

Gogo Inc.
Form 10-K
February 25, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One):

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

Commission File Number: 001-35975

Gogo Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)

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

111 North Canal St., Suite 1500

Chicago, IL 60606

(Address of principal executive offices)

Telephone Number (312) 517-5000

(Registrant's telephone number, including area code)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was \$1,206,186,050 based upon the closing price reported for such date on the NASDAQ Global Select Market.

As of February 17, 2016, 85,913,206 shares of \$0.0001 par value common stock were outstanding.

Documents Incorporated By Reference

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders scheduled to be held June 16, 2016 are incorporated by reference into Part III of this Form 10-K. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2015.

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INTRODUCTORY NOTE

Unless the context otherwise indicates or requires, as used in this Annual Report on Form 10-K for the fiscal year ended December 31, 2015 references to: (i) we, us, our, Gogo, or the Company 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 term means only Gogo Inc. exclusive of its subsidiaries; (ii) CA, CA business or commercial aviation refers to our commercial aviation North American, or CA-NA, segment and our commercial aviation rest of world, or CA-ROW, segment, taken as a whole and (iii) fiscal, when used in reference to any twelve-month period ended December 31, refers to our fiscal year ended December 31. Unless otherwise indicated, information contained in this Annual Report is as of December 31, 2015. We have made rounding adjustments to reach some of the figures included in this Annual Report and, unless otherwise indicated, percentages presented in this Annual Report are approximate.

Cautionary 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, intend, may, plan, potential, should, will, future and the negative of these or similar terms and phrases are intended to identify forward-looking statements in this Annual Report on Form 10-K. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially under Risk Factors, Quantitative and Qualitative Disclosures about Market Risk, and Management's Discussion and Analysis in this report. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

Item 1. Business

Who We Are

Gogo's mission is to advance aviation by connecting every aircraft with the most trusted communications services on and above our planet. We believe that aircraft connectivity is transforming the global aviation industry and that we are well-positioned to lead this transformation.

Gogo is the leading provider of in-flight connectivity and wireless entertainment solutions for the global aviation industry. We believe we deliver the most reliable communications services for global aviation, enabling our customers to operate with confidence and efficiency in connected aircraft. Our commercial aviation business, which operates through our CA-NA and CA-ROW segments, provides connectivity-based solutions that enable our airline partners to differentiate their service offerings, increase passenger satisfaction, unlock new revenue streams and achieve operational efficiencies. Our Gogo Business Aviation segment (BA) offers a broad suite of in-flight Internet connectivity and other voice and data communications products and services to the business aviation market.

Our full fleet solutions enable our airline partners and business aircraft owners and operators to benefit from connected aircraft by delivering in-flight connectivity-based services to passengers and connecting the aircraft and its crew with ground-based operations. We currently provide services on approximately 9,600 aircraft, which represents

more than 20% of the world's total commercial and business jet aircraft. Our scale position supports global operational execution, as well as a research and development program that enables us to pioneer groundbreaking technologies for the global aviation industry.

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What We Offer

We believe we offer the global aviation industry an innovative and open connectivity platform that enables our customers to lower their operating costs and improve customer experiences.

Global Network Solutions. We have the broadest array of connectivity solutions in the commercial and business aviation sectors, which gives us the unique ability to offer each airline customer a solution tailored to particular aircraft types and flight routes. Our technology suite is designed to meet the cost, capacity, coverage, reliability and aero-performance requirements of airlines, aircraft owners and operators and their passengers around the world. This broad suite of network solutions enables us to provide Internet connectivity and in-flight entertainment to more aircraft and to offer full fleet solutions to more airlines than our competitors.

Global Satellite Solutions for CA

2Ku: Our next generation global satellite solution, 2Ku, was announced to the market in 2014. Currently, 2Ku is installed and undergoing testing on our Boeing 737 test aircraft and an aircraft operated by one of our airline partners. 2Ku is expected to begin passenger revenue service in the first half of 2016. As of February 21, 2016, seven airlines have awarded approximately 800 aircraft to Gogo for 2Ku service on either a long term or trial basis. Of such awarded aircraft, approximately 240 are not yet subject to a definitive contract or amendment to an existing contract. 2Ku will initially launch on two foreign airlines, following through on our commitment to provide innovative solutions to both U.S. and international airlines. 2Ku employs two low-profile, highly efficient satellite antennas that provide twice the efficiency of our Ku-band service and significantly improve performance in equatorial regions, while also creating less drag and fuel burn as compared to other satellite alternatives. 2Ku is capable of delivering peak speeds in excess of 70 Mbps. Following the introduction of spot beam satellites, we expect 2Ku to provide peak speeds in excess of 100 Mbps with no antenna swap required. Because of the spectral efficiency of the 2Ku antenna, we believe that 2Ku will be the best solution in the market for delivering live television and other IP-based services to passengers, crews and airline operations.

Ku: Our first generation Ku-band satellite service utilizes the same satellite network as 2Ku and provides peak speeds of up to 40 Mbps. Our Ku system is currently installed on more than 200 aircraft operated by both foreign and domestic airlines, with approximately 40 additional aircraft under contract. We believe that our Ku system leads the industry in passenger experience with international coverage and predictable performance.

Global Satellite Solutions for BA

Iridium, SwiftBroadband (SBB) and Inmarsat 's Global Xpress Jet ConneX (JX): Our satellite telecom services for business aircraft are currently comprised of our Iridium-based, SBB based and JX-based systems. We are the largest reseller of Iridium satellite service to the business aviation market, with 66 satellites and service capable of delivering peak speeds of up to 2.4 Kbps. The SBB satellite network provides near global coverage and is supported by three geostationary Inmarsat satellites in orbit and is capable of delivering peak

data transmission rates of up to 432 Kbps. JX, which will be supported by three satellites and is anticipated to offer peak transmission speeds of up to 33 Mbps, is expected to become operational in 2016.

North American Solutions for CA-NA and BA

ATG-4/ATG: Our proprietary air-to-ground (ATG) broadband Internet connectivity services are available through our CA-NA and BA segments to commercial and business aircraft flying routes in the continental United States, Alaska and portions of Canada using our ATG-4 and ATG technologies. ATG-4 and ATG provide peak speeds to the aircraft of 9.8 Mbps and 3.1 Mbps, respectively. Our ATG/ATG-4 technologies offer a number of advantages as compared to satellite technologies for aircraft not flying over large bodies of water and requiring relatively low amounts of bandwidth, in particular smaller commercial aircraft, including regional jets, and business aircraft. These advantages

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include a lower equipment profile and less weight, which reduce aircraft drag, fuel burn and associated operating costs, as well as lower equipment and installation costs. Our BA business provides ATG broadband Internet connectivity service, marketed as Gogo Biz, with equipment small and light enough for virtually any aircraft. As of December 31, 2015, we had 1,439 aircraft in CA-NA equipped with ATG and 948 aircraft equipped with ATG-4.

Airborne Equipment and Related Services. We offer a complete package of airborne equipment for our ATG-4/ATG and satellite services. For commercial aviation, we also offer installation, certification and maintenance services. We are required by the Federal Aviation Administration (FAA) to secure the necessary Supplemental Type Certificates (STC) for each aircraft type operated by each airline partner on whose aircraft our equipment will be installed on a retrofit basis, and foreign aviation authorities have similar requirements. Our ATG-4/ATG equipment can be installed overnight on a retrofit basis, so the aircraft does not go out of service, and we believe that we complete satellite installations more quickly than our competitors. We offer equipment repair and replacement services for all of our airline partners and are available to provide maintenance services on the aircraft upon request.

Although we have experienced robust growth to date conducting retrofit installations, our long term goal is to have factory installation (line-fit) available as an option for our major technology solutions. We are currently working with both mainline commercial aircraft original equipment manufacturers (OEMs) to qualify our wireless in-cabin network, our in-flight entertainment system (Gogo Vision) and our 2Ku solution for installation during aircraft manufacture.

Our BA business offers a number of hardware solutions, including the Universal Cabin System (UCS) 5000, business aviation's first all-in-one smart router and media server, which is a single system that manages and delivers connectivity, entertainment and information services, while managing multiple networks. UCS 5000 works with Gogo Biz and supports Gogo Text & Talk, which allows passengers to use their own smartphones to send and receive text messages, as well as make and receive phone calls (where permitted) while in flight. BA also offers Gogo OnePhone, a product that provides superior voice quality and noise reduction, is easy to use and is designed to complement business aircraft interiors.

Passenger Services

Passenger Connectivity. Our connectivity service (Passenger Connectivity) allows passengers in the commercial and business aviation markets to connect to the Internet in-flight from their personal Wi-Fi enabled devices to browse the web, send and receive email and instant messages, access corporate VPNs and utilize other connectivity-based applications, including Gogo Text & Talk. We offer a variety of passenger access, billing and pricing options tailored to various devices, routes and session durations, in addition to monthly and annual subscriptions. Additionally, Gogo works with airlines, media partners and application providers to provide passengers access to a broad range of media content and connectivity-enabled applications.

Passenger Entertainment. Through Gogo Vision, our video-on-demand product accessible from passengers personal Wi-Fi enabled devices, we offer passengers in the commercial and business aviation markets the opportunity to enjoy a selection of in-flight entertainment options, which currently include on-demand movies and television shows. Our Gogo Vision product permits business aircraft operators in North America

to receive automatic content updates via our nationwide content delivery network, Gogo Cloud, or via a removable USB flash memory drive. In 2015, we introduced Gogo TV, which delivers live television content to passengers' Wi-Fi enabled devices using our in-cabin network. Gogo TV will be available on aircraft installed with our 2Ku solution.

Airline/Owner/Operator Services

Account Support. Our equipment sales and in-flight connectivity and entertainment services are accompanied by robust customer support. In CA, we have dedicated account and program management teams to support each airline partner's objectives, increasing passenger usage and providing regular reports of system performance and key service statistics. In BA, we have dedicated customer service,

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technical support and sales and engineering support teams committed to supporting our global customer base. In 2015, our BA business was recognized by Aviation International News for the fifth year in a row for its industry leading customer support. In a survey of cabin electronics manufacturers completed by business aviation customers, Gogo received first place awards in multiple customer support categories.

Network Monitoring and Management Services. We provide end-to-end solutions to our airline partners, saving them time and money. Our Network Operations Center (NOC) is the central location monitoring daily network operation and provides management and surveillance of network performance 24 hours a day, 365 days a year. Irrespective of the technology employed, our customized airborne network components, together with our data center network nodes, allow us to actively manage data traffic in order to maintain the speed and quality of the Gogo service through sophisticated bandwidth management.

Passenger Support Services. Our Passenger Connectivity services are supported by a variety of services and expertise, such as designing and implementing passenger access and pricing options and serving as the merchant of record for customer payments, including credit card processing. We are the only in-flight connectivity or entertainment provider to provide in-flight customer support. Our customer care contact center provides real-time support and customer service to passengers in-flight and consumers and enterprise customers on the ground 24 hours a day, 365 days a year, via real-time chat or email.

Portal Design, Development and Hosting. We are able to develop, deliver, maintain and host customized multi-language, multi-currency portals for our airline partners. We have developed a real-time, in-flight ad serving solution which enables us to provide destination specific content, messaging and merchandising through our customized portals.

Connected Aircraft Services. Our Connected Aircraft Services (CAS) consist of three distinct services designed to support the operational requirements of commercial airlines and business aircraft owners and operators and enable applications that improve the passenger experience and enhance operational efficiency.

Connectivity Services. Gogo has developed and is providing airline operational services (Connectivity Services) that benefit airline partners, aircraft owners and operators and passengers. For example, in CA our network currently supports real-time credit card processing for passenger food and beverage purchases on commercial aircraft and enables flight crews to access real-time weather information, electronic flight bags and voice services in the cockpit. Further, our BA business offers next generation Future Air Navigation System (FANS) over Iridium, which allows flight crews and air traffic controllers to exchange safety-sensitive information via a digital data link and enables automated position reporting via the aircraft's flight management system. FANS assists flight crews in obtaining preferential altitudes and routing to improve efficiency, reduce fuel consumption and save flight time. Our commercial airline partners and business aircraft owners and operators are increasingly demanding new applications that collect, analyze and transmit real-time performance and other data and view them as a competitive advantage. Going forward, we anticipate that flight and cabin crews, flight operation and maintenance teams will be able to utilize our Connectivity Services for their own operational purposes and to develop market-leading applications for functions such as network segmentation, encryption, performance management and usage auditing. As the

range and capabilities of such applications further develop and become available, we believe that we will be well-positioned to capitalize on this market demand. We generally charge for these Connectivity Services on a per Mb basis.

Hosting Services. Gogo provides application hosting capabilities on its airborne server, which enable airlines, business aircraft owners and operators, and select third parties to install software on the aircraft which can operate during flight. Hosting services provide airlines and aircraft owners and operators with a combination of processing, storage and access to key aircraft data, enabling advanced aircraft calculations and optimized flight performance.

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Data Services. Gogo enables airlines, aircraft owners and operators and industry suppliers access to key data from aircraft sensors, databases and crew inputs via application program interfaces in real-time. Such airborne access is combined with ground network input to provide comprehensive visibility into operations. These services are available for all aircraft types.

Our Business Segments and their Customers

Our business is conducted through three segments: CA-NA, CA-ROW and BA.

CA-NA. Through CA-NA, we offer our broad range of connectivity and entertainment services to commercial airlines flying routes that generally begin and end within North America, which for this purpose includes the United States, Canada and Mexico, on commercial aircraft operated by Delta Air Lines, American Airlines, Alaska Airlines, Virgin America, United Airlines, AeroMexico (in testing phase) and Air Canada pursuant to long-term agreements. As of December 31, 2015, we had approximately 250 aircraft currently installed with ATG and ATG-4 that are contracted to be upgraded to 2Ku, our next generation satellite solution.

As of December 31, 2015, CA-NA had 2,387 aircraft online, 948 of which were equipped with ATG-4 and 1,439 with ATG, and Gogo Vision was in operation on approximately 1,800 of such aircraft. This segment generated revenue of \$310.7 million, \$250.8 million and \$199.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. CA-NA segment profit was \$41.9 million and \$26.0 million for the years ended December 31, 2015 and 2014 respectively, and segment loss was \$1.3 million for the year ended December 31, 2013.

