" (as defined in the Indenture) in connection with such issuance, based on (A) the reasonable good faith determination of the disinterested members of the Company's board of directors, whose determination shall be conclusive if evidenced by a validly adopted resolution of such directors or (B) such other evidence as shall be reasonably satisfactory to the Purchasers; and

(iii) any issuance of Equity Securities that is contemplated by the Company's financial projections and forecasts for the fiscal year ending December 31, 2021, set forth in Schedule II hereto, that were previously provided to any of the Purchasers shall be disregarded.

(c) Promptly following satisfaction of the Qualifying Equity Issuance Condition, an officer of the Company shall deliver a certificate to each of the Purchasers that describes the transaction(s) that satisfy the Qualifying Equity Issuance Condition, in form and substance reasonably satisfactory to each Purchaser.

(d) The Company agrees to take, or cause to be taken, all actions and to do or cause to be done all other things necessary, proper or advisable in order for such party to fulfill and perform their respective obligations in respect of this Agreement, to cause the conditions to its obligations set forth herein to be fulfilled and otherwise to consummate and make effective the transactions contemplated

by this Agreement, including, but not limited to, amending and supplementing the Indenture to permit the issuance of the Additional Notes (as defined below) by the Issuers.

1.2 Failure to Satisfy the Qualifying Equity Issuance Condition. If the Offering is consummated, pursuant to the terms of the Notes Purchase Agreement, and both the CA Sale Transaction has not been completed and the Qualifying Equity Issuance Condition has not been satisfied by the Equity Issuance Deadline:

(a) the Company shall cause the Issuers to issue to each Purchaser additional 9.875% Senior Secured Notes due 2024 (“Senior Secured Notes”) of the Issuers (the “Additional Notes” and, together with the Notes, the “Total Notes”), which shall trade under the same CUSIP number as the Notes, in an aggregate principal amount set forth in Schedule I hereto (the “Additional Notes Issuance”) by no later than May 7, 2021; *provided* that, if, as of May 7, 2021, the Issuers are required to issue Additional Notes pursuant to this Section 1.2(a)(i), but are not permitted to issue such Additional Notes pursuant to any contractual restrictions, including under the Indenture, the Company shall, not later than the close of business on May 7, 2021, pay each Purchaser cash (in immediately available funds) in an amount equal to the aggregate principal amount of Additional Notes that would have otherwise been issued to each Purchaser; and

(b) each Purchaser shall have the right, at anytime from December 15, 2021 until the maturity date of the Senior Secured Notes (as set forth in the Indenture), to sell an aggregate principal amount of Senior Secured Notes equal to the aggregate principal amount of such Purchaser’s Total Notes to the Issuers, and the Issuers shall be required to purchase all of such Senior Secured Notes, at a price equal to the aggregate principal amount of such Senior Secured Notes, plus accrued and unpaid interest to (but not including) the applicable repurchase date.

1.3 Purchaser Covenants. Each Purchaser agrees to use all commercially reasonable efforts to take, or cause to be taken, all actions and to do or cause to be done all other things necessary, proper or advisable in order for such party to fulfill and perform their respective obligations in respect of this Agreement, to cause the conditions to its obligations set forth herein to be fulfilled and otherwise to consummate and make effective the transactions contemplated by this Agreement, including, but not limited to, consenting in respect of all Senior Secured Notes of the Issuers beneficially owned by such Purchaser to any amendment to the Indenture to permit the incurrence of the Additional Notes by the Issuers if so requested by the Company or the Issuers.

ARTICLE II

TERMINATION

2.1 Termination. This Agreement may be terminated by (i) mutual written

consent of the Company and each of the Purchasers or (ii) the Company if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued a nonappealable final order, decree or ruling or taken any other action having the effect of permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement.

2.2 Drop-Dead Date. This Agreement shall terminate automatically if the purchase and sale contemplated by this Agreement has not been consummated by 4:00 p.m., New York City time, on November 13, 2020.

2.3 Effects of Termination. In the event of termination of this Agreement pursuant to Section 2.1 hereof, this Agreement shall become void and have no effect, without any liability to any person in respect hereof, except for any liability resulting from such party's breach of this Agreement.

ARTICLE III

MISCELLANEOUS

3.1 Notices. All notices, requests, consents and other communications hereunder to any party shall be in writing (including electronic or facsimile transmission) and shall be delivered:

(i) if to the Company:

Gogo Inc.
111 N. Canal Street
Chicago, IL 60606
Attn: General Counsel

with a copy to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attn: Matthew E. Kaplan

Fax: (212) 521-7334
Telephone: (212) 909-7334
e-mail: mekaplan@debevoise.com

(ii) if to any Purchaser, to the address of such Purchaser specified on Schedule I hereto;

or such other address or facsimile number or e-mail address as any party may hereafter specify for the purpose by notice to the other party. All such notices, requests, consents and other communications shall be deemed received on the date of receipt by the recipient.

3.2 Confidentiality; Public Announcements. Except as required by applicable securities or other laws or compulsory legal process, the Company and each of the Purchasers shall keep, and shall cause each of their respective affiliates and advisors to keep, the terms of this Agreement and the transactions contemplated hereby confidential, and shall not make, and shall cause their affiliates and advisors not to make, any public announcement in respect of this Agreement or the transactions contemplated hereby without the prior written consent of the other parties hereto.

3.3 Amendments and Waivers. This Agreement may be amended, modified, supplemented or waived only upon the written agreement of the Company and the party against whom enforcement of such amendment, modification, supplement or waiver is sought.