CA-ROW. Through CA-ROW, we offer our satellite-based connectivity and entertainment services to foreign-based commercial airlines and North American-based commercial airlines when flying routes outside of North America. We are currently providing Ku service on Delta Air Lines and Japan Air Lines and we plan to commence 2Ku service on Virgin Atlantic Airways and SBB service on Vietnam Airlines in 2016. In June 2015, we signed a long-term agreement with GOL, a Brazilian airline and Gogo's first South American airline partner, pursuant to which our 2Ku system will be installed on its entire fleet and in September 2015, Japan Transocean Air, a member of Japan Airlines group, selected Gogo to provide 2Ku and in-flight entertainment services for its new Boeing 737-800 aircraft fleet.

As of December 31, 2015, our CA-ROW segment had approximately 200 aircraft online and in operation with Gogo Vision. This segment generated revenue of \$11.6 million, \$2.1 million and \$1.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. CA-ROW segment loss was \$76.4 million, \$78.1 million and \$41.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. These results reflect that our CA-ROW business is still in the start-up phase, as we launched commercial international service in March 2014.

BA. Through BA, we offer a broad suite of in-flight Internet connectivity and other voice and data communications products and services under our Gogo Business Aviation brand to the business aviation market. We are the only provider of both equipment and services for three of the primary connectivity network services in the business aviation market: Gogo Biz, which delivers broadband Internet connectivity over our proprietary ATG network, and the Iridium and SBB satellite networks. In addition, we offer JX, which we expect to become operational in 2016. BA's customers include OEMs of business aircraft such as Cessna, Gulfstream, Bombardier, Learjet, Dassault Falcon, Embraer and Beechcraft, leading aftermarket dealers and all of the largest fractional jet operators including NetJets, Flexjet and Flight Options. We have a distribution network of approximately 170

independent certified dealers that serve locations in the U.S., Europe, Africa, South America and Asia. Since 2009, BA has evolved from primarily a hardware sales business to a provider of integrated equipment, network and services solutions. As of December 31, 2015, we had 3,477 Gogo Biz broadband systems online and 5,454 satellite systems online. This segment generated revenue of \$178.7 million, \$155.6 million and \$127.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. BA segment profit was \$71.9 million, \$63.0 million and \$50.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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Growth Strategy

Our mission is to advance aviation by connecting every aircraft, using the following strategies:

Increase Number of Gogo-connected Aircraft

Commercial Aviation. As of December 31, 2015, we provided our services on 2,589 of the approximately 19,900 existing global commercial aircraft. We have contracts to install our equipment and provide our services on approximately 800 additional aircraft (with approximately 220 deinstallations expected to occur over the next few years due to aircraft retirements). We plan to leverage our unique ability to cost-effectively equip each commercial aircraft type in an airline's fleet to increase the number of Gogo-equipped aircraft, targeting full-fleet availability of the Gogo service for all of our airline partners. We continue to pursue this significant global growth opportunity by leveraging our strong commercial aviation partnerships, broad and innovative technology platform and operational expertise. We also expect to increase the number of aircraft on which we provide service once we qualify for line-fit installation with Boeing and Airbus, as having connectivity as a factory option is desirable for many airlines because it avoids taking aircraft out of service for installation. We have started the technical review process for our 2Ku solution with Boeing, and in 2015, the parties jointly approved Gogo's in-cabin network and Gogo Vision for Boeing 737, 777 and 787 aircraft. With respect to Airbus, we are working towards obtaining approval as a qualified supplier, the first step in achieving line-fit capabilities for our 2Ku solution. Upon approval as an Airbus qualified supplier, we plan to pursue initial line-fit positions for our major equipment onboard A350 and A320 aircraft. We also have a global sales force and an operational near-global Ku-band network that currently provides coverage to more than 240 countries and territories. We received our first 2Ku STC in late 2015 and we expect 2Ku to become commercially available in the first half of 2016.

Further, we offer attractive business models to our airline partners, giving them the flexibility to determine the connectivity solution that meets the unique demands of their business. These solutions include a turnkey solution, an airline-directed model and various hybrid options. In our turnkey solution, we provide the airline with the full range of our services and we manage the bandwidth to the aircraft, with the goal of maximizing joint profitability and collecting passenger fees. Under the airline-directed model, the airline has the ability to determine which of our many end-to-end solutions it wants us to provide and which services it wants to provide itself. Under this model, the airline collects the passenger fees and we charge the airline based on the amount of bandwidth used and other services provided by Gogo.

Business Aviation. As of December 31, 2015, the business aviation market was comprised of more than 22,800 business aircraft in North America and approximately 7,300 business aircraft in the rest of the world. As of December 31, 2015, we had approximately 7,000 business aircraft online. We believe our integrated combination of equipment, networks, services and support is unmatched in its breadth by any competitor. We plan to leverage our existing ATG network to expand in North America and to use Inmarsat SBB and JX to grow our business internationally. In 2015, we continued to expand our Gogo Biz product line and our target market by adding systems designed for smaller aircraft, such as ATG 1000, which provides voice, high-performance e-mail, calling and texting with passengers' own smartphones and mobile numbers and support for select cockpit and operational applications through partnerships with various application providers. In 2015, we also expanded our airtime pricing options by introducing additional monthly plans and bundling programs and debuted a number of additional customer support capabilities. We are also working with all major business aviation OEMs to qualify our wireless in-cabin network, which will offer Gogo Vision as well as our ATG solutions, for installation during

aircraft manufacture and we expect that this offering will increase the number of Gogo connected aircraft.

Increase Revenue per Aircraft

We believe the needs of connected aircraft will continue to drive average revenue per aircraft (ARPA) and that passenger connectivity is currently the most important component in this calculation. Over time, we expect ARPA will also be driven by the use of operational applications as they become a more important factor in total revenue. We believe additional capacity is critical to growing ARPA.

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Our strategies for increasing passenger revenue include the following:

Increase Passenger Use of Connectivity. Our Passenger Connectivity is compatible with a broad range of Wi-Fi enabled devices, including tablets, laptops, notebooks, smartphones and e-readers. We intend to increase our connectivity take rate through the following:

Increase Network Capacity. We have been executing on our technology roadmap through our on-going deployment of ATG-4, which increases CA-NA network capacity and supports greater passenger use and the growing demand for our connectivity-based services. As of February 21, 2016, we expect to install 2Ku on approximately 800 aircraft (approximately 240 of which are awarded, but not yet subject to a definitive contract or amendment to an existing contract), with the majority of installations expected by the end of 2018, and this technology will provide increased capacity to our overall network. As many of such aircraft will operate in our ATG network area, once installed or upgraded, we also expect 2Ku to provide relief from our ATG capacity constraints.

Increase Flexible Pricing and Payment Options. In our CA business, in order to appeal to a broad spectrum of travelers, we intend to continue to tailor our pricing and access options to various devices, routes, session durations and products. In CA, passengers can utilize Passenger Connectivity by registering and paying for in-flight connectivity sessions that are offered in a variety of formats: time-based passes, route-based passes, day passes or subscription products. We offer the ability to purchase in-flight, on the ground through our website and certain of our airline partners' websites, and through other third parties. Passenger Connectivity is also available to airline passengers through third parties sponsoring complimentary Passenger Connectivity, roaming partners (Passenger Connectivity sold to ground-based Wi-Fi Internet providers or gateways who resell to their customers) and on a wholesale basis (Passenger Connectivity sold to companies who in turn make Passenger Connectivity available through customer loyalty programs). Additionally, we accept alternative payment methods in addition to credit cards, which gives passengers additional flexibility. Through BA, we expect to continue to offer flexible pricing for our broadband and voice services, allowing aircraft operators and owners various options based on data usage, flight frequency and number of aircraft serviced. For example, we provide our Gogo Biz service to business aircraft operators and owners on fixed usage or unlimited monthly service plans, and in 2015 we introduced new airtime programs, which include multi-network data bundling plans, multi-aircraft discount plans, unlimited data plans and the Gogo Biz 100 data plan, an additional option for lighter bandwidth users.

Increase Deployment and Usage of Entertainment and Other Content Services. We currently plan to increase the number of commercial aircraft equipped with Gogo Vision from more than 2,000 aircraft at December 31, 2015 to more than 2,500 aircraft by the end of 2016. We offer our airline partners the choice of sourcing their own content or having us source it for them. We intend to continue to expand the library of on-demand movies and television shows available through Gogo Vision by further collaborating with movie studios, television networks and other content providers. Depending on the airline, Gogo Vision may be purchased directly from Gogo or provided by the airline on a paid or complimentary basis (such as Delta Air Lines' Delta Studio offering). From time to time, third parties may sponsor complimentary access to Gogo Vision on one or more airlines.

Grow Revenue from New Services. We will continue to innovate and introduce new services and product offerings. For example, in 2014 we began offering Gogo Text & Talk. This low bandwidth service is expected to generate incremental revenue with minimal additional operating costs or investments in our existing technology infrastructure and can be offered at a lower price than Passenger Connectivity. Accordingly, we expect the service will expand our user base and create a new revenue stream, including through sponsored campaigns. For example, in 2014, we entered into an agreement with T-Mobile to deliver free in-flight texting and voicemail to its customers on all Gogo equipped U.S. commercial airlines. The term of the agreement was extended in 2015 and its initial term will expire in September 2017. In addition, we offer our media partners opportunities that include digital marketing campaigns on our portal, sponsorships, and e-commerce, where we generate revenue from ad placement and we earn revenue share on transactions made through the portal.

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Expand Connected Aircraft Services. Our Connectivity Services can be used to provide connectivity to the cabin crew and cockpit and enable remote diagnostics of aircraft components, engines avionics and hydraulics. We intend to continue to expand our Connected Aircraft Services to support airlines' use of what we expect to be a growing number of increasingly sophisticated applications designed to improve the passenger experience and operational efficiency. By enabling airlines and aircraft operators to integrate their aircraft with their ground-based information technology infrastructure, we expect our Connected Aircraft Services will facilitate the use of connectivity-based applications that collect, analyze and use real-time data, disseminate critical flight data to pilots in-flight and direct communication with passengers and crew, and provide real time diagnostics for the airline and aircraft. Additionally, because of our close connection to the aircraft and our application platform, we believe that we are well-positioned to support suppliers of certain aircraft components and systems that seek to monitor and transmit data related to the performance of their products.

Innovate and Evolve Our Technology and Operations

We will continue to innovate and evolve our technology platform to support global capacity demands, facilitate the roll-out of new service offerings and improve the performance and reliability of our existing offerings. To this end, we will continue to:

Innovate and Deploy New Solutions. We offer the broadest and most innovative array of in-flight connectivity technologies currently available in the market, including 2Ku, our next generation satellite technology, ATG-4/ATG and other satellite technologies so that our airline and aircraft customers can select the best solution for a given fleet based on aircraft sizes and routes. We received our first STC for 2Ku in late 2015 and expect to install 2Ku on over 800 aircraft (approximately 240 of which are awarded, but not yet subject to a definitive contract or amendment to an existing contract), with the majority of such installations expected to be completed by the end of 2018. We will continue to roll-out ATG-4 to more aircraft, expand the number of cell sites in our ground network and otherwise optimize the network. In 2015, our BA segment announced the introduction of ATG 1000, which enables bandwidth solutions for light jets, turboprops and owner-flown aircraft, to further expand its catalog of Gogo Biz products.

We will continue to expand our global satellite network coverage through the purchase of additional Ku-band and SBB capacity, and install more aircraft with our satellite solutions, while continuing to invest in research and development of satellite antenna and modem technologies. We will also continue to work with satellite service providers to influence the design and performance parameters of next generation satellites to provide near global coverage and increased satellite redundancy. We also continue to invest in research and development for next generation, spectrally efficient ATG solutions.

Invest in Operational Excellence. Gogo's technology supports the largest fleet of connected aircraft in the world and we have acquired significant technological and operational know-how and developed long-term and robust supplier relationships. We plan to enhance our ability to install new equipment and upgrade our installed equipment and software, including installation of Gogo Vision, overnight upgrades to our ATG-4 technology, and installations and upgrades to Ku-band satellite technology, through our strategically located installation and maintenance teams and our advanced monitoring and remote software management capabilities.

Contracts with Airline Partners

In our CA business we enter into connectivity agreements with our airline partners that allow our ATG, satellite equipment and/or entertainment services to be installed, and the Gogo service provided, on their aircraft. Under these

agreements, the airlines commit to have our equipment installed on some or all of the aircraft they operate, and we commit to provide Passenger Connectivity and/or entertainment services on such aircraft and to remit to the airlines a specified percentage of the service revenue that we generate. Under certain of our connectivity agreements, our airline partners will also become obligated to pay us monthly service fees for satellite-based connectivity service once the service becomes available on their aircraft. We have the exclusive

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right to provide Internet connectivity services on Gogo-installed aircraft throughout the term of the agreement in contracts with airline partners from which we derive a substantial majority of our CA revenue. The majority of our contracts with our airline partners have 10-year staggered terms, with expiration occurring on a fleet by fleet basis based on installation dates or on a contract basis, depending on the contract. Under our current contracts, the first expiration will occur in 2017 and the last in 2027.

Historically, our CA business has offered our airline partners a turnkey model, under which we provide the airline with the full range of our services, charge the passenger for Passenger Connectivity or Gogo Vision services and remit to the airline a specified percentage of passenger revenue. Under such model, for satellite-based connectivity services, the airline typically pays Gogo a monthly fee for network monitoring and management services. We have recently begun to offer and provide the airlines the additional option of an airline-directed model, whereby the airline partner has flexibility to determine which of the many end-to-end services it wants Gogo to provide and which services it wants to provide itself. For example, the airline may elect to assume responsibility for directly distributing in-flight connectivity and entertainment services to its passengers rather than using us as the distributor; in such case, we and the airline will determine a fee structure that compensates us for connectivity and the bandwidth consumed and any other services for which Gogo has responsibility.

Depending on the contract, installation and maintenance services may be performed by us and/or the airline. The agreements also vary as to who pays for installation and maintenance of the equipment. In addition, under contracts with airline partners from which we derive a substantial majority of our CA revenue, we are obligated, subject to certain limitations, to upgrade or improve the equipment installed on each such airline's fleet, at our expense, if we provide connectivity services to another airline that constitute a material improvement with respect to the functionality and/or reliability of the connectivity service offered at that time to such airline partners. Under certain contracts, we may also incur additional obligations or our airlines may be entitled to greater portions of connectivity revenue based on the number of aircraft installed with our equipment and the timing of such installations. Our contracts with certain of our airline partners set forth specified timelines for the installation of certain equipment, and our failure to meet such timelines requires us to credit or pay our airline partners liquidated damages and/or cover a portion or all of the costs of installing alternative equipment on certain aircraft. See Risk Factors Risks Related to Our CA Business A failure to maintain airline satisfaction with our connectivity equipment or the Gogo service could have a material adverse effect on our revenue and results of operations. Our connectivity agreements with one of our airline partners, from which we derive a significant portion, but less than a majority, of our CA-NA segment revenue, entitles our airline partner to a higher connectivity revenue share if our service is available on a specified number of aircraft in our airline partner's fleet.