3.4 Assignment. Neither the Company nor any Purchaser shall assign all or any part of this Agreement without the prior written consent of the other party, except that any Purchaser may assign its rights and obligations under this Agreement (in whole or in part) to another party that is a fund or account under common management with such Purchaser.

3.5 Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

3.6 Governing Law and Submission to Jurisdiction. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New York. With respect to any suit, action or proceeding against it arising out of or relating to this Agreement, each of the Purchasers and the Company irrevocably submits to the exclusive jurisdiction of the courts of the State of New York and the United States District Courts in each case located in the Borough of Manhattan, City and State of New York. In addition, each of the Purchasers and the Company irrevocably waives any objection which it may now or hereafter have to the laying of venue of such suit, action or proceeding brought in any such court and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

3.7 Survival. All representations, warranties and covenants contained herein or made in writing by the Company or any of the Purchasers in connection with the transactions contemplated by this Agreement shall survive the execution and delivery of this Agreement.

3.8 Counterparts. This Agreement may be executed in any number of counterparts, which may be delivered by facsimile or electronic transmission, each of which shall be an original, but all of which together shall constitute one instrument. All signatures need not appear on any one counterpart. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile or other electronic transmission (i.e., a “.pdf” or “.tif”) shall be effective as delivery of a manually executed counterpart thereof.

3.9 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. The parties shall, to the extent lawful and practicable, use their commercially reasonable efforts to enter into arrangements to reinstate the intended benefits, net of the intended burdens, of any such provision held invalid, illegal or unenforceable.

3.10 Further Assurances. Each party hereto agrees to use all commercially reasonable efforts to execute and deliver to the other party such further instruments and to take such further actions as the other party may reasonably deem necessary to fully effectuate the intent and purposes of this Agreement.

3.11 Headings. The headings contained in this Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement.

[Remainder of Page Intentionally Left Blank]

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

GOGO INC.

By: /s/ Marguerite M. Elias

Name: Marguerite M. Elias

Title: Executive Vice President,
General Counsel and Secretary

[Signature Page to Letter Agreement]

This Agreement is hereby accepted and agreed to as of the date hereof.

CAPITAL RESEARCH AND MANAGEMENT COMPANY, for and on behalf of the funds and accounts managed or advised by it or its affiliates and listed on Schedule I hereto, each as a Purchaser

By: /s/ Kristine M. Nishiyama
Name: Kristine M. Nishiyama
Title: Authorized Signatory

[Signature Page to Letter Agreement]

This Agreement is hereby accepted and agreed to as of the date hereof.

WESTMINSTER DEBT VIII AGGREGATOR LLC, as a Purchaser

By: /s/ Marc G. Puglia
Name: Marc G. Puglia
Title: Authorized Signatory

[Signature Page to Letter Agreement]

This Agreement is hereby accepted and agreed to as of the date hereof.

Cardinal Fund L.P., By: HPS Investment Partners, LLC, as Investment
Manager, as a Purchaser

By: /s/ Serge Adam

Name: Serge Adam

Title: Managing Director

Signature Page to Letter Agreement

This Agreement is hereby accepted and agreed to as of the date hereof.

Credit Value Master Fund V Subsidiary, Ltd., By: HPS Investment Partners, LLC, as its Investment Manager, as a Purchaser

By: /s/ Serge Adam

Name: Serge Adam

Title: Managing Director

Signature Page to Letter Agreement

This Agreement is hereby accepted and agreed to as of the date hereof.

Credit Value Ontario Fund V Subsidiary, L.P., By: HPS Investment Partners, LLC, as investment manager, as a Purchaser

By: /s/ Serge Adam

Name: Serge Adam

Title: Managing Director

Signature Page to Letter Agreement

This Agreement is hereby accepted and agreed to as of the date hereof.

Institutional Credit Fund Subsidiary, L.P., By: HPS Investment Partners,
LLC, its Investment Manager, as a Purchaser

By: /s/ Serge Adam

Name: Serge Adam

Title: Managing Director

Signature Page to Letter Agreement

This Agreement is hereby accepted and agreed to as of the date hereof.

HPS Mauna Kea Fund, L.P., By: HPS Investment Partners, LLC, as
investment manager, as a Purchaser

By: /s/ Serge Adam

Name: Serge Adam

Title: Managing Director

Signature Page to Letter Agreement

This Agreement is hereby accepted and agreed to as of the date hereof.

Florida Power & Light Company Qualified Decommissioning Trusts for Turkey Point and St. Lucie Nuclear Plants, By: HPS Investment Partners, LLC, as Investment Manager, as a Purchaser

By: /s/ Serge Adam

Name: Serge Adam

Title: Managing Director

Signature Page to Letter Agreement

This Agreement is hereby accepted and agreed to as of the date hereof.

Sandlapper Credit Fund, L.P., By: HPS Investment Partners, LLC, Its
Investment Manager, as a Purchaser

By: /s/ Serge Adam

Name: Serge Adam

Title: Managing Director

Signature Page to Letter Agreement

This Agreement is hereby accepted and agreed to as of the date hereof.

Credit Value Master Fund VI, L.P., By: HPS Investment LLC, its
Investment Manager, as a Purchaser

By: /s/ Serge Adam

Name: Serge Adam

Title: Managing Director

Signature Page to Letter Agreement

This Agreement is hereby accepted and agreed to as of the date hereof.