The connectivity agreements require that Gogo and the airline engage in independent and joint marketing efforts intended to increase awareness and usage of our services. As of December 31, 2015, under agreements with five of our airline partners, the scope of the services that we provide has been expanded to include Gogo Vision and we are discussing with other airline partners the possibility of providing Gogo Vision on their installed fleets. We also provide under certain agreements content filtering and CAS, such as real-time credit card processing for passenger food and beverage purchases, flight crew access to real-time weather information, electronic flight bags and voice services in the cockpit.

Revenue from passengers using our service while flying on aircraft operated by Delta Air Lines accounted for approximately 28% of our consolidated revenue for the year ended December 31, 2015. We have three contracts with Delta. The contracts for ATG service on Delta Air Lines' mainline and regional jet fleets expire on the 13-year anniversary of specified installation milestones. The mainline fleet expiration will occur in 2022 and the regional jet expiration will occur in 2025. Our contract with Delta Air Lines for Ku-band satellite service on its international fleet expires on March 1, 2027. Our contract with Delta Air Lines for 2Ku service expires on the earlier of the 10-year

anniversary of a specified installation milestone that has not yet occurred and February 2027. Revenue from passengers using the Gogo service while flying on aircraft operated by American Airlines

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(including legacy US Airways aircraft) accounted for approximately 22% of our consolidated revenue for the year ended December 31, 2015. While American Airlines and US Airways have combined into one entity, we still have separate contracts for each legacy airline. Our contract with American Airlines for its domestic aircraft has different expiration dates for different fleet types. Generally the contract with respect to each fleet type expires on the 10-year anniversary of the date on which 90% of such fleet type has been installed with our ATG equipment, with the first expiration date occurring in 2018 and the last in 2025. Our contract with American Airlines for ATG-4 and Ku-band satellite service on its Airbus A320 and Boeing 737 fleets contract expires on the 10-year anniversary of the date on which we first charge passengers on its Airbus A320 fleet in connection with their use of our connectivity services. Our contract with US Airways for ATG-4 on its domestic aircraft expires in 2022. No other contract accounted for more than 10% of our consolidated revenue for the year ended December 31, 2015. Each of our contracts with Delta Air Lines and American Airlines allows the airline to terminate the contract should the percentage of passengers using the Gogo service on the airline's flights not meet certain thresholds. We currently experience, and for the last four years have experienced, connectivity take rates in excess of those thresholds. Our contracts with Delta Air Lines and American Airlines also permit these airlines to terminate their contracts prior to expiration upon the occurrence of other certain contractually stipulated events, including the circumstance in which another company provides an alternate connectivity service that is a material improvement over Passenger Connectivity, such that failing to adopt such service would likely cause competitive harm to the airline, and we are unable to match the competitive offer in terms of price, technology and schedule. See **Risk Factors** **Risks Related to Our CA Business** We are dependent on agreements with our airline partners to be able to access the passengers. Payments by these passengers for our services have provided, and we expect will continue to provide, a significant portion of our revenue. Our failure to realize the anticipated benefits from these agreements on a timely basis or to renew any existing agreements upon expiration or termination could have a material adverse effect on our financial condition and results of operations, **Risk Factors** **Risks Related to Our CA Business** If we are unable to successfully implement planned or future technology enhancements to increase our network capacity, or our airline partners do not agree to such enhancements, our ability to maintain sufficient network capacity and our business could be materially and adversely affected and **Risk Factors** **Risks Related to Our CA Business** A failure to maintain airline satisfaction with our equipment or the Gogo service could have a material adverse effect on our revenue and results of operations. If our contracts with Delta Air Lines or American Airlines were to be terminated for any reason, it would have a material adverse effect on our CA-NA segment.

Manufacturing, Installation and Maintenance

We have two manufacturing and assembly facilities and have fostered manufacturing, installation and maintenance relationships to provide quality service in our product offerings. Our CA and BA manufacturing activities take place at FAA-certified manufacturing and production facilities in Bensenville, Illinois and Broomfield, Colorado, respectively. The facilities are FAA-certificated repair stations and are operating in accordance with FAA-issued ratings and quality control systems, pursuant to FAA regulations. The repair stations' authorized activities include receiving, inspecting, equipment and system testing, kitting, warehousing and completion of regulatory shipping documentation. We work with our airline partners and third-party vendors to install and maintain our equipment on aircraft. Some of our airline partners choose to use their own mechanics to provide installation and maintenance services, in which case we provide training and on-site installation support and logistics. Other airlines look to us for these services as all of our installation and maintenance vendors meet the certification requirements established by the airlines and the FAA.

Technology Infrastructure

Our proprietary ATG network and technology platform, consisting of both hardware and software in the aircraft and on the ground, have been designed and developed to create highly compelling user experiences and enable future

domestic and international service and product growth, while managing the bandwidth and regulatory constraints associated with in-flight media and content delivery. We have developed sophisticated custom software and hardware that optimizes the air-to-ground link (direct air-to-ground and satellite-based) and traffic through the ability to monitor end-to-end network performance from the ground. Our network and systems

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architecture was designed to evolve with best of breed technologies and enable us to employ new technological innovations across our own ATG network and third-party satellite networks using Ku-band satellite service.

Our expenditures for research and development are charged to expense as incurred and totaled \$50.1 million, \$40.1 million and \$32.7 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Our ATG Network

Since winning the FCC auction for the broadband (3 MHz) portion of the ATG spectrum in 2006, we have held the exclusive spectrum license that allows us to be the sole provider of in-flight broadband services in the United States based on a direct aircraft to ground link using spectrum reserved for ATG services. In the second quarter of 2013, we consummated the acquisition of LiveTV Airfone, LLC (Airfone), through which we acquired the FCC license for 1 MHz of ATG spectrum (1 MHz FCC License) held by LiveTV, LLC (LiveTV). In 2012, Industry Canada issued to our Canadian subsidiary the exclusive rights to use Canadian ATG spectrum for which SkySurf is the primary licensee (the License Agreement). The License Agreement has an initial term of ten years and is renewable at our option for an additional 10-year term following the initial expiration and thereafter for a further five-year term.

We have coverage over the continental United States and Canada. As of December 31, 2015, our ATG network in the continental United States and Canada consisted of approximately 250 cell sites (approximately 1,465 sectors). We expect to add more cell sites in each of the next several years to maintain efficient delivery of our growing mobile broadband services.

These sites are connected to our data centers, which are in turn connected to the Internet. This connectivity is provided by a state-of-the-art Multi-protocol Label Switching (MPLS) network and a flexible and scalable IP-based infrastructure. The cell sites were originally connected to the MPLS network using last mile copper (T1) facilities and microwave link where last mile copper-based facilities were not available. In 2012, we began converting the backhaul network from the cell sites to our data center to a fiber optic-based network (from copper T1 network) and by the end of 2014, the majority of the cell sites were converted to fiber.

On May 9, 2013, the FCC issued a notice of proposed rulemaking to designate spectrum in the 14.0-14.5 GHz band (the 14 GHz spectrum) for the purpose of providing broadband connectivity, or ATG service, to aircraft flying within the contiguous United States. As a result of this rulemaking process, the FCC has prepared a draft order to auction off spectrum for ATG use, which spectrum would have greater capacity than our current spectrum and could be licensed to multiple parties. It is unclear whether and when the FCC will issue an order designating the 14 GHz spectrum for ATG use. If an auction of such spectrum is held, we may elect to participate.

We are currently exploring various options with respect to developing and implementing a next generation air-to-ground technology in order to increase bandwidth speeds and provide additional capacity in the contiguous United States. Our development and implementation of a next generation air-to-ground technology will require that we obtain rights to sufficient 14 GHz spectrum or other spectrum.

Our Satellite Networks

We have near-global Ku-band satellite service using service provided by our satellite capacity providers. We obtained our first 2Ku STC in late 2015, and 2Ku is expected to be commercially available to passengers in the first half of 2016. 2Ku employs two low-profile, highly efficient satellite antennas (one for transmission to the aircraft and the other for transmission from the aircraft) that provide twice the spectral efficiency of our Ku-band service and significantly improves coverage in equatorial regions and results in less drag and fuel burn as compared to other

satellite alternatives. Our 2Ku satellite antennas can be used in conjunction with all Ku-band satellites in operation today. Additionally, today's 2Ku is designed to be ready for the future with the ability to operate with spot beams and certain other Ku-band high throughput satellites (HTS), which have started to launch in 2016, and is compatible with approximately 180 Ku satellites operated by a variety of satellite operators.

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Our Iridium service is supported by a network of 66 Iridium satellites in low-earth orbit. In addition, we launched SBB service in 2014, which is supported by three geostationary (Inmarsat I-4) satellites in orbit. Supported by three satellites, our high bandwidth JX offering is expected to become operational in 2016.

Our Airborne Network

Onboard the aircraft, users are connected to our service through the aircraft-based Wi-Fi network that is created by our installed airborne system. Our airborne network includes core module components (including an onboard server, or ACPU, wireless access points, or WAP, and optionally a content loading device, or CLD, and handsets for cockpit/crew use) and technology-specific communication components (including a modem, amplifier, antenna and radome). We leverage standard technology and components in our system where available and design our system by selecting, assembling and packaging components that can withstand temperature, pressure and vibration on aircraft in-flight. We are continuing to innovate and develop advanced technologies for storage, processing and connectivity for the in-cabin airborne network.

Our customized airborne network allows us to actively manage data traffic in order to mitigate capacity constraints through sophisticated bandwidth management, including by placing cached content directly on the airborne network, which increases the speed and quality of our service.

Our Ground Network (Data Centers and NOC)

Our primary data center, which services our ATG and satellite technologies, with redundant telecommunications connections to the Internet, also contains numerous servers associated with hosting our in-flight and ground portals and the network nodes that enable the rich set of features offered through the Gogo platform. Most of the data center nodes are common to various technologies, including ATG/ATG-4 and satellite links to an aircraft, while some nodes are technology specific.

The NOC, located in our Chicago, Illinois facility, serves as the central location that monitors daily network operation, conducts network diagnostics and coordinates responses to any performance issues on the ground or in the air. The NOC provides 24 hours a day, 365 days a year management and surveillance of network performance and activities through the use of network management and reporting systems that interface with all network elements and have the ability to track the progress and status of all our equipped aircraft in-flight, regardless of the technology used to provide in-flight connectivity.

Competition

Commercial Aviation

Our key competitors include ViaSat, Panasonic Avionics Corp., Global Eagle Acquisition Corp./Row 44, Inc., OnAir, Thales/LiveTV, Inmarsat, Zodiac Inflight Innovations and Rockwell Collins/ARINC, all of which provide different technologies and strategies to provide in-flight connectivity and/or entertainment. Regardless of the delivery mechanism(s) used by us or our competitors, the in-flight Internet connectivity industry as a whole faces, and is expected to continue to face capacity constraints, which are expected to increase due to increased demand for in-flight Internet. We believe we are the only telecommunications company focused exclusively on the global aviation industry and addressing the connectivity requirements unique to an aircraft by building a global telecommunications infrastructure. We believe the key differentiating factors between us and our competitors include: technology solutions, geographical coverage, operational excellence, and service models offered to airlines. Specifically, the strategic priorities of each of our competitors varies, including technologies available for various aircraft types, the

ability to offer in-flight Internet solutions as well as entertainment offerings, such as live television and traditional hard-wired in-flight entertainment systems, the ability to cost-effectively provide offerings on a global basis, the ability to manage capacity constraints, and the ability to offer, incorporate and manage new in-flight connectivity technologies and solutions as they become available.

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Business Aviation

Gogo is the only equipment and service provider of all three networks: ATG, SBB and Iridium. We compete against both equipment and telecommunications service providers to the business aviation market, including International Communications Group and True North Avionics for Iridium hardware business, Rockwell Collins and Honeywell Aerospace for Inmarsat SBB hardware business, Satcom Direct for both Iridium and Inmarsat SwiftBroadband service, as well as for cabin router equipment, and ViaSat for Ku service. SmartSky Networks, Global Eagle Acquisition Corp. and Panasonic Avionics Corp. (with Astronics Aerosat Corporation) all recently announced their intention of entering the business aviation market.

Licenses and Regulation

Federal Aviation Administration

The FAA prescribes standards and certification requirements for the manufacturing of aircraft and aircraft components, and certifies and rates repair stations to perform aircraft maintenance, preventive maintenance and alterations, including the installation and maintenance of aircraft components. Each type of aircraft operated in the United States under an FAA-issued standard airworthiness certificate must possess an FAA Type Certificate, which constitutes approval of the design of the aircraft type based on applicable airworthiness standards. When a party other than the holder of the Type Certificate develops a major modification to an aircraft already type-certificated, that party must obtain an FAA-issued STC approving the design of the modified aircraft type. We regularly obtain an STC for each aircraft type operated by each airline partner on whose aircraft our equipment will be installed and separate STCs typically are required for different configurations of the same aircraft type, such as when they are configured differently for different airlines.

After obtaining an STC, a manufacturer desiring to manufacture components to be used in the modification covered by the STC must apply to the FAA for a Parts Manufacturing Authority, or PMA, which permits the holder to manufacture and sell components manufactured in conformity with the PMA and its approved design and data package. In general, each initial PMA is an approval of a manufacturing or modification facility's production quality control system. PMA supplements are obtained to authorize the manufacture of a particular part in accordance with the requirements of the pertinent PMA, including its production quality control system. We routinely apply for and receive such PMAs and supplements.

Certain of our FCC licenses are conditioned upon our ability to obtain from the FAA a No Hazard Determination for our cell sites which indicates that a proposed structure will not, if built as specified, create a hazard to air navigation. When proposing to build or alter certain of our cell sites we may first be required to obtain such a determination.

Our business depends on our continuing access to, or use of, these FAA certifications, authorizations and other approvals, and our employment of, or access to, FAA-certified individual engineering and other professionals.

In accordance with these certifications, authorizations and other approvals, the FAA requires that we maintain, review and document our quality assurance processes. The FAA may also visit our facilities at any time as part of our agreement for certification as a manufacturing facility and repair station to ensure that our facilities, procedures, and quality control systems meet FAA approvals we hold. In addition, we are responsible for informing the FAA of significant changes to our organization and operations, product failures or defects, and any changes to our operational facilities or FAA-approved quality control systems. Other FAA requirements include training procedures and drug and alcohol screening for safety-sensitive employees working at our facilities.

Foreign Aviation Regulation

According to international aviation convention, the airworthiness of FAA-certified Gogo equipment installed on U.S.-registered aircraft is recognized by civil aviation authorities (CAAs) worldwide. As a result, Gogo does not expect to require further airworthiness certification formalities in countries outside of the United

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States for U.S.-registered aircraft that already have an STC issued by the FAA covering Gogo equipment. For aircraft registered with a CAA other than the United States, the installation of Gogo equipment requires airworthiness certification from an airworthiness certification body. Typically, the CAA of the country in which the aircraft is registered is responsible for ensuring the airworthiness of any aircraft modifications under its authority.

The FAA holds bilateral agreements with a number of certification authorities around the globe. Bilateral agreements facilitate the reciprocal airworthiness certification of civil aeronautical products that are imported/exported between two signatory countries. A Bilateral Airworthiness Agreement (BAA) or Bilateral Aviation Safety Agreement (BASA) with Implementation Procedures for Airworthiness (IPA) provides for airworthiness technical cooperation between the FAA and its counterpart civil aviation authorities. Under a BAA or BASA, the CAA of the aircraft's country of registration generally validates STCs issued by the FAA and then issues a Validation Supplemental Type Certificate (VSTC). For countries with which the FAA does not have a BAA or BASA, Gogo must apply for certification approval with the CAA of the country in which the aircraft is registered. In order to obtain the necessary certification approval, Gogo will be required to comply with the airworthiness regulations of the country in which the aircraft is registered. Failure to address all foreign airworthiness and aviation regulatory requirements at the commencement of each airline partner's service in any country in which they register aircraft when there are no applicable bilateral agreements may lead to significant additional costs related to certification and could impact the timing of our ability to provide our service on our airline partners' fleet.

To date, we have received the foreign aviation regulatory approval required to install and operate Gogo Vision systems onboard aircraft of two non-U.S. airlines with aircraft fleets registered in two different countries. We will pursue such additional approvals as and when necessary.

Federal Communications Commission

Under the Communications Act of 1934, as amended (the Communications Act), the FCC licenses the spectrum that we use and regulates the construction, operation, acquisition and sale of our wireless operations. The Communications Act and FCC rules also require the FCC's prior approval of the assignment or transfer of control of an FCC license, or the acquisition, directly or indirectly, of more than 25% of the equity or voting control of Gogo by non-U.S. individuals or entities.

Our various services are regulated differently by the FCC. Our BA business provides some of its voice and data services by reselling the telecommunications services of two satellite operators. Because we provide these services on a common carrier basis, we are subject to the provisions of Title II of the Communications Act, which require, among other things, that the charges and practices of common carriers be just, reasonable and non-discriminatory. In addition, our BA division has launched an interconnected voice over Internet protocol (VoIP) service. The FCC applies many, but not all, of the same regulatory requirements to interconnected VoIP service as it does to common carrier telecommunications services.

We provide broadband Internet access to commercial airlines and passengers as Passenger Connectivity and to our Business Aviation customers as Gogo Biz. We offer this service in the continental United States through our own facilities, using a nationwide commercial air-ground radiotelephone license that operates in the 800 MHz band (the ATG license). We obtained and paid for this spectrum through an auction conducted by the FCC. See ATG License Terms and Conditions.

Previously, our mobile wireless broadband Internet access services, including Passenger Connectivity and Gogo Biz, were classified as information services, and not as telecommunications services. Therefore, these services were not subject to FCC common carrier regulation. However, effective June 12, 2015, the FCC has reclassified mobile (and

fixed) broadband Internet access services as Title II telecommunications services in an order released March 12, 2015 (Open Internet Order). The Open Internet Order also adopted broad new net

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neutrality rules. For example, broadband providers may not block access to lawful content, applications, services or non-harmful devices. Broadband providers also may not impair or degrade lawful Internet traffic on the basis of content, applications, services or non-harmful devices. In addition, broadband providers may not favor some lawful Internet traffic over other lawful traffic in exchange for consideration of any kind, and they may not prioritize the content and services of their affiliates. Other than for paid prioritization, the rules contain an exception for reasonable network management. The Open Internet Order recognizes that whether a network management practice is reasonable varies according to the broadband technology involved, and provides more flexibility to implement network management practices in the context of Gogo's capacity-constrained air-to-ground and satellite broadband networks.

The FCC order also imposes new disclosure requirements on broadband providers, including more granular network performance reporting requirements. These new requirements have not gone into effect and are subject to further Executive Branch review. Moreover, the FCC has temporarily exempted smaller providers, such as Gogo, from its enhanced disclosure requirements. The Consumer and Government Affairs Bureau released an order on December 15, 2015, extending the exemption until December 15, 2016. Until the disclosure requirements are finalized, we cannot assess what impact they will have on Gogo's practices.

Our Internet access service has also been covered by the FCC's data roaming rules, which require commercial mobile data service (CMDS) providers like Gogo to negotiate roaming arrangements with any requesting facilities-based, technologically compatible providers of CMDS. The rules do not give other providers the right to install equipment on Gogo-equipped aircraft, and do not require the Gogo service to be provided on a discounted basis, although the arrangement must be commercially reasonable. The rules allow us to take reasonable measures to safeguard the quality of our service against network congestion that may result from roaming traffic. The Open Internet Order did not alter Gogo's obligations with respect to data roaming, but the FCC has committed to revisiting data roaming rules in the near term.

In addition, most of our services are subject to various rules that seek to ensure that the services are accessible by persons with disabilities, including requirements related to the pass-through of closed captioning for certain IP-delivered video content offered through our Gogo Vision service.

In addition to the ATG license, we hold other FCC licenses, including microwave licenses that are used for backhaul in our terrestrial network, two experimental licenses used for testing equipment, a non-exclusive license at 3650 MHz, which currently does not authorize operational use and would require registration with the FCC of transmitter site locations prior to commencing use, and the 1 MHz FCC License acquired in our acquisition of Airfone. We also hold a license for blanket authority to operate Ku-band satellite transceivers on up to 2,000 aircraft, which allows us to provide domestic and international broadband service (although some countries require additional authorizations of their own).

ATG License Terms and Conditions

The FCC issued our ATG license on October 31, 2006, for an initial 10-year term. We have satisfied our obligation under the license to provide substantial service to aircraft. Upon the expiration of the initial term of our license in October 2016, we may renew our license for additional ten-year terms at no additional cost. At the end of each term, to renew the license, we are required to file an application for renewal. If that application is challenged, the FCC will apply a preference, commonly referred to as a renewal expectancy, if we can demonstrate that we have both provided substantial service during the past license term and substantially complied with applicable FCC rules and policies and the Communications Act. In 2010, the FCC proposed to amend its license renewal rules to require more detailed renewal showings. That proposal remains pending.

Our 1 MHz FCC License obtained in 2013 from LiveTV was also originally issued on October 31, 2006, for a renewable ten year term, although there is no substantial service obligation that attaches to this license.

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Our ATG license and our 1 MHz FCC License both contain certain conditions that require us to comply with all applicable FCC and FAA rules as well as all bilateral agreements between the U.S. and Canada and the U.S. and Mexico regarding the frequencies that are allocated for ATG services. These agreements apply to our use of the spectrum in areas adjacent to the United States northern and southern borders and in and out of Canadian and Mexican airspace.

A bilateral ATG spectrum coordination agreement between the U.S. and Canada has been negotiated and approved and a similar agreement between the U.S. and Mexico is in the process of being negotiated. In 2012, Industry Canada issued to our Canadian subsidiary a subordinate license that allows us to use Canadian ATG spectrum of which SkySurf Communications Inc. is the primary licensee. In 2012, we entered into the License Agreement with SkySurf, which has an initial term of ten years commencing on August 14, 2012, and, provided that the primary spectrum license agreement issued by Industry Canada to SkySurf remains in effect at such dates, is renewable at our option for an additional 10-year term following the initial expiration and thereafter for a further five-year term. The renewal of the primary spectrum license will depend upon the satisfaction by Gogo and SkySurf of certain conditions set forth in the license, including, without limitation, a network build-out requirement. The term of the License Agreement, including the initial 10-year term and any renewals, is contingent on the effectiveness and renewal of the primary spectrum license, issued by Industry Canada to SkySurf on June 30, 2009, which expires on June 29, 2019.

Prior to spectrum coordination with the ATG licensee in Mexico, the coordination agreement could affect our ability to provide our broadband Internet service in the border areas using our current cell sites at current operating power levels, and could affect our ability to establish or maintain ATG service in the border areas as aircraft fly into and out of Mexican airspace. Once a provider of air-to-ground services is licensed in Mexico, we hope to negotiate an arrangement that will provide seamless connectivity on flights between Mexico and the U.S.

Equipment Certification

We may not lease, sell, market or distribute any radio transmission equipment used in the provision of CA or BA services unless such equipment is certified by the FCC as compliant with the FCC's technical rules. All certifications required for equipment currently used in the provision of our services have been obtained.

Privacy and Data Security-Related Regulations

As noted above, the Open Internet Order reclassified mobile (and fixed) broadband Internet access services as Title II telecommunications services. Certain statutory provisions of Title II now apply to broadband Internet access services, including provisions that impose consumer privacy protections such as Customer Proprietary Network Information (CPNI) requirements. The FCC is expected to initiate a separate rulemaking proceeding to adopt new CPNI and other privacy rules to govern broadband Internet access services. Until the rulemaking proceeding is complete, we cannot assess what impact, if any, it may have on our current practices, including our privacy and data security practices.

The services offered through our BA segment are also subject to CPNI rules that require carriers to comply with a range of marketing and privacy safeguards. These obligations focus on carriers' access, use, storage and disclosure of CPNI. We believe we are in compliance with these rules and obligations, and we certify annually, as required, that we have established operating procedures adequate to ensure our compliance.

We are also subject to other federal and state consumer privacy and data security requirements. For example, Section 5 of the Federal Trade Commission (FTC) Act prohibits unfair or deceptive acts or practices in or affecting commerce. Although the FTC's authority to regulate the non-common carrier services offered by communications common carriers has not been clearly delineated, FTC officials have publicly stated that they view the FTC as having

jurisdiction over Internet service providers non-common carrier services. Some of our services are subject to the FTC's jurisdiction. The FTC has brought enforcement actions under the FTC Act

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against companies that, *inter alia*: (1) collect, use, share, or retain personal information in a way that is inconsistent with the representations, commitments, and promises that they make in their privacy policies and other public statements; (2) have privacy policies that do not adequately inform consumers about the company's actual practices; and (3) fail to reasonably protect the security, privacy and confidentiality of nonpublic consumer information.

We collect personally identifiable information, such as name, address, e-mail address and credit card information, directly from our users when they register to use our service. We also may obtain information about our users from third parties. We use the information that we collect to, for example, consummate their purchase transaction, to customize and personalize advertising and content for our users and to enhance the entertainment options when using our service. Our collection and use of such information is intended to comply with our privacy policy, which is posted on our website, applicable law, our contractual obligations with third parties and industry standards, such as the Payment Card Industry Data Security Standard. We are also subject to state mini-FTC Acts, which also prohibit unfair or deceptive acts or practices, along with data security breach notification laws requiring entities holding certain personal data to provide notices in the event of a breach of the security of that data. Congress has also been considering similar federal legislation relating to data breaches. A few states have also imposed specific data security obligations. These state mini-FTC Acts, data security breach notification laws, and data security obligations may not extend to all of our services and their applicability may be limited by various factors, such as whether an affected party is a resident of a particular state.

While we have implemented reasonable administrative, physical and electronic security measures to protect against the loss, misuse and alteration of personally identifiable information, cyber-attacks on companies have increased in frequency and potential impact in recent years and may be successful despite reasonable precautions and result in substantial potential liabilities.

As we expand our operations to include a physical international presence, or otherwise expand our collection of personally identifiable information of residents in other countries, we may be subject to the data protection regulations of the relevant countries. In addition, the December 15, 2015 General Data Protection Regulation proposed by the European Commission will increase the likelihood of the applicability of European data protection law to entities outside the European Union that process personally identifiable information of European data subjects. In addition, certain countries have laws which restrict the transfer of personally identifiable information outside of such countries. For example, both Switzerland and the member states of the European Union impose restrictions on transferring data to countries that they do not deem to offer a similar standard of protection. The United States is a jurisdiction these countries do not deem adequate for purposes of cross-border personal data transfers.

Certain mechanisms apply under Swiss and Europe Union member state laws that permit the cross border transfer of personal information to countries that are not deemed adequate, such as the United States. However, on October 6, 2015, the Court of Justice of the European Union (CJEU), the European Union's highest court, declared one of those mechanisms the fifteen year EU-U.S. Safe Harbor Framework-invalid as a mechanism to legitimize transfers of personally identifiable information from the EU to the U.S., primarily on the grounds that U.S. Government surveillance activities render EU individuals personally identifiable information inadequately protected. Gogo is certified under the Safe Harbor Framework for personally identifiable information it processes for its voice and data service offerings and for employee information. The U.S. Government, EU member states, the European Commission, and the Article 29 Data Protection Working Party (a working group consisting primarily of EU data protection authorities that issues non-binding guidance that is influential on the EU data protection authorities regulatory and enforcement activities) are still assessing the implications of the CJEU decision. On October 16, 2015, the Article 29 Data Protection Working Party issued a statement calling for governments to negotiate a solution by the end of January 2016 and on February 2, 2016, the U.S. Department of Commerce and the European Commission announced they had reached agreement to replace the Safe Harbor agreement with a new EU-U.S. Privacy Shield, the terms of

which have not yet been released. Gogo is assessing alternatives to the Safe Harbor Framework to legitimize relevant cross-border data transfers. There is

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a risk that EU data protection authorities, as a result of the CJEU decision, may investigate or bring enforcement actions with criminal and administrative sanctions. Such actions could also damage our business and harm our reputation.

Truth in Billing and Consumer Protection

The FCC's Truth in Billing rules generally require full and fair disclosure of all charges on customer bills for telecommunications services, except for broadband Internet access services. Thus, these rules apply to our satellite-based BA services. This disclosure must include brief, clear and non-misleading plain language descriptions of the services provided. States also have the right to regulate wireless carriers' billing; however, we are not currently aware of any states that impose billing requirements on ATG services.

CALEA

The FCC has determined that facilities-based broadband Internet access providers, which include Gogo, are subject to the Communications Assistance for Law Enforcement Act, or CALEA, which requires covered service providers to build certain law enforcement surveillance assistance capabilities into their communications networks and to maintain CALEA-related system security policies and procedures. Our network has been confirmed as compliant with CALEA by a third-party tester as of May 18, 2011.