ZALICO VL Series Account – 2, By: HPS Investment Partners, LLC, as
Investment Manager, as a Purchaser

By: /s/ Serge Adam

Name: Serge Adam

Title: Managing Director

Signature Page to Letter Agreement

PURCHASE AGREEMENT

PURCHASE AGREEMENT (this “Agreement”), dated as of November 6, 2020, between GOGO INTERMEDIATE HOLDINGS LLC, a Delaware limited liability company (the “Company”), GOGO FINANCE CO. INC., a Delaware corporation (the “Co-Issuer” and, together with the Company, the “Issuers”), the Guarantors (as defined below) and each of the purchasers identified on Schedule I hereto (each, a “Purchaser” and collectively, the “Purchasers”).

RECITALS

WHEREAS, the Issuers previously issued \$905,000,000 aggregate principal amount of 9.875% senior secured notes due 2024 (the “Initial Notes”) on April 25, 2019, pursuant to the indenture, dated as of April 25, 2019 (the “Base Indenture”), among the Issuers, each of the guarantors party thereto and U.S. Bank National Association, as trustee (the “Trustee”) and collateral agent (the “Collateral Agent”);

WHEREAS, the Issuers issued \$20,000,000 aggregate principal amount of additional 9.875% senior secured notes due 2024 (the “2019 Tack-on Notes” and, together with the Initial Notes, the “Existing Notes”) on May 7, 2019, pursuant to the Base Indenture, as supplemented by the first supplemental indenture, dated as of May 3, 2019 (the “First Supplemental Indenture”), among the Issuers, each of the guarantors party thereto and the Trustee, which was further supplemented by the second supplemental indenture, dated as of March 6, 2020 (the “Second Supplemental Indenture”), among the Issuers, each of the guarantors party thereto and the Trustee, and the third supplemental indenture, dated as of July 31, 2020 (the “Third Supplemental Indenture” and together with the Base Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the “Existing Indenture”), among the Issuers, the Guarantors and the Trustee;

WHEREAS, on and subject to the terms and conditions set forth in this Agreement, the Issuers desire to issue and sell to the Purchasers, and the Purchasers desire to purchase from the Issuers, \$50,000,000 aggregate principal amount of 9.875% Senior Secured Notes due 2024 of the Issuers (the “Notes”);

WHEREAS, the Notes will be issued pursuant to the Existing Indenture, as supplemented by a fourth supplemental indenture (the “Fourth Supplemental Indenture,” and together with the Existing Indenture, the “Indenture”), to be entered into among the Issuers, the Guarantors and the Trustee, in the form set forth in Schedule II hereto, upon receipt of consents from holders of a majority of the outstanding Existing Notes (other than Existing Notes held by the Issuers or affiliates of the Issuers) (the “Consents”);

WHEREAS, 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 Inc., a Delaware corporation (“Gogo”), and (ii) any subsidiary of Gogo formed or acquired after the Closing 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,” and together with the Notes, the “Securities”); and

WHEREAS, the Securities will be secured by first-priority liens (subject to certain exceptions and Permitted Liens (as defined in the Indenture)) on (i) substantially all of the assets of the Issuers and the Guarantors, (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 documented by (1) a collateral agreement (as amended or supplemented, the “Collateral Agreement”) and a collateral agency agreement (the “Collateral Agency Agreement”), each dated as of April 25, 2019, (2) other instruments evidencing or creating a security interest, each in favor of the Collateral Agent, for its benefit and the benefit of the Trustee and the holders of the Notes and (3) a reaffirmation agreement, to be dated as of the Closing, substantially in the form of Exhibit 1 to Exhibit A to the Collateral Agency Agreement, to be entered into by the Issuers and the Guarantors, pursuant to which each Issuer and Guarantor will have consented to the designation of the Notes as Priority Lien Debt (as defined in the Collateral Agency Agreement), confirmed its respective guarantees, pledges, grants of security interests and other obligations, as applicable, under and subject to the terms of the each of the Priority Lien Documents (as defined in the Collateral Agency Agreement) to which it is party, and agreed that, notwithstanding the designation of the Notes or any of the transactions contemplated thereby, such guarantees, pledges, grants of security interests and other obligations, and the terms of each Priority Lien Document to which it is a party, are not impaired or adversely affected in any manner whatsoever and shall continue to be in full force and effect and the Notes shall be entitled to all of the benefits of such Priority Lien Documents (the “Reaffirmation Agreement”) and, collectively with the documents described in clauses (i) and (ii) above, the “Security Documents”). On the Closing, the Issuers and the Collateral Agent will enter into an Additional Secured Debt Designation (as such term is defined in the Collateral Agency Agreement) substantially in the form of Exhibit A to the Collateral Agency Agreement (together with the Notes, the Security Documents and the Indenture, the “Transaction Documents”).

NOW, THEREFORE, in consideration of the mutual promises and of the mutual covenants, representations, warranties and obligations hereinafter set forth, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

ARTICLE I

SALE AND PURCHASE

1.1 The Purchase. At the Closing (as defined below), subject to the terms and conditions hereof, and in reliance on the representations and warranties of the respective parties contained herein, each Purchaser shall purchase from the Issuers, and the Issuers shall issue and sell to each Purchaser, the principal amount of Notes set forth on Schedule I hereto opposite each Purchaser's name at the purchase price of 103.50% of the principal amount thereof (the "Purchase Price"). The Purchasers' obligations hereunder are several and not joint obligations, and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

1.2 The Closing. The closing of the sale and purchase of the Notes shall take place at the offices of Debevoise & Plimpton LLP, 919 Third Avenue, New York, NY 10022, at a date and time to be mutually agreed upon by all parties hereto (the "Closing"). If at the Closing, the Issuers shall fail to tender such Notes to any Purchaser as provided below in this Article I, or any of the conditions specified in Article IV shall not have been fulfilled, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of any of the conditions specified in Article IV not having been fulfilled or such failure by the Issuers to tender such Notes.

1.3 Actions at the Closing. At the Closing, the following actions shall occur:

(a) Each Purchaser shall pay the aggregate Purchase Price for the Notes it is purchasing as set forth on Schedule I to the account of the Company by wire transfer of immediately available funds pursuant to instructions provided to such Purchaser by the Company no later than the Closing.

(b) The Issuers shall deliver, or cause to be delivered, to each Purchaser, against payment of the Purchase Price by such Purchaser, the Notes to be purchased by such Purchaser in book-entry form through The Depository Trust Company.

(c) The Issuers and each Purchaser agree to take, or cause to be taken, all actions and to do or cause to be done all other things necessary, proper or advisable in order for such party to fulfill and perform their respective obligations in respect of this Agreement, to cause the conditions to its obligations set forth herein to be fulfilled and otherwise to consummate and make effective the transactions contemplated by this Agreement.

ARTICLE II

REPRESENTATIONS & WARRANTIES OF THE ISSUERS AND THE GUARANTORS

Each Issuer and Guarantor, jointly and severally, hereby represents and warrants to each Purchaser as follows as of the date hereof and as of the Closing:

2.1 Organization and Good Standing; Power and Authority. Each Issuer and Guarantor 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, and to enter into and perform its obligations under each of the Transaction Documents to which it is a party.

2.2 Authorization of this Agreement. The execution, delivery and performance of this Agreement, and the consummation by the Issuers and the Guarantors of the transactions contemplated hereby, including the sale and delivery by the Issuers of the Notes, have been duly authorized by all requisite actions on the part of the Issuers and the Guarantors. The Issuers and the Guarantors have duly executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of the Issuers and the Guarantors, enforceable against the Issuers and the Guarantors in accordance with its terms, except as may be limited by (i) bankruptcy, insolvency (including all laws relating to fraudulent transfers), reorganization, moratorium or other similar laws relating now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) and the discretion of the court before which any proceeding therefor may be brought (collectively, the "Enforceability Exceptions").

2.3 No Conflict. The execution, delivery and performance by the Issuers and the Guarantors of this Agreement and the Transaction Documents, and the consummation by the Issuers and the Guarantors of the transactions contemplated thereby, including the sale and delivery by the Issuers and the Guarantors of the Notes and the Guarantees, as applicable, will not (a) violate any provision of law, statute, rule or regulation, or any ruling, writ, injunction, order, judgment or decree of any court, administrative agency or other governmental body applicable to the Issuers or the Guarantors or any of their respective properties or assets, (b) after giving operative effect to the amendments contained in the Fourth Supplemental Indenture, conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute (with due notice or lapse of time, or both) a default (or give rise to any right of termination, cancellation or acceleration) under any agreement binding upon the Issuers or the Guarantors, (c) violate the organizational and governing instruments applicable to the Issuers or the Guarantors or (d) result in the creation or imposition of any lien, charge or encumbrance on the Notes, except, in the case of clause (a), (b) or (d) above, for such violations, conflicts, breaches, defaults, liens, charges or encumbrances that would not, singly or in the

aggregate, reasonably be expected to result in a material adverse change in the condition, financial or otherwise, or in the earnings, business or operations of the Issuers or the Guarantors and their respective subsidiaries taken as a whole, or that would not affect the validity of the Notes or the Guarantees.

2.4 Consents. No permit, authorization, registration, consent or approval of or by, or any notification of or filing with any person (governmental or private) is required to be obtained or made by the Issuers or the Guarantors to the extent each is a party thereto in connection with the execution, delivery and performance by the Issuers or the Guarantors of this Agreement, the Transaction Documents or any documentation relating thereto or the consummation by the Issuers and the Guarantors of the transactions contemplated hereby or thereby, except (a) such as may be required under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the regulations promulgated thereunder or the securities or Blue Sky laws of the various states of the United States, (b) as may have been already obtained, (c) any filings, recordings, notices or other ministerial actions pursuant to any routine recordings, contractual or regulatory requirements applicable to the Issuers or the Guarantors and (d) the Consents.

2.5 No Registration. None of the Issuers, the Guarantors, or any affiliate or any person acting on their behalf, directly or indirectly, has made or will make any offer or sale of the Notes, or has solicited or will solicit offers to buy, or otherwise has negotiated or will negotiate in respect of, the Notes, under circumstances that would require the registration of the Securities under the Securities Act. The Notes will be sold pursuant to an available exemption under the Securities Act. Assuming the accuracy of the representations and warranties of the Purchasers contained in Article III and their compliance with their agreements set forth therein, it is not necessary, in connection with the issuance and sale of the Notes to the Purchasers, to register the Securities under the Securities Act.

2.6 Indenture and Securities. At the Closing, the Issuers and the Guarantors will have all requisite corporate or other power and authority to execute, deliver and perform their respective obligations under the Indenture and the Securities. At the Closing, the Indenture and the Securities will have been duly and validly authorized by the Issuers and the Guarantors and when executed and delivered by the Issuers and the Guarantors (assuming the due authorization, execution and delivery by the Trustee), the Indenture and the Securities will constitute a valid and legally binding obligation of the Issuers and the Guarantors enforceable against the Issuers and the Guarantors in accordance with its terms, except that the enforcement thereof may be subject to the Enforceability Exceptions.