Foreign Government Approvals

In connection with our satellite service, we have implemented a process for obtaining any required authority needed to provide our service over the airspace of foreign countries, or verifying that no additional authorization is needed. Each country over which a Gogo-equipped aircraft flies has the right to limit, regulate (*e.g.*, through a licensing regime) or prohibit the offering of our service. We may not be able to obtain the necessary authority for every country over which a partner airline flies. For some countries, we have not been and do not expect to be able to obtain a definitive answer regarding their potential regulation of our service, and we may incur some regulatory risk by operating over the airspace of these countries. Failure to comply with foreign regulatory requirements could result in penalties being imposed on Gogo and/or on its airline partners, allow our airline partners affected by such requirements to terminate their contract with us prior to expiration or, under a contract with one of our airline partners, require us to pay liquidated damages. See **Risk Factors** **Risks Related to Our Technology and Intellectual Property and Regulation** **Regulation by United States and foreign government agencies, including the FCC, which issued our exclusive ATG spectrum license, and the FAA, which regulates the civil aviation manufacturing and repair industries in the United States, may increase our costs of providing service or require us to change our services.** Moreover, even countries that have previously provided clearance for our service have the right to change their regulations at any time.

Seasonality

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. See **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Intellectual Property

We rely on a combination of intellectual property rights, including trade secrets, patents, copyrights, trademarks and domain names, as well as contractual restrictions to protect intellectual property and proprietary technology owned or

used by us.

We have patented certain of our technologies in the United States and certain countries outside of the United States. As of December 31, 2015, our United States patents will expire at dates ranging from February 2019 to

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June 2034, while our patents outside of the United States expire at dates ranging from August 2017 to December 2031. We do not believe our business is dependent to any material extent on any single patent or group of patents that we own. We also have a number of patent applications pending both in and outside of the United States and we will continue to seek patent protection in the United States and certain other countries to the extent we believe such protection is appropriate and cost-effective.

We consider our brands to be important to the success of our business and our competitive position. We rely on both trademark registrations and common law protection for trademarks. Our registered trademarks in the United States and certain other countries include, among others, Gogo, Gogo Biz and Gogo Vision, although we have not yet obtained registrations for our most important marks in all markets in which we currently do business or intend to do business in the future. Generally, the protection afforded for trademarks is perpetual, if they are renewed on a timely basis, if registered, and continue to be used properly as trademarks.

We license or purchase from third parties technology, software and hardware that are critical to providing our products and services. Much of this technology, software and hardware is customized for our use and would be difficult or time-consuming to obtain from alternative vendors. We also license our proprietary technology and software to third parties to enable them to integrate such technology and software into the products they provide to us. Many of our agreements with such third parties are renewable for indefinite periods of time unless either party chooses to terminate, although some of our agreements expire after fixed periods and would require renegotiation prior to expiration in order to extend the term. Among the most material of our technology-related agreements are those for aircards, base stations and antennas. Our agreements for aircards, base stations and antennas do not renew automatically and thus will require periodic renegotiation. Such agreements as well as certain licenses to commercially available software are material to our business.

We have developed certain ideas, processes, and methods that contribute to our success and competitive position that we consider to be trade secrets. We protect our trade secrets by keeping them confidential through the use of internal and external controls, including contractual protections with employees, contractors, customers, vendors, and airline partners. Trade secrets can be protected for an indefinite period so long as their secrecy is maintained.

Employees

As of December 31, 2015, we had 1,073 employees, including 189 in engineering, 347 in network operations, 203 in sales and marketing, 234 in general and administrative and 100 in information technology. Of such employees, 248 are employed in our BA operations. None of our employees are represented by a labor union.

Corporate Information

Gogo Inc. is a holding company that does business through its subsidiaries. Our principal operating subsidiaries are Gogo LLC and Gogo Business Aviation LLC, which are direct, wholly-owned subsidiaries of Gogo Intermediate Holdings LLC. Our international business is conducted through a number of subsidiaries, including Gogo Air International Sàrl, a Swiss limited liability company and a direct wholly-owned operating subsidiary of Gogo International Holdings LLC.

Our principal executive offices are located at 111 N. Canal St., Suite 1500, Chicago, IL 60606. Our telephone number is (312) 517-5000. Our website addresses are www.gogair.com and www.business.gogair.com.

Available Information

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Our websites are located at www.gogoair.com and www.business.gogoair.com, and our investor relations website is located at <http://ir.gogoair.com>. Our Proxy Statements, Annual Reports on Form 10-K, Quarterly

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Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are available free of charge on the investor relations web site as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also provide a link to the section of the SEC's website at www.sec.gov that has all of our public filings, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, our Proxy Statements, and other ownership related filings. Further, a copy of this Annual Report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts and RSS feeds. Further corporate governance information, including our certificate of incorporation, bylaws, corporate governance guidelines, board committee charters, and code of business conduct, is also available on our investor relations website under the heading Corporate Governance. The contents of our websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Annual Report, including our consolidated financial statements and related notes. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition and results of operations. This Annual Report also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.

Risks Related to Our CA Business

We are dependent on agreements with our airline partners to be able to access our customers. Payments by these customers for our services have provided, and we expect will continue to provide, a significant portion of our revenue. Our failure to realize the anticipated benefits from these agreements on a timely basis or to renew any existing agreements upon expiration or termination could have a material adverse effect on our financial condition and results of operations.

As of December 31, 2015, we had our equipment installed and provided our Gogo service to passengers on aircraft operated by seven airlines, and we had contracted to provide service on four additional airlines. For the years ended December 31, 2015, 2014, and 2013, the Gogo service we provide to passengers on commercial aircraft operated by our airline customers generated approximately 63%, 60% and 56% of our consolidated revenue, respectively. As of December 31, 2015, in addition to the 2,589 commercial aircraft on which we were providing service, we had contracts to install approximately 800 aircraft. Our growth is dependent on our ability to have our equipment installed on additional aircraft and increased use of the Gogo service on installed aircraft. Any delays in installations under

these contracts may negatively affect our ability to grow our user base and revenue. In addition, we have no assurance that any of our current airline partners will renew their existing contracts with us upon expiration, or that they will not terminate their contracts prior to expiration upon the occurrence of certain contractually stipulated events. Contractual termination events include our bankruptcy and our material breach of contract, which in certain contracts is defined to include material breach of our service

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level agreements, and/or failure to achieve certain certification, equipment delivery, installation or other milestones within agreed-upon time frames. Several contracts with airline partners permit such airline to terminate the contract if the percentage of passengers using connectivity on such airline's flights falls below certain negotiated thresholds. One contract with an airline partner from which we derive a significant portion, but less than a majority, of our CA-NA segment revenue permits such airline partner to terminate its contract with us if the airline's revenue share falls below certain negotiated thresholds based on the airline's costs incurred to provide the service and Gogo elects to not make the airline whole for such revenue share shortfall. Contracts with our airline partners from which we derive a significant portion, but less than a majority, of our CA-NA segment revenue allow those airlines to terminate a portion or all of their respective agreements after a specified time period upon the payment of a termination fee. Additionally, our contracts with American Airlines, Delta Air Lines, and certain other airline partners, from which we derive a majority of our CA-NA segment revenue, permit such airline partners to terminate all or a portion of their contracts with us if another company provides an alternate connectivity service that is a material improvement over Passenger Connectivity, such that failing to adopt such service would likely cause competitive harm to the airline, and we are unable to match the competitive offer in terms of price, technology and schedule. On February 4, 2016, we received a notification from American Airlines that it considers a competitor's connectivity service to offer a material improvement over our ATG/ATG-4 service with respect to a portion of its fleet that we serve, representing approximately 200 of the approximately 950 American Airlines aircraft (including legacy US Airways aircraft) that we served as of December 31, 2015. To the extent that our airline partners terminate or fail to renew their contracts with us for any reason, our business prospects, financial condition and results of operations would be materially adversely affected.

Certain of our contracts with our airline partners include provisions that, under certain circumstances, entitle our airline partners to the benefit of certain more favorable provisions in other airline partners' connectivity agreements, including terms related to termination, maintenance, service and pricing. These provisions, some of which have retroactive effect, may limit the benefits we realize from contracts containing such provisions. In addition, our inability to identify and offer improved terms to an airline partner in accordance with such a provision could negatively affect our relationship with that airline partner or give rise to a claim that we are in breach of such connectivity agreement.

A failure to maintain airline satisfaction with our equipment or the Gogo service could have a material adverse effect on our revenue and results of operations.

Our relationships with our airline partners are critical to the growth and ongoing success of our business. For the years ended December 31, 2015, 2014, and 2013, use of the Gogo service by passengers flying on Delta Air Lines aircraft accounted for approximately 28%, 26%, and 26%, respectively, of consolidated revenue. For the years ended December 31, 2015, 2014, and 2013 use of the Gogo service by passengers flying on American Airlines aircraft (including legacy US Airways aircraft) accounted for approximately 22%, 22%, and 23%, respectively, of consolidated revenue. At present, we have three separate contracts with American Airlines—two for the legacy American Airlines aircraft and one for the aircraft operated by US Airways prior to its merger into American Airlines. The merger has increased our dependence on the combined American Airlines entity. If our airline partners are not satisfied with our equipment or the Gogo service for any reason, including passenger dissatisfaction with the service as a result of capacity constraints, they may reduce efforts to co-market the Gogo service to their passengers, which could result in lower passenger usage and reduced revenue, which could in turn give certain airlines the right to terminate their contracts with us. In addition, airline dissatisfaction with us for any reason, including delays in obtaining certification for or installing our equipment or meeting our service level obligations, could negatively affect our ability to expand our service to additional airline partners or aircraft or lead to claims for damages, which may be material, or termination rights under existing contracts with our airline partners.

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We are experiencing network capacity constraints in the United States and expect capacity demands to increase, and we may in the future experience capacity constraints internationally. If we are unable to successfully implement planned or future technology enhancements to increase our network capacity, or our airline partners do not agree to such enhancements, our ability to maintain sufficient network capacity and our business could be materially and adversely affected.

Providers of wireless connectivity services, including providers of in-flight connectivity services and particularly ATG providers, face certain limits on their ability to provide connectivity service, including escalating capacity constraints due to expanding consumption of wireless services and the increasing prevalence of higher bandwidth uses such as file downloads and streaming media content. The success of our CA business depends on our ability to provide adequate bandwidth to meet customer demands while in-flight. Our ATG network is inherently limited by the spectrum licensed and we are currently experiencing capacity constraints in the United States, particularly on certain flights where demand for our service is high and certain routes on which a number of aircraft are within range of the same cell site at one time, and we expect demand to continue to increase in the United States as penetration rates increase and our service becomes available on more aircraft. As part of our effort to alleviate such constraints, we are continuing to implement our technology roadmap. The roadmap is intended to increase our capacity demands through a number of improvements, including the implementation of ATG-4, our second generation air-to-ground technology, and the deployment of 2Ku, our next generation global satellite solution, which is expected to be available for passenger revenue services in the first half of 2016.

We began the roll-out of our ATG-4 service during the second half of 2012 and as of December 31, 2015, such service was available on 948 aircraft operated by six airline partners, with the pace of ATG-4 installations and upgrades expected to accelerate in 2016. However, the successful and timely execution of this roll-out depends on certain variables that are not within our control, including the decision by our other airline partners whether to upgrade to ATG-4 and the schedule for any such upgrades, which will be affected by availability of aircraft and the speed with which we are able to obtain STCs from the FAA for our ATG-4 equipment. We are obligated, under certain of our contracts with airline partners, to bear costs of upgrading certain aircraft from ATG to ATG-4 and our associated costs under such contracts are material. If we are unable to continue to upgrade aircraft to ATG-4 on a timely or cost-effective basis, or at all, our already significant capacity constraints in the United States will be exacerbated.

Our ATG-4 upgrades alone are not expected to completely alleviate current or expected capacity constraints. Accordingly, our technology roadmap is also intended to augment existing ATG capacity by adding 2Ku-service on certain aircraft and routes. The successful and timely development and implementation of our 2Ku solution is subject to various risks and uncertainties as described in this Risk Factors section under the heading We may be unsuccessful or delayed in deploying our 2Ku technology. In addition, there is no guarantee that the use of satellite technology, including through the use of 2Ku, will effectively alleviate current or future capacity constraints. Implementation of satellite solutions will depend on the availability of capacity from satellite service providers, regulatory approvals for aeronautical services using those satellites, the installation of satellite equipment on aircraft, and demand from our airline partners for new installations of satellite equipment. We have experienced delays in obtaining FAA approvals for certain components of our Ku-band equipment. Further, we may experience unanticipated delays, complications, and expenses in implementing, integrating, and operating our systems using these new technologies. Any interruptions in operations during periods of implementation could adversely affect our ability to maintain satisfactory service levels, properly allocate resources and process billing information in a timely manner, which could result in customer dissatisfaction, reputational harm, termination of key contracts and delayed or reduced cash flow.

We are currently exploring various options with respect to developing and implementing a next generation air-to-ground technology intended to further augment capacity in the contiguous United States. The inclusion of any such technology in our technology roadmap will require, among other things, that we obtain additional spectrum.

There can be no assurances that we will be successful in obtaining additional spectrum on terms

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acceptable to us or at all. Should we pursue the development and implementation of such technology, the success of such efforts will be subject to numerous risks and uncertainties. In addition, there is no guarantee that the deployment of such technology, alone or together with ATG-4 and 2Ku, will effectively alleviate future capacity constraints. We utilize a number of additional means to ensure our network meets passenger expectations, including the creation of effective price plans intended to calibrate usage while maximizing Gogo service revenue, and sophisticated bandwidth management tools, including through the use of bandwidth management software, provided under a third party contract, which, if terminated for any reason or expired and not renewed or replaced, could adversely impact our ability to meet increasing capacity demands.

We may in the future face capacity constraints internationally. There is no guarantee that our technology roadmap or the other means we utilize to manage our networks will be sufficient to alleviate capacity constraints in the United States or internationally. If we fail to meet our capacity demands, it could harm our reputation with customers, certain airline partners could terminate their contracts with us for a failure to meet our service level agreements or we could be unable to enter into new contracts with other airline partners, and our business prospects and results of operations may be materially adversely affected.

On February 26, 2015, the FCC reclassified mobile (and fixed) broadband Internet access services as Title II telecommunications services and adopted broad new net neutrality rules. Such actions may constrain our ability to manage our network and make it more difficult for us to meet capacity demands. For example, broadband providers may not block access to legal content, applications, services, or non-harmful devices or impair or degrade lawful Internet traffic on the basis of content, applications, services, or non-harmful devices. The rules contain an exception for reasonable network management. We believe that our network management practices are reasonable under the FCC's rules, but regulators may disagree with our interpretations.