2.7 Security Documents. Each of (i) the Security Documents other than the Reaffirmation Agreement has been duly authorized, executed and delivered by the Issuers and/or each applicable Guarantor, as appropriate, and constitutes 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, and the liens created by such Security Documents continue to be valid and continuing security interests in the Collateral in favor of the Collateral Agent for the benefit of itself, the Trustee and the holders of the Notes and (ii) the Reaffirmation Agreement and the Additional Secured Debt Designation have been duly authorized by the Issuers and the Guarantors and, when executed and delivered by the Issuers and the Guarantors, will constitute valid and legally binding agreements of each Issuer and/or each applicable Guarantor in accordance with its terms, subject to the Enforceability Exceptions.

2.8 Disclosure Documents. Upon Gogo's filing of its Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (the "10-Q"), the Purchasers will not be in possession of any material non-public information with respect to Gogo and its subsidiaries. The Securities are not being sold to the Purchasers on the basis of any material non-public information in possession of Gogo that has not been previously disclosed to the Purchasers.

2.9 Fungibility. At the Closing, the Notes will be issued under the same CUSIP number and other identifying numbers as the Existing Notes and will trade fungibly with Existing Notes.

2.10 Ranking. At the Closing, the Notes and the Guarantees will rank equal in right of payment and lien priority with the Existing Notes and the related guarantees, respectively.

ARTICLE III

REPRESENTATIONS & WARRANTIES OF THE PURCHASERS

Each Purchaser, severally and not jointly, hereby represents and warrants to the Issuers and the Guarantors as follows as of the date hereof and as of the Closing:

3.1 Organization and Good Standing; Power and Authority. Such Purchaser has been duly organized and validly exists in good standing under the laws of such Purchaser's jurisdiction of organization or formation. Such Purchaser has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to carry out the transactions contemplated by this Agreement.

3.2 Authorization of this Agreement. The execution, delivery and performance of this Agreement, and the consummation by such Purchaser of the transactions contemplated hereby, have been duly authorized by all requisite actions on the part of such Purchaser. Such Purchaser has duly executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of such Purchaser, enforceable against such Purchaser in accordance with its terms.

3.3 No Conflict. The execution, delivery and performance by such Purchaser of this Agreement, and the consummation by such Purchaser of the transactions contemplated hereby, do not and will not (a) violate any provision of law, statute, rule or regulation, or any ruling, writ, injunction, order, judgment or decree of any court, administrative agency or other governmental body applicable to such Purchaser or any of its properties or assets, (b) conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute (with due notice or lapse of time, or both) a default (or give rise to any right of termination, cancellation or acceleration) under any agreement of such Purchaser or (c) violate the organizational and governing instruments applicable to such Purchaser.

3.4 Consents. No permit, authorization, registration, consent or approval of or by, or any notification of or filing with any person (governmental or private) is required to be obtained or made by such Purchaser in connection with the execution, delivery and performance by such Purchaser of this Agreement or any documentation relating thereto or the consummation by such Purchaser of the transactions contemplated hereby or thereby.

3.5 [Intentionally Omitted.]

3.6 Evaluation of and Ability to Bear Risks. Such Purchaser (a) is experienced, sophisticated and knowledgeable in business and financial matters and in the trading of securities, (b) is able to bear the business, financial and economic risks associated with the transactions contemplated by this Agreement and (c) understands the disadvantage that may result from selling the Notes without knowledge of any Confidential Information. Such Purchaser, (a) by reason of its own business or financial experience or its own independent investigation, has the capability, and has information sufficient in order, (i) to make, and has so made, an informed decision on the merits and risks of entering into and consummating the transactions contemplated by this Agreement and (ii) to protect its own interests in connection with the transactions contemplated by this Agreement; (b) has had sufficient information and opportunity for satisfactory consultation, and has so consulted, with advisors, financial, legal or otherwise, of its choice with regard to the merits and risks of entering into and consummating the transactions contemplated by this Agreement; and (c) exclusively has relied on its own business or financial experience or its own independent investigation in determining to enter into and consummate the transactions contemplated by this Agreement.

3.7 Non-reliance. Except as set forth in this Agreement, such Purchaser has not relied upon any representation, warranty, covenant or agreement, concerning the transactions contemplated by this Agreement or the Notes, whether express or implied, of any kind or character, of the Issuers and the Guarantors or any of their respective affiliates, directors, officers, employees, agents and controlling persons. In addition, such Purchaser has not relied on the Issuers or the Guarantors to act in any advisory or fiduciary capacity in connection with such Purchaser's decision to enter into this Agreement or any of the transactions contemplated by this Agreement.

3.8 [Intentionally Omitted].

3.9 Purchase for Own Account. Such Purchaser is purchasing the Notes for such Purchaser's own account or for one or more separate accounts maintained by such Purchaser and not with a view to, or for sale in connection with, any distribution thereof in a transaction that would violate or cause a violation of the Securities Act or the securities laws of any state or any other applicable jurisdiction. Such Purchaser has not been organized solely for the purpose of acquiring the Notes.

3.10 Purchaser Status. Such Purchaser is (a) an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3), (7) or (8) of Regulation D under the Securities Act or (b) (i) is a "qualified institutional buyer" as defined in Rule 144A under the Securities Act, and (ii) is aware that the sale of the Notes is being made in reliance on an exemption from registration under the Securities Act. Such Purchaser is aware that the Issuers and the Guarantors are relying upon the representations, warranties and agreements contained in this Agreement for the purpose of determining whether this transaction meets the requirements of the exemption from the registration requirements of the Securities Act and any applicable state securities laws.

3.11 No Registration; Restricted Securities. Such Purchaser understands and acknowledges that (a) the offer and sale of the Notes has not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States or in any other jurisdiction and (b) the Notes being acquired pursuant hereto are characterized as "restricted securities" under the U.S. federal securities laws inasmuch as they are being acquired from the Issuers and the Guarantors in a transaction not involving a public offering and that under such laws and applicable regulations such securities may not be resold without registration under the Securities Act, except in certain limited circumstances. Such Purchaser is familiar with Rule 144 promulgated under the Securities Act and understands the resale limitations imposed thereby and by the Securities Act.

3.12 Legends. Such Purchaser understands and acknowledges that the Notes will bear one or more legends to the effect set forth below (in addition to any other legend which may be required by other arrangements between the parties hereto):

(a) "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON

BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH AN ISSUER OR ANY AFFILIATE OF AN ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS OR ANY OF THEIR SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) THROUGH OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES, IN COMPLIANCE WITH RULE 904 UNDER REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF \$250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS’ AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.”

(b) “THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE

EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(A) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

(c) Any legend required by the securities laws of any state to the extent such laws are applicable to the Notes represented by the certificate so legended.

ARTICLE IV

CONDITIONS

4.1 Mutual Conditions to Obligations of the Purchasers and the Issuers. The obligation of each Purchaser to purchase the Notes, and of the Issuers to deliver the Notes, on the Closing shall be subject to the fulfillment prior to the Closing of the following conditions:

(a) no temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by any court of competent jurisdiction or other statute or law shall be in effect at the time of the Closing preventing the consummation of the transactions contemplated hereby, including the sale and delivery by the Issuers of the Notes;

(b) the Fourth Supplemental Indenture shall have been duly executed and delivered by each of the parties thereto; and

(c) this Agreement shall have been duly executed and delivered by each of the parties hereto.

4.2 Conditions to Obligation of Purchasers. The obligation of each Purchaser to purchase Notes on the Closing shall be subject to the fulfillment prior to or at the time of the Closing of the following conditions:

(a) each of the representations and warranties of the Issuers contained in this Agreement shall be true and correct as of the Closing as though made on the Closing;

(b) each of the Issuers in all material respects shall have performed, satisfied and complied with each of its covenants and agreements set forth in this Agreement to be performed, satisfied and complied with prior to or at the time of the Closing; and

(c) the Issuers shall have caused outside New York counsel to the Issuers and the Guarantors to deliver a legal opinion to the Purchasers (in customary form) as to the matters described in Sections 2.1 through 2.7 hereof.

4.3 Conditions to Obligations of the Issuers. The obligation of the Issuers to deliver the Notes to the Purchasers on the Closing shall be subject to the fulfillment prior to or at the time of the Closing of the following conditions:

(a) each of the representations and warranties of each of the Purchasers contained in this Agreement shall be true and correct as though made on the Closing;

(b) each of the Purchasers in all material respects shall have performed, satisfied and complied with each of its covenants and agreements set forth in this Agreement to be performed, satisfied and complied with prior to or at the time of the Closing; and

(c) each of the Purchasers shall have paid to the Company the Purchase Price, in accordance with Section 1.3 hereof.

ARTICLE V

TERMINATION

5.1 Termination. This Agreement may be terminated:

(a) automatically on the Closing without any further action by any

party if any of the conditions set forth in Article IV applicable to its obligation to consummate the transactions contemplated by this Agreement (in the case of any Purchaser, on a several and not joint basis) have not been satisfied or waived by such Closing;

(b) by mutual written consent of each of the Purchasers, the Issuers and the Guarantors;

(c) by any of the Purchasers, the Issuers or the Guarantors if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued a nonappealable final order, decree or ruling or taken any other action having the effect of permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement; or

(d) by any of the Purchasers (on the one hand) or the Issuers or the Guarantors (on the other hand) (i) if any representation or warranty of any other party set forth in this Agreement shall be untrue when made or (ii) upon a breach in any material respect of any covenant, representation, warranty or agreement of any other party set forth in this Agreement, in each case which would constitute a failure of the condition to the Closing (in each case, other than a breach that is caused primarily by the party asserting such breach).

5.2 Drop-Dead Date. This Agreement shall terminate automatically if the purchase and sale contemplated by this Agreement has not been consummated by 4:00 p.m., New York City time, on November 13, 2020.

5.3 Effects of Termination. In the event of termination of this Agreement pursuant to Section 5.1 hereof, this Agreement shall become void and have no effect, without any liability to any person in respect hereof, except for any liability resulting from such party's breach of this Agreement, and the Company shall promptly return to each Purchaser any Purchase Price paid by such Purchaser. The provisions of Article VI shall survive any termination hereof pursuant to Section 5.1 hereof.

ARTICLE VI

MISCELLANEOUS

6.1 Notices. All notices, requests, consents and other communications hereunder to any party shall be in writing (including electronic or facsimile transmission) and shall be delivered:

(i) if to any Issuer or Guarantor:

Gogo Intermediate Holdings LLC
111 N. Canal Street

Chicago, IL 60606
Attn: General Counsel

with a copy to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attn: Matthew E. Kaplan

Fax: (212) 521-7334
Telephone: (212) 909-7334
e-mail: mekaplan@debevoise.com

(ii) if to any Purchaser, to the address of such Purchaser specified on Schedule I hereto;

or such other address or facsimile number or e-mail address as any party may hereafter specify for the purpose by notice to the other party. All such notices, requests, consents and other communications shall be deemed received on the date of receipt by the recipient.

6.1 Confidentiality; Public Announcements. Except as required by applicable securities or other laws or regulations or compulsory legal or regulatory process, the Issuers, the Guarantors and each of the Purchasers shall keep, and shall cause each of their respective affiliates and advisors to keep, the terms of this Agreement and the transactions contemplated hereby confidential, and shall not make, and shall cause their affiliates and advisors not to make, any public announcement in respect of this Agreement or the transactions contemplated hereby without the prior written consent of the other parties hereto.