Our business is highly dependent on the airline industry, which is itself affected by factors beyond the airlines control. The airline industry is highly competitive and sensitive to changing economic conditions.

Our business is directly affected by the number of passengers flying on commercial aircraft, the financial condition of the airlines and other economic factors. If consumer demand for air travel declines, including due to increased use of technology such as videoconferencing for business travelers, or the number of aircraft and flights shrinks due to, among other reasons, reductions in capacity by airlines, the number of passengers available to use the Gogo service will be reduced, which would have a material adverse effect on our business and results of operations. Unfavorable general economic conditions and other events that are beyond the airlines' control, including higher unemployment rates, higher interest rates, reduced stock prices, reduced consumer and business spending, outbreaks of communicable diseases and terrorist attacks or threats could have a material adverse effect on the airline industry. A general reduction or shift in discretionary spending could result in decreased demand for leisure and business travel and lead to a reduction in airline flights offered and the number of passengers flying. Consolidation within the airline industry could also adversely affect our relationships with our existing airline partners or lead to Gogo-equipped aircraft being taken out of service. Further, unfavorable economic conditions could also limit airlines' ability to counteract increased fuel, labor or other costs through raised prices. Our airline partners operate in a highly competitive business market and, as a result, continue to face pressure on offerings and pricing. These unfavorable conditions and the competitiveness of the air travel industry could cause one or more of our airline partners to reduce expenditures on passenger services including deployment of the Gogo service or file for bankruptcy. If one or more of our airline partners were to file for bankruptcy, bankruptcy laws could give them rights to terminate their contracts with us, they could reduce their total fleet size and capacity and/or their total number of flights, and/or they could attempt to renegotiate the terms of their contracts with us including their revenue share percentage. Any of these events would have a material adverse effect on our business prospects, financial condition and results of operations.

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We may not be able to grow our business with current airline partners or successfully negotiate agreements with airlines to which we do not currently provide the Gogo service.

We are currently in negotiations or discussions with certain of our airline partners to provide our equipment and the Gogo service on additional aircraft in their fleets. We have no assurance that these efforts will be successful. We are also in discussions with other airlines to provide our equipment and the Gogo service to some or all of the aircraft flying North American or international routes. Negotiations with current and prospective airline partners require substantial time, effort and resources. The time required to reach a final agreement with an airline is unpredictable and may lead to variances in our operating results from quarter to quarter. We may ultimately fail in our negotiations and any such failure could harm our results of operations due to, among other things, a diversion of our focus and resources, actual costs and opportunity costs of pursuing these opportunities. In addition, the terms of any future agreements could be materially different and less favorable to us than the terms included in our existing agreements with our airline partners. To the extent that any negotiations with current or potential airline partners are unsuccessful, or any new agreements contain terms that are less favorable to us, our growth prospects could be materially and adversely affected.

Competition from a number of companies, as well as other market forces, could result in price reduction, reduced revenue and loss of market share and could harm our results of operations.

We face strong competition from satellite-based providers of broadband services that include in-flight connectivity and in-flight entertainment, including live television services. Competition from such providers has had in the past and could have in the future an adverse effect on our ability to maintain or gain market share. While as of December 31, 2015, we provided the Gogo service to approximately 66% of all Internet-enabled North American commercial aircraft, the increased availability, development and adoption of satellite-based services by commercial airlines in North America and the rest of the world has and will continue to put additional pressure on our ability to maintain our market leading position, and we expect our market share to decline as our competitors install more aircraft with their systems in the U.S. and internationally. Five major North American airlines, provide Internet connectivity service supplied by our competitors on all or a portion of their fleets. Some of our competitors are larger, more diversified corporations and have greater financial, marketing, production, and research and development resources. As a result, they may be better able to withstand the effects of pricing pressures or periodic economic downturns or may offer a broader product line to customers, including services we do not currently provide, such as factory line-fit capabilities, and/or may not provide in the future. In addition, while we are currently the only provider of ATG service in North America, existing or potential competitors, including a supplier on whom we rely for critical components of our ATG and ATG-4 networks, may attempt to provide a similar service over a ground-based network using spectrum not currently designated for air-to-ground services. For example, on May 9, 2013 the FCC granted a petition for rulemaking filed by such supplier and issued a notice of proposed rulemaking soliciting comments on a proposal to make additional spectrum available for air-to-ground network connectivity. Competition within the in-flight broadband Internet access and in-cabin digital entertainment markets may also subject us to pricing pressures in terms of both passenger retail pricing and our negotiations with airlines. Pricing passenger service at too high a level could adversely affect the rate of consumer acceptance for the Gogo service, while increased competition for airline partners and aircraft or other market forces could force us to lower our prices or lose market share and could adversely affect growth prospects and profitability. In addition, to the extent that competing in-flight connectivity or entertainment services offered by commercial airlines that are not our airline partners are available on more aircraft or offer improved quality or reliability as compared to the Gogo service, our business and results of operations could be adversely affected. Competition could increase our sales and marketing expenses and related customer acquisition costs. We may not have the financial resources, technical expertise or marketing and support capabilities to continue to compete successfully. A failure to effectively respond to established and new competitors could have a material adverse impact on our business and results of operations.

Table of Contents***Our CA business has a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.***

Prior to August 2008, our operations were limited to our BA segment. We launched our Passenger Connectivity service in August 2008. In addition, both Gogo Vision and our in-flight platform were not launched until the second half of 2011. Further, our expansion of our CA business internationally began in the first quarter of 2014. The limited operating history of our CA business and particularly, our CA-ROW segment, may make it difficult to accurately evaluate the CA business and predict its future performance, and the growth of our CA-NA segment since inception is not necessarily indicative of potential future growth. Any assessments of our current business and predictions that we or you make about our future success or viability may not be as accurate as they could be if we had a longer operating history. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, and the size and nature of our market opportunity will change as we scale our business and increase deployment of the Gogo service. If we do not address any of the foregoing risks, our business could be harmed.

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

Our addressable market and our ability to expand domestically are inherently limited by various factors, including limitations on the number of U.S. commercial airlines with which we could partner, the number of planes in which our equipment can be installed, the passenger capacity within each plane and the ability of our network infrastructure or bandwidth to accommodate increasing capacity demands. Expansion is also limited by our ability to develop new technologies and successfully implement our technology roadmap on a timely and cost-effective basis, as well as our ability to mitigate network capacity constraints through, among other things, the licensing of additional spectrum. Our growth may slow, or we may stop growing altogether, to the extent that we have exhausted all potential airline partners and as we approach installation on full fleets and maximum penetration rates on all flights. In such circumstances, to continue to grow our domestic revenue, we would have to rely on customer and airline partner adoption of currently available and new or developing services and additional offerings, including Gogo Vision, Gogo TV, various services made possible by our in-flight platform, and Connected Aircraft Services. We cannot assure you that we will be able to profitably expand our existing domestic presence and, if we fail to do so, our business and results of operations could be materially adversely affected.

We may be unsuccessful in expanding our operations internationally.

Our efforts to expand the services provided by our CA business to aircraft flying internationally began in the first quarter of 2014. Our ability to grow and achieve profitability in our international business involves various risks, including the need to invest significant resources in unfamiliar markets, the amount of which investment is subject to certain limitations under our amended and restated senior term facility and may be limited by economic and financial market conditions, and the possibility that we may not realize a return on our investments in the near future or at all. In addition, we have incurred and expect to continue to incur significant expenses before we generate any material revenue in these new markets. Under our agreements with providers of satellite capacity, we are obligated to purchase bandwidth for specified periods, as much as six years in advance. If we are unable to generate sufficient passenger demand or airline partners to which we provide satellite service to their aircraft terminate their agreements with us for any reason during periods for which we have prepaid, we may incur satellite costs in excess of connectivity revenue generated through such satellites. Further, our expansion plans require significant management attention and resources and our CA business has limited experience in selling our solutions in international markets or in conforming to local cultures, standards or policies. Certain of our competitors, including current providers of satellite service, have more experience than we do in the international commercial airline connectivity and in-flight entertainment markets. As a

result, such competitors may have pre-existing relationships with international airlines, may have obtained regulatory approvals in foreign jurisdictions or may already offer their equipment as standard, line-fit options on aircraft types, which may

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negatively affect our ability to enter into agreements with new international airline partners. Expansion of international marketing and advertising efforts could lead to a significant increase in our marketing and advertising expenses and would increase our customer acquisition costs. We may not be able to compete successfully in these international markets, and we may be unable to enter into agreements on favorable terms, if at all, to provide connectivity services to international fleets of our existing North American airline partners and to new international airline partners. In addition, our ability to expand will be limited by the demand for in-flight broadband Internet access in international markets. Any failure to compete successfully in international markets could also negatively impact our reputation and domestic operations.

Our current and future international operations may fail to succeed due to risks inherent in foreign operations, including:

legal and regulatory restrictions, including different communications, privacy, censorship, aerospace and liability standards, intellectual property laws and enforcement practices;

changes in international regulatory requirements and tariffs;

restrictions on the ability of U.S. companies to do business in foreign countries, including restrictions on foreign ownership of telecommunications providers and imposed by the U.S. Office of Foreign Assets Control (OFAC);

inability to find content or service providers to partner with on commercially reasonable terms, or at all;

compliance with the Foreign Corrupt Practices Act, the (U.K.) Bribery Act 2010 and other similar corruption laws and regulations in the jurisdictions in which we operate and related risks;

difficulties in staffing and managing foreign operations;

currency fluctuations; and

potential adverse tax consequences.

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

Our technology roadmap calls for the continued roll-out of Ku-band satellite service via our Ku and 2Ku technologies. To the extent that our satellite service providers do not satisfy our or our airline partners' needs for any reason, our agreements with our satellite service providers do not yield the expected benefits, we fail to meet sales targets and other milestones set forth in the agreements or we otherwise fail to maintain a good working relationship with our

satellite service providers, our current or future providers of satellite service may be unable to support our current international expansion plans. In addition, to the extent we enter into additional contracts to provide satellite-based connectivity service to airline partners, we will be required to secure additional satellite capacity, which may not be available on commercially reasonable terms, or at all. If we do not secure sufficient satellite capacity, we may be unable to meet the connectivity needs of passengers or the minimum service level requirements specified in our connectivity agreements, which could cause us to be in breach of our connectivity agreements and otherwise negatively affect our ability to successfully develop our international business.

We may be unsuccessful or delayed in deploying our 2Ku technology.

Our next generation 2Ku solution, which offers additional bandwidth and improved speeds for our connectivity service, is expected to be commercially available to commercial aircraft during the first half of 2016. Since our 2Ku service is currently in the testing phase and has yet to be deployed for commercial use, there can be no assurance that such technology will perform as expected or be deployed on our current timeline, due to,

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among other things, the failure of any 2Ku-related technology and equipment to perform as expected, problems arising in the manufacturing process, our reliance on single-source suppliers to provide certain necessary components and delays in obtaining or failures to obtain the required regulatory approvals for installation and operation of such equipment and the provision of service to passengers. In addition, other providers of satellite-based connectivity services currently have services available for commercial deployment that are intended to compete directly with 2Ku, and airlines may choose to adopt such a service over 2Ku. We currently have agreements with four airlines to provide 2Ku to all or a portion of such airlines' fleets. The failure of 2Ku to perform as expected, or significant delays in our ability to deploy it, could result in material breaches of such agreements which could in turn result in termination of such agreements and liability to Gogo. In addition, three airlines have agreed or announced their intent to conduct 2Ku trials or enter into definitive agreements with us. If 2Ku fails to perform as expected or its commercial availability is significantly delayed as compared to the timelines for which we have contracted, our business, business prospects and results of operations may be materially adversely affected. In addition, our failure to timely deliver 2Ku could have a material adverse effect on our ability to alleviate capacity constraints in our network. See also We are experiencing network capacity constraints in the United States and expect capacity demands to increase, and we may in the future experience capacity constraints internationally. If we are unable to successfully implement planned or future technology enhancements to increase our network capacity, or our airline partners do not agree to such enhancements, our ability to maintain sufficient network capacity and our business could be materially and adversely affected.

We may be unsuccessful in generating or increasing revenue from Gogo Vision, our in-flight platform, Gogo Text & Talk, Gogo TV, Connected Aircraft Services and other services that we may offer in the future.

The future growth prospects for our CA business depend, in part, on airlines or passengers paying for Gogo Vision on-demand video services, on revenue from advertising fees and e-commerce revenue share arrangements, on passenger purchases of goods and services through the in-flight portal, and on revenue from Gogo Text & Talk, Gogo TV and Connected Aircraft Services. Our ability to generate revenue from such services and other services we may offer in the future depends on:

growth of our customer base;

rolling out Gogo Vision or such other services on more aircraft and with additional airline partners and increasing passenger adoption;

our customer base being attractive to media partners;

establishing and maintaining beneficial contractual relationships with media partners whose content, products and services are attractive to airline passengers;

our ability to customize and improve services in response to trends and customer interests; and

our ability to develop and monetize Connected Aircraft Services as described below under We may not be successful in our efforts to develop and monetize new products and services that are currently in

development, including our Connected Aircraft Services.

If we are unsuccessful in generating or increasing revenue from these services and our in-flight platform, our future growth prospects could be materially and adversely affected.

We may not be successful in our efforts to develop and monetize new products and services that are currently in development, including our Connected Aircraft Services.

In order to continue to meet the evolving needs of our airline partners and customers, we must continue to develop new products and services that are responsive to those needs, including Connected Aircraft Services. Our ability to realize the benefits of these services, including monetizing our services at a profitable price point, depends, in part, on the adoption and utilization of operational applications by airlines, other aircraft operators

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and other companies in the aviation industry such as aircraft equipment suppliers, and we cannot be certain that airlines, other aircraft operators and others in the aviation industry will adopt such offerings in the near term or at all. We also expect to continue to rely on third parties to develop and offer the operational applications to be used to gather and process data transmitted on our network between the aircraft and the ground, and we cannot be certain that such applications will be compatible with our network or onboard equipment or otherwise meet the needs of airlines or other aircraft operators. If we are not successful in our efforts to develop and monetize new products and services, including our Connected Aircraft Services, our future business prospects, financial condition and results of operations would be materially adversely affected.

The merger of American Airlines and US Airways could have a material adverse effect on our revenue and results of operations.