6.2 Amendments and Waivers. This Agreement may be amended, modified, supplemented or waived only upon the written agreement of the Issuers, the Guarantors and the party against whom enforcement of such amendment, modification, supplement or waiver is sought.

6.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and the personal representatives and assigns of the parties hereto, whether so expressed or not.

6.4 Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

6.5 Governing Law and Submission to Jurisdiction. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New York. With respect to any suit, action or proceeding against it arising out of or relating to this Agreement, each of the Purchasers, the Issuers and the Guarantors irrevocably submits to the exclusive jurisdiction of the courts of the State of New York and the United States District Courts in each case located in the Borough of Manhattan, City and State of New York. In addition, each of the Purchasers, the Issuers the Guarantors irrevocably waives any objection which it may now or hereafter have to the laying of venue of such suit, action or proceeding brought in any such court and irrevocably waive any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

6.6 Survival. All representations, warranties and covenants contained herein or made in writing by the Issuers, the Guarantors or any of the Purchasers in connection with the transactions contemplated by this Agreement shall survive the execution and delivery of this Agreement and the issuance of the Notes at the Closing.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, which may be delivered by facsimile or electronic transmission, each of which shall be an original, but all of which together shall constitute one instrument. All signatures need not appear on any one counterpart. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile or other electronic transmission (i.e., a “.pdf” or “.tif”) shall be effective as delivery of a manually executed counterpart thereof.

6.8 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. The parties shall, to the extent lawful and practicable, use their commercially reasonable efforts to enter into arrangements to reinstate the intended benefits, net of the intended burdens, of any such provision held invalid, illegal or unenforceable.

6.9 Further Assurances. Each party hereto agrees to execute and deliver to the other party such further instruments and to take such further actions as the other party may reasonably deem necessary to fully effectuate the intent and purposes of this Agreement.

6.10 Headings. The headings contained in this Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement.

[Remainder of Page Intentionally Left Blank]

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

ISSUERS

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

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

GOGO INTERNATIONAL HOLDINGS LLC

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

GOGO CONNECTIVITY LTD.

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

GOGO AIR INTERNATIONAL GMBH

By: /s/ Marguerite M. Elias
Name: Marguerite M. Elias
Title: Managing Director

GOGO INFLIGHT INTERNET CANADA LTD.

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

Gogo ATG LLC

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

GOGO CA LICENSES LLC

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

This Agreement is hereby accepted and agreed to as of the date hereof.

CAPITAL RESEARCH AND MANAGEMENT COMPANY, for and on behalf of the funds and accounts managed or advised by it or its affiliates and listed on Schedule I hereto, each as a Purchaser

By: By: /s/ Kristine M. Nishiyama
Name: Kristine M. Nishiyama
Title: Authorized Signatory

WESTMINSTER DEBT VIII AGGREGATOR LLC, as a Purchaser

By: /s/ Marc G. Puglia
Name: Marc G. Puglia
Title: Authorized Signatory

CARDINAL FUND L.P., By: HPS Investment Partners, LLC, as Investment Manager, as a Purchaser

By: /s/ Serge Adam
Name: Serge Adam
Title: Managing Director

CREDIT VALUE MASTER FUND V SUBSIDIARY, LTD., By: HPS Investment Partners, LLC, as its Investment Manager, as a Purchaser

By: /s/ Serge Adam
Name: Serge Adam
Title: Managing Director

CREDIT VALUE ONTARIO FUND V SUBSIDIARY, L.P.,
By: HPS Investment Partners, LLC, as investment manager, as a
Purchaser

By: /s/ Serge Adam
Name: Serge Adam
Title: Managing Director

INSTITUTIONAL CREDIT FUND SUBSIDIARY, L.P., By:
HPS Investment Partners, LLC, its Investment Manager, as a
Purchaser

By: /s/ Serge Adam
Name: Serge Adam
Title: Managing Director

HPS MAUNA KEA FUND, L.P., By: HPS Investment
Partners, LLC, as investment manager, as a Purchaser

By: /s/ Serge Adam
Name: Serge Adam
Title: Managing Director

**FLORIDA POWER & LIGHT COMPANY QUALIFIED
DECOMMISSIONING TRUSTS FOR TURKEY POINT
AND ST. LUCIE NUCLEAR PLANTS,** By: HPS Investment
Partners, LLC, as Investment Manager, as a Purchaser

By: /s/ Serge Adam
Name: Serge Adam
Title: Managing Director

SANDLAPPER CREDIT FUND, L.P., By: HPS Investment Partners, LLC, Its Investment Manager, as a Purchaser

By: /s/ Serge Adam
Name: Serge Adam
Title: Managing Director

CREDIT VALUE MASTER FUND VI, L.P., By: HPS Investment LLC, its Investment Manager, as a Purchaser

By: /s/ Serge Adam
Name: Serge Adam
Title: Managing Director

ZALICO VL SERIES ACCOUNT – 2, By: HPS Investment Partners, LLC, as Investment Manager, as a Purchaser

By: /s/ Serge Adam
Name: Serge Adam
Title: Managing Director

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

Mr. Oakleigh Thorne President
& CEO Gogo LLC
111 North Canal Street, Ste. 1500
Chicago, IL 60606 USA
Email: othorne@gogoair.com

[SES: STRICTLY PRIVATE AND CONFIDENTIAL]

13 August 2020

Subject: **Agreement to Defer Certain Payments**

Dear Oakleigh,

The purpose of this letter is to set forth the agreement reached by New Skies Satellites B.V. ("SES") and Gogo LLC ("Gogo") regarding Gogo's request for payment relief under service orders between SES and its affiliates and Gogo and its affiliates.

Subject to the conditions described herein, SES and Gogo agree that:

Part I. The due dates for [***]% of the payments due under those agreements Subject to De ferral (as specified in Subset 1 of Attachment 1) for the months of [***], [***], and [***] will be deferred for [***] months until [***], [***] and [***].

Part II. The due dates for [***]% of the payments due under those agreements Subject to Deferral (as specified in Subset 1 of Attachment 1) for the months of [***], [***], and [***] will be deferred for [***] months until [***], [***], and [***]. The total amount deferred during Part II may not exceed \$[***].

Other Conditions.

The agreements set forth herein are subject to Gogo's execution of this letter agree ment and payment of US\$[*] to SES no later than [***].** In addition, the deferred payments under Part II are further subject to Gogo being current on payments due to SES and its affiliates through [***].



SES reserves the right to declare any deferred amounts immediately due and payable upon the failure of Gogo or its affiliates to make timely payments to SES or its affiliates under the terms and conditions of the agreements.

All deferred amounts are immediately due and payable upon the change of control of Gogo or any of its business units. Change of control shall mean the occurrence of any of the following events: (i) an acquisition of Gogo or any of its business units by another entity by means of any transaction or series of related transactions, or (ii) a sale of all or substantially all of the assets of Gogo or any of its business units, so long as in either case the stockholders of record immediately prior to such event will, immediately after such event, hold less than fifty percent (50%) of the voting power of the surviving or acquiring entity or business.

The deferrals exclude the ramp capacity associated with SES-14 and SES-15 and any payment relief related to those ramps will be addressed separately.

SES is committed to the long-term success of our relationship and we look forward to working with Gogo on future opportunities.

Yours sincerely, Acknowledged and Agreed by Gogo LLC:

/s/ Ulco Bouwsma

/s/ Tim Joyce

Name: Ulco Bouwsma

Name: Tim Joyce

Title: Proxyholder A

Title: VP RF Engineer

14-08-2020

Date: Aug. 13, 2020

Document legal Entity	Document Number	Document Date	Due Date	Number	Contract Start	Contract End	Service Period Amount	Deferral Amount	Invoice Deferral %	Defera Amount	Attachment 1 Invoice Amount Net of Defferal
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]%	[***]	[***]

THIRD SUPPLEMENTAL INDENTURE

THIRD SUPPLEMENTAL INDENTURE (this “*Supplemental Indenture*”), dated as of July 31, 2020, among GOGO INFLIGHT INTERNET CANADA LTD., a British Columbia limited company (“*Canadian Guaranteeing Subsidiary*”), GOGO ATG LLC, a Delaware limited liability company (“*Delaware Guaranteeing Subsidiary 1*”), GOGO CA LICENSES LLC, a Delaware limited liability company (“*Delaware Guaranteeing Subsidiary 2*” and, together with Canadian Guaranteeing Subsidiary and Delaware Guaranteeing Subsidiary 1, the “*Guaranteeing Subsidiaries*”), each of which is a direct or indirect subsidiary of Gogo Inc. (or its permitted successor), a Delaware corporation, Gogo Intermediate Holdings LLC, a Delaware limited liability company, and Gogo Finance Co. Inc., a Delaware corporation (together, the “*Issuers*”), the other Guarantors (as defined in the Indenture referred to herein) and U.S. Bank National Association, as trustee (the “*Trustee*”) and as collateral agent under the Indenture referred to below.

WITNESSETH

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee an indenture, dated as of April 25, 2019 (as amended or supplemented from time to time, the “*Indenture*”) providing for the issuance of 9.875% Senior Secured Notes due 2024 (the “*notes*”);

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiaries shall unconditionally guarantee all of the Issuers’ Obligations under the notes and the Indenture on the terms and conditions set forth herein (the “*Guarantee*”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
 2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiaries each hereby agree to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Guarantee and in the Indenture including but not limited to Article 11 thereof.
-

3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder of the Issuers or any Guarantor, as such, will have any liability for any obligations of the Issuers or the Guarantors under the notes, the Indenture, the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiaries and the Issuers.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

GOGO INFLIGHT INTERNET CANADA LTD.

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

GOGO ATG LLC

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

GOGO CA LICENSES LLC

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

ISSUERS

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 Third Supplemental Indenture]

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
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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 Third Supplemental Indenture]

GOGO INTERNATIONAL HOLDINGS LLC

By: /s/ Marguerite M. Elias

Name: Marguerite M. Elias

Title: Executive Vice President, General Counsel and Secretary

GOGO CONNECTIVITY LTD.

By: /s/ Marguerite M. Elias

Name: Marguerite M. Elias

Title: Executive Vice President, General Counsel and Secretary

GOGO AIR INTERNATIONAL GMBH

By: /s/ Marguerite M. Elias

Name: Marguerite M. Elias

Title: Executive Vice President, General Counsel and Secretary

[Signature Page to Third Supplemental Indenture]

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: /s/ Linda Garcia
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Linda Garcia
Authorized Signatory

[Signature Page to Third Supplemental Indenture]

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: November 9, 2020

/s/ Oakleigh Thorne

Oakleigh Thorne
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: November 9, 2020

/s/ Barry Rowan

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

Gogo Inc.

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

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

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2020 (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: November 9, 2020

/s/ Oakleigh Thorne

Oakleigh Thorne

President and Chief Executive Officer

(Principal Executive Officer)

Gogo Inc.

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

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

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2020 (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: November 9, 2020

/s/ Barry Rowan

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