On December 9, 2013, American Airlines and US Airways merged into American Airlines Group, Inc. Both American Airlines and US Airways are our airline partners. The impact of the merger is still inherently uncertain, and could result in reductions or other changes to the airlines' fleets, including the elimination of their older or less efficient aircraft and the elimination of aircraft on duplicative routes, which may represent a material portion of their Gogo-equipped fleets, or taking planes scheduled for installation of Gogo equipment out of service. Our future revenue may decrease and our growth prospects and results of operations could be materially adversely affected to the extent that aircraft eliminated from service are not proximately replaced with new Gogo-equipped aircraft.

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

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

Air traffic congestion at airports, air traffic control inefficiencies, weather conditions, such as hurricanes or blizzards, increased security measures, new travel-related taxes, the outbreak of disease or any other similar event could harm the airline industry.

Airlines are subject to cancellations or delays caused by factors beyond their control. Cancellations or delays due to weather conditions or natural disasters, air traffic control problems, including work stoppages or reduced government funding, breaches in security, outbreaks of communicable diseases or other factors could reduce the number of passengers on commercial flights and thereby reduce demand for the Gogo service and harm our business, results of operations and financial condition.

Risks Related to Our BA Business

Equipment sales to OEMs and after-market dealers account for a substantial portion of our revenue and earnings in the BA segment, and the loss of an OEM or dealer customer could materially and adversely affect our business and profitability.

Revenue from equipment sales on contracts with OEMs and after-market dealers accounted for more than 40% of revenue generated by our BA segment for each fiscal period presented in our consolidated financial

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statements included elsewhere in this Annual Report on Form 10-K. Almost all of our contracts with our OEM and dealer customers are terminable at will by either party and do not obligate our customers to purchase any of our equipment or services. If a key OEM or dealer terminates its relationship with us for any reason or our contract expires and is not renewed our business and profitability could be materially and adversely affected.

Our OEM customers may be materially adversely impacted by economic downturns and market disruptions. In anticipation of changing economic conditions, our customers may be more conservative in their production, which would result in fewer new aircraft available to receive our equipment. Further, unfavorable market conditions could cause one or more of our OEM customers to file for bankruptcy, which could have an adverse effect on our business prospects, financial condition and results of operations.

We operate in highly competitive markets with competitors who may have greater resources than we possess, which could reduce the volume of products we can sell and our operating margins.

Our BA equipment and service are sold in highly competitive markets. Some of our competitors are larger, more diversified corporations and have greater financial, marketing, production, and research and development resources. As a result, they may be better able to withstand pricing pressures and the effects of periodic economic downturns or may offer a broader product line to customers. Our operations and financial performance will be negatively impacted if our competitors:

develop service that is superior to our service;

develop service that is priced more competitively than our service;

develop methods of more efficiently and effectively providing products and services; or

adapt more quickly than we do to new technologies or evolving customer requirements.

We believe that the principal points of competition in our BA segment are technological capabilities, price, customer service, product development, conformity to customer specifications, quality of support after the sale and timeliness of delivery and installation. Maintaining and improving our competitive position will require continued investment in technology, manufacturing, engineering, quality standards, marketing and customer service and support. If we do not maintain sufficient resources to make these investments or are not successful in maintaining our competitive position, our operations and financial performance will suffer. In addition, competition may subject us to downward pricing pressures. Pricing at too high a level could adversely affect our ability to gain new customers and retain current customers, while increased competition could force us to lower our prices or lose market share and could adversely affect growth prospects and profitability. We may not have the financial resources, technical expertise or support capabilities to continue to compete successfully. A failure to respond to established and new competitors could have a material adverse impact on our business and results of operations.

We generally do not have guaranteed future sales of our equipment. Further, we enter into fixed price contracts with some of our customers, so we take the risk for cost overruns.

Many of our OEM customers may terminate their contracts with us on short notice and, in many cases, our customers have not committed to buy any minimum quantity of our equipment. In addition, in certain cases, we must anticipate the future volume of orders based upon non-binding production schedules provided by OEMs, the historical purchasing patterns of customers, and informal discussions with customers as to their anticipated future requirements. Cancellations, reductions or delays by a customer or group of customers could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, pursuant to many of our contracts with our OEM customers, we have agreed to deliver equipment and/or services, including equipment and services not yet in production, for a fixed price and, accordingly, take the risk of any cost overruns. Also, we may accept a fixed-price contract for equipment that we

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have not yet produced, and the fact that we have not yet produced the equipment increases the risk of cost overruns or delays in the completion of the design and manufacturing of the product.

Many of the risks that could harm our CA business could also adversely affect our BA business.

For the years ended December 31, 2015, 2014, and 2013, approximately 65%, 66%, and 64% of the equipment revenue, respectively, and approximately 88%, 85%, and 77% of the service revenue, respectively, for our BA segment was attributable to the sale of ATG equipment and subscriptions for our Gogo Biz in-flight broadband Internet service. As such, many of the risks described above relating to our CA business and the Gogo service could also have a material adverse effect on our BA business, including expected capacity constraints on our network in the near-term, our ability to successfully implement technology enhancements to our network and our ability to successfully develop and deploy new products and services and generate revenue and profits from the sale of such products and services.

Risks Related to Our Technology and Intellectual Property and Regulation

Our CA-NA and BA businesses are dependent on our right to use spectrum exclusively licensed to us.

In June 2006, we purchased at FCC auction an exclusive ten-year, 3 MHz license for ATG spectrum that expires in October 2016, and in April 2013, as part of our acquisition of Airfone, we acquired an additional 1MHz ATG spectrum license that expires in October 2016. Prior to expiration of the initial license terms, we expect to apply to renew our licenses for additional ten-year terms without further payment. Any breach of the terms of our FCC licenses or FCC regulations including foreign ownership restrictions, permitted uses of the spectrum and compliance with FAA regulations, could result in the revocation, suspension, cancellation or reduction in the term of our licenses or a refusal by the FCC to renew the licenses upon expiration. Further, in connection with an application to renew our licenses upon expiration, a competitor could file a petition opposing such renewal on anti-competitive or other grounds. Our ability to offer in-flight broadband Internet access through our ATG service currently depends on our ability to maintain rights to use the 3MHz ATG spectrum in the U.S. and our failure to do so would have a material adverse effect on our business and results of operations. Our ability to meet increasing capacity demands and expand our service offerings in the United States will depend in part upon our ability to obtain sufficient rights to use additional means to provide in-flight Internet connectivity including spectrum for ATG or satellite, such as, for example, successful participation in the potential FCC auction of the 14 GHz spectrum, to the extent we elect to participate in such auction. Obtaining such spectrum can be a lengthy and costly process. We may not be able to license or maintain the spectrum necessary to execute our business strategy.

While our spectrum license allows us to be the exclusive provider of ATG broadband connectivity in the United States, additional ATG spectrum may become available in the United States or internationally in the future.

While we are currently the only provider of ATG service in the United States, the FCC may in the future decide to auction additional spectrum for ATG use that is not currently designated for that purpose, or a competitor could develop technology or a business plan that allows it to cost effectively use spectrum not specifically reserved for ATG, but on which ATG use is not prohibited, to provide broadband connectivity. On May 9, 2013, the FCC issued a notice of proposed rulemaking with respect to the 14 GHz spectrum. As a result of this rulemaking process, the FCC has prepared a draft order to auction off spectrum for ATG use and if such auction occurred and we failed to adequately secure rights to such additional spectrum, the additional ATG spectrum, which would have greater capacity than our current spectrum, could be held by, or available for license to, one or more of our existing competitors or new entrants. In order to remain competitive, we may have to make significant expenditures to purchase or lease spectrum that is currently held by other licensees or that is newly auctioned for ATG use including

the 14 GHz spectrum. It is unclear whether and when the FCC will issue an order designating the 14 GHz spectrum for ATG use. If an auction of such spectrum is held, we may elect to

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participate. We are currently exploring various options with respect to developing and implementing a next generation air-to-ground technology in order increase bandwidth speeds and provide additional capacity in the contiguous United States. Our development and implementation of next generation air-to-ground technology will require that we obtain rights to sufficient 14GHz or other spectrum.

The availability of additional spectrum in the marketplace that is authorized for ATG use may increase the possibility that we may face competition from one or more other ATG service providers in the future. In addition, the FCC recently adopted an order establishing a more streamlined process for obtaining authority to provide satellite-based in-flight broadband service over the U.S., which could help facilitate the market entry of additional satellite-based competitors.

While our international competition currently consists of satellite-based interconnectivity services, discussions are occurring in the European Union and elsewhere regarding the possible allocation of spectrum for ATG service and one such competitor has announced that it is planning to launch a European air-to-ground network or hybrid ATG/S-band inflight connectivity service in Europe. In the event that spectrum becomes available in one or more regions for such purpose and is acquired by our existing competitors or new entrants, we could face competition from such providers in such regions.

We face specific risks related to the provision of telecommunications and data services by satellite, capacity providers and equipment suppliers.

We rely on third-party suppliers for services and equipment that we use to provide satellite telecommunication and connectivity services to commercial airline passengers and business aviation customers. We generated approximately 7%, 7%, and 7% of total BA segment revenue from subscriptions for voice and data services provided via satellite for the years ended December 31, 2015, 2014, and 2013, respectively. These voice and data services are provided in our BA segment through the resale on a non-exclusive basis of satellite-based telecommunications and data services owned and operated by third parties. We currently rely on two satellite partners to provide these services to our BA customers and have a number of satellite resellers as our competitors. Our agreements with our BA satellite partners are short-term in nature and one is subject to termination for convenience on 90 days notice.

We also have agreements with several CA satellite partners to provide Ku-band satellite service on a non-exclusive basis. Service is typically provided through individual service orders for specified transponders, which range in duration from one to six years. If any of these agreements were terminated or not renewed upon expiration, or if any of our satellite partners fail to obtain, or lose, necessary regulatory authorizations, we could face material delays or interruptions in the provision of service to our customers that rely on satellite service for connectivity or other voice and data services. If our agreements with any of our satellite partners were terminated or expired and were not renewed, we may not be able to find alternative satellite partners on terms that are acceptable to us, or at all. Certain of our agreements with satellite service providers commit us to purchase bandwidth up to five years in advance, which may exceed passenger demand and require us to incur unnecessary costs. See We may be unsuccessful in expanding our operations internationally.

We also have agreements with third parties to provide the equipment, including radomes, antennas and modems, necessary for us to supply our Ku-band satellite service, and such agreements either renew automatically from year to year or have not less than 10-year terms.

If any of our Ku or 2Ku supplier agreements, or any other agreement with equipment providers, were terminated for any reason or expired and were not renewed, or the equipment was not provided for in a timely basis or of a reliable quality, we may not be able to find alternative equipment providers on terms that are acceptable to us, or at all, which

could delay our ability to roll out our satellite service to airline partners and adversely impact our business and results of operations. In addition, we are required to obtain regulatory approvals for the provision of satellite service from certain foreign telecommunications regulatory bodies.

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Our agreements with satellite providers and equipment suppliers may contain terms, such as those related to termination, pricing and service levels that are not consistent with our obligations under our connectivity agreements with airline partners that rely on such satellite service or equipment for connectivity. Such misalignment could cause us to be in breach of such connectivity agreements, and we may be unable to seek indemnification for such losses from our satellite service providers and equipment providers. Further, if our satellite partners or equipment providers were to increase the fees they charge us for resale of their services and we could not pass these increased costs on to our customers, it would increase our cost of service revenue and adversely impact our business and results of operations.

If we fail to comply with the Communications Act and FCC regulations limiting ownership and voting of our capital stock by non-U.S. persons we could lose our FCC license.

Under the Communications Act and applicable FCC regulations, we are effectively restricted from having more than 25% of our capital stock owned or voted directly or indirectly by non-U.S. persons, including individuals and entities organized outside the United States or controlled by non-U.S. persons. We have established procedures to ascertain the nature and extent of our foreign ownership, and we believe that the indirect ownership of our equity by foreign persons or entities is below the 25% cap. However, as a publicly traded company we may not be able to determine with certainty the exact amount of our stock that is held by foreign persons or entities at any given time. A failure to comply with applicable restrictions on ownership by non-U.S. persons could result in an order to divest the offending ownership, fines, denial of license renewal and/or spectrum license revocation proceedings, any of which would likely have a material adverse effect on our results of operations.

We could be adversely affected if we suffer service interruptions or delays, technology failures or damage to our equipment.

Our brand, reputation and ability to attract, retain and serve our customers depend upon the reliable performance of our in-flight website, network infrastructure, content delivery processes and payment systems. We have experienced interruptions in these systems in the past, including server failures that temporarily slowed down our website's performance and users' access to the Internet, or made our website inaccessible, and we may experience service interruptions, service delays or technology or systems failures in the future, which may be due to factors beyond our control. In the past, service failures or delays of our website have been remedied by bypassing the payment processing step for users and directly connecting such users to the Internet, leading to a loss of revenue for those sessions. If we experience frequent system or network failures, our reputation, brand and customer retention could be harmed, we may lose revenue to the extent that we have to bypass the payment processing step in order to maintain customers' connectivity to the Internet and our airline partners may have the right to terminate their contracts with us or pursue other remedies.

Our operations and services depend upon the extent to which our equipment and the equipment of our third-party network providers is protected against damage or interruption from fire, floods, earthquakes, tornados, power loss, solar flares, telecommunication failures, break-ins, acts of war or terrorism and similar events. The capacity, reliability and security of our network infrastructure are important to the operation of our business, which would suffer in the event of system disruptions or failures, such as computer hackings, cyber-attacks, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks or other malicious activities. Our networks and those of our third-party service providers may be vulnerable to these attacks and unauthorized access. In addition, the satellites upon which we rely for current and will rely for future services are and will be subject to significant operational risks while in orbit. These risks include malfunctions, which have occurred and may occur in the future as a result of various factors, such as satellite design and manufacturing defects, problems with the power or control systems of the satellites and general failures resulting from operating satellites in the harsh environment of

space. Damage to our or third parties' networks could cause interruptions in the services that we provide. Such interruptions in our services could have a material adverse effect on service revenue, our reputation and our ability to attract or retain customers.

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We rely on single source service providers for certain critical components of our networks and operations.

We rely on single source suppliers for a number of critical components of our ATG, Ku and 2Ku networks and operations. For example, we purchase all of the aircards used for our ATG and ATG-4 equipment from a single provider, an affiliate of which we believe holds all of the patents for these components. If we are required to find one or more alternative suppliers for aircards or any other component for which we may rely on a single source supplier, we may not be able to contract with them on a timely basis, on commercially reasonable terms, or at all. Additionally, we purchase equipment for all of the base stations used at our cell-sites from a single provider. The base stations used at our cell-sites may require six to nine months lead time to produce and are highly integrated with other components of our network. If we needed to seek one or more alternate suppliers for our base stations, we estimate that it could take up to two years or more before any such alternate supplier could deliver a component that meets our network requirements. We also license all of our ATG-4 bandwidth optimization software from a single provider. If we are required to find one or more alternative suppliers for this or comparable software, we may not be able to contract with them on a timely basis, on commercially reasonable terms, or at all.

With respect to our Ku satellite service, we rely on several single source providers to provide the equipment, including the radome, antenna and modem. With respect to 2Ku, we rely on single source suppliers to provide the antenna and modem required to operate the system, and such providers own the associated intellectual property. If we were required for any reason (including termination of the contract by the supplier or termination by us as a result of the supplier's failure to perform as required), we estimate that it could take up to two years to replace certain equipment suppliers. Delays in finding and contracting with alternative suppliers would significantly delay or suspend our ability to roll out our satellite service to airline partners and adversely impact our business, financial condition and results of operations.

In addition, if we are required to find one or more alternative suppliers for any of these single-provider components, we may not be able to contract with them on a timely basis, on commercially reasonable terms, or at all, which could adversely impact our ability to roll out our satellite-based service with our current or future airline partners. The lack of alternative suppliers could lead to higher prices and a failure by any of our single source providers to continue to produce the component, or to otherwise fulfill its obligations, could have a material adverse effect on our business, results of operations, and financial condition.

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

In recent years, there has been significant litigation involving intellectual property rights in many technology-based industries, including the wireless communications industry. We have faced, are currently facing and may face from time to time in the future, allegations that we or a supplier or customer have violated the rights of third parties, including patent, trademark and other intellectual property rights.

If, with respect to any claim against us for violation of third party intellectual property rights, we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business and competitive position may be materially adversely affected. Many companies, including our competitors, are devoting significant resources to obtaining patents that could potentially cover many aspects of our business. In addition, there are numerous patents that broadly claim means and methods of conducting business on the Internet. We have not exhaustively searched patents relevant to our technologies and business and therefore it is possible that we may be unknowingly infringing the patents of others.

Any infringement, misappropriation or related claims, whether or not meritorious, are time-consuming, divert technical and management personnel and are costly to resolve. As a result of any such dispute, we may

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have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease providing certain products or services, adjust our merchandizing or marketing and advertising activities or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. Pursuant to our contracts with our airline partners and certain BA customers, we have agreed to indemnify our airline partners and such customers against such claims and lawsuits, and, in some cases, our contracts do not cap our indemnification obligations, which, in addition to obligating us to pay defense costs, could result in significant indemnification obligations in the event of an adverse ruling in such an action. In addition, certain of our suppliers do not indemnify us for third party infringement or misappropriation claims arising from our use of supplier technology. As a result, we may be liable in the event of such claims. Any of these events could result in increases in operating expenses, limit our service offerings or result in a loss of business if we are unable to meet our indemnification obligations and our airline partners terminate or fail to renew their contracts.

We or our technology suppliers may be unable to continue to innovate and provide products and services that are useful to consumers, airlines and other aircraft operators.

The market for our services is characterized by evolving technology, changes in customer, airline and aircraft operator needs and frequent new service and product introductions. Our future success will depend, in part, on our and our suppliers' ability to continue to enhance or develop new technology and services, including operational requirements of commercial airlines and business aircraft owners and operators and applications that meet customer needs and enhance operational efficiency on a timely and cost-effective basis. If we or our suppliers fail to adapt quickly enough to changing technology, customer requirements and/or industry standards, our service offerings may fail to meet customer, airline and aircraft operator needs or regulatory requirements. We may have to invest significant capital to keep pace with innovation and changing technology, which could negatively impact our results of operations.

Furthermore, the proliferation of new mobile devices, including tablets, and operating platforms poses challenges for our research and development efforts. If we are unable to create, or obtain rights to, simple solutions for a particular device or operating platform, we will be unable to effectively attract users of these devices or operating platforms and our business will be adversely affected.

We may not be able to protect our intellectual property rights.

We regard our trademarks, service marks, copyrights, patents, trade secrets, proprietary technologies, domain names and similar intellectual property as important to our success. We rely on trademark, copyright and patent law, trade secret protection, and confidentiality agreements with our employees, vendors, airline partners, customers and others to protect our proprietary rights. We have sought and obtained patent protection for certain of our technologies in the United States and certain other countries. Many of the trademarks that we use (including marks we have applied to register) contain words or terms having a somewhat common usage, such as Gogo and Gogo Vision and, as a result, we may have difficulty registering them in certain jurisdictions. We do not own, for example, the domain www.gogo.com and we have not yet obtained registrations for our most important marks in all markets in which we may do business in the future, including China and India. If other companies have registered or have been using in commerce similar trademarks for services similar to ours in foreign jurisdictions, we may have difficulty in registering, or enforcing an exclusive right to use, our marks in those foreign jurisdictions.

There can be no assurance that the efforts we have taken to protect our proprietary rights will be sufficient or effective, that any pending or future patent and trademark applications will lead to issued patents and registered trademarks in all instances, that others will not develop or patent similar or superior technologies, products or services, or that our patents, trademarks and other intellectual property will not be challenged, invalidated, misappropriated or infringed by others. Furthermore, the intellectual property laws and enforcement practices of other

countries in which our service is or may in the future be offered may not protect our products and intellectual property rights to the same extent as the laws of the United States. If we are unable to protect our

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intellectual property from unauthorized use, our ability to exploit our proprietary technology or our brand image may be harmed and, as a result, our business and results of operations may suffer.

Our use of open source software could limit our ability to commercialize our technology.

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

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

Our products contain complex systems and components that could contain errors or defects, particularly when we incorporate new technology. If any of our products are defective, we could be required to redesign or recall those products or pay substantial damages or warranty claims. Such events could result in significant expenses, disrupt sales and affect our reputation and that of our products. If our on-board equipment has a malfunction, or there is a problem with the equipment installation, which damages an airplane or impairs its on-board electronics or avionics, significant property loss and serious personal injury or death could result. Any such failure could expose us to substantial personal injury claims, product liability claims or costly repair obligations. In particular, the passenger jets operated by our airline partners are very costly to repair and therefore the damages in any product liability claims could be material. We carry aircraft and non-aircraft product liability insurance consistent with industry norms. However, this insurance coverage may not be sufficient to fully cover the payment of any claims. A product recall or a product liability claim not covered by insurance could have a material adverse effect on our business, financial condition and results of operations. Further, we indemnify most of our airline partners for losses due to third-party claims and in certain cases the causes for such losses may include failure of our products. Our business, financial condition and results of operations would also be materially adversely affected should we be required by the FAA or otherwise to cease providing the Gogo service, even on a temporary basis, as a result of a product malfunction or defect.

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

termination or failure to renew contracts by our airline partners;

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

sales credits or refunds to our customers and airline partners;

loss of existing customers and difficulty in attracting new customers;

diversion of development resources;

harm to our reputation and brand image;

increased insurance costs; and

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claims for substantial damages.

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

Regulation by United States and foreign government agencies, including the FCC, which issued our exclusive ATG spectrum license, and the FAA, which regulates the civil aviation manufacturing and repair industries in the United States, may increase our costs of providing service or require us to change our services.

We are subject to various regulations, including those regulations promulgated by various federal, state and local regulatory agencies and legislative bodies and comparable agencies outside the United States where we may do business. The two U.S. government agencies that have primary regulatory authority over our operations are the FCC and the FAA.

The FCC regulates our use of the spectrum licensed to us and the licensing, construction, modification, operation, ownership, sale and interconnection of wireless telecommunications systems. Any breach of the terms of our ATG spectrum license or other licenses and authorizations obtained by us from time to time, or any violation of the Communications Act or the FCC's rules, could result in the revocation, suspension, cancellation or reduction in the term of a license or the imposition of fines. From time to time, the FCC may monitor or audit compliance with the Communications Act and the FCC's rules or with our licenses, including if a third party were to bring a claim of breach or noncompliance. In addition, the Communications Act, from which the FCC obtains its authority, may be amended in the future in a manner that could be adverse to us. The FCC is currently conducting rulemaking proceedings to consider the service rules for certain aeronautical services and recently granted a petition and issued a notice of proposed rulemaking in connection with a request to designate certain spectrum, currently designated for non-ATG use, for ATG service. The timetable and ultimate outcome of such rulemaking processes are unknown and we are unable to determine whether they would have an effect on our business.

The commercial and private aviation industries, including civil aviation manufacturing and repair industries, are highly regulated in the United States by the FAA. FAA certification is required for all equipment we install on commercial aircraft and type certificated business aircraft, and certain of our operating activities require that we obtain FAA certification as a parts manufacturer. As discussed in more detail in the section entitled "Business Licenses and Regulation - Federal Aviation Administration," FAA approvals required to operate our business include Supplemental Type Certificates (STCs) and Parts Manufacturing Authority (PMA). Obtaining STCs and PMAs is an expensive and time-consuming process that requires significant focus and resources. Any inability to obtain, delay in obtaining, or change in, needed FAA certifications, authorizations, or approvals, could have an adverse effect on our ability to meet our installation commitments, manufacture and sell parts for installation on aircraft, or expand our business and could, therefore, materially adversely affect our growth prospects, business and operating results. The FAA closely regulates many of our operations. If we fail to comply with the FAA's many regulations and standards that apply to our activities, we could lose the FAA certifications, authorizations, or other approvals on which our manufacturing, installation, maintenance, preventive maintenance, and alteration capabilities are based. In addition, from time to time, the FAA or comparable foreign agencies adopt new regulations or amend existing regulations. The FAA could also change its policies regarding the delegation of inspection and certification responsibilities to private companies, which could adversely affect our business. To the extent that any such new regulations or amendments to existing regulations or policies apply to our activities, those new regulations or amendments to existing regulations generally increase our costs of compliance.

As a provider of telecommunications services in the business aviation industry, we are required to contribute a percentage of all revenue generated from interstate or international telecommunications VoIP services, which we offer in the BA segment) to the federal Universal Service Fund, which subsidizes telecommunications

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services in areas that are expensive to serve. Broadband Internet access services are currently exempt from the requirement, but the FCC is considering a number of reforms to its Universal Service Fund mechanisms that would expand the scope of that regulatory regime to such services. The FCC currently is considering a number of reforms to its Universal Service Fund mechanisms that would expand the scope of that regulatory regime to cover broadband Internet access services. Such reforms may include, but are not limited to, imposing obligations on broadband Internet access service providers to contribute a percentage of the revenue earned from such services to the Universal Service Fund. To the extent the FCC adopts new contribution requirements that apply to broadband Internet providers or otherwise imposes additional contribution obligations, such requirements and obligations may increase the costs we incur to comply with such regulations.

As a broadband Internet provider, we must comply with the Communications Assistance for Law Enforcement Act of 1994, or CALEA, which requires communications carriers to ensure that their equipment, facilities and services can accommodate certain technical capabilities in executing authorized wiretapping and other electronic surveillance. Currently, our CALEA solution is fully deployed in our network. However, we could be subject to an enforcement action by the FCC or law enforcement agencies for any delays related to meeting, or if we fail to comply with, any current or future CALEA, or similarly mandated law enforcement related, obligations. Such enforcement actions could subject us to fines, cease and desist orders, or other penalties, all of which could adversely affect our business. Further, to the extent the FCC adopts additional capability requirements applicable to broadband Internet providers, its decision may increase the costs we incur to comply with such regulations.

In addition to these U.S. agencies, we are also subject to regulation by foreign government agencies that choose to assert jurisdiction over us as a result of the service we provide on aircraft that fly international routes, including Industry Canada, which issued our exclusive Canadian ATG subordinate spectrum license and regulates our use of the spectrum licensed to us. Adverse decisions or regulations of these U.S. and foreign regulatory bodies could negatively impact our operations and costs of doing business and could delay the roll-out of our services and have other adverse consequences for us. For example, a contract covering the international fleet of Delta Air Lines permits such airline to terminate its contract with us if we have not, by specified dates, obtained the FCC and foreign governmental regulatory approvals required to provide our Ku-band satellite service on aircraft flying such partner's international routes. Our ability to obtain certain regulatory approvals to offer the Gogo service internationally may also be the responsibility of a third party, and, therefore, may be out of our control. We are unable to predict the scope, pace or financial impact of regulations and other policy changes that could be adopted by the various governmental entities that oversee portions of our business.

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

The current legal environment for Internet communications, products and services is uncertain and subject to statutory, regulatory or interpretive change. We cannot be certain that we, our vendors and media partners or our customers are currently in compliance with applicable regulatory or other legal requirements in the countries in which our service is used. Our failure, or the failure of our vendors and media partners, customers and others with whom we transact business to comply with existing or future legal or regulatory requirements could materially adversely affect our business, financial condition and results of operations. Regulators may disagree with our interpretations of existing laws or regulations or the applicability of existing laws or regulations to our business, and existing laws, regulations and interpretations may change in unexpected ways.

For example, our mobile wireless broadband Internet access services, including Passenger Connectivity and Gogo Biz, were previously classified as information services, and not as telecommunications services. Therefore, these services

were not subject to FCC common carrier regulation. However, effective June 12, 2015, the FCC reclassified mobile (and fixed) broadband Internet access services as Title II telecommunications services (the Open Internet Order). The Open Internet Order also adopted broad new net neutrality rules. For example,

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broadband providers may not block access to lawful content, applications, services, or non-harmful devices. Broadband providers also may not impair or degrade lawful Internet traffic on the basis of content, applications, services, or non-harmful devices. In addition, broadband providers may not favor some lawful Internet traffic over other lawful traffic in exchange for consideration of any kind, and they may not prioritize the content and services of their affiliates. Other than for paid prioritization, the rules contain an exception for reasonable network management. The Open Internet Order recognizes that whether a network management practice is reasonable varies according to the broadband technology involved and may provide more flexibility to implement network management practices in the context of Gogo's capacity-constrained air-to-ground and satellite broadband networks.

The FCC order also imposes new disclosure requirements on broadband providers, including enhanced network performance reporting requirements. These new requirements have not gone into effect and are subject to further Executive Branch review. Moreover, the FCC has temporarily exempted smaller providers, such as Gogo, from its enhanced disclosure requirements. The Consumer and Government Affairs Bureau released an order December 15, 2015, extending the exemption until December 15, 2016. Until the disclosure requirements are finalized, we cannot assess what impact they will have on Gogo's practices.

Other jurisdictions may adopt similar or different regulations that could affect our ability to use network management techniques.