

BOINGO WIRELESS INC
Form 10-Q
May 12, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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: 001-35155

BOINGO WIRELESS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

95-4856877
(I.R.S. Employer
Identification No.)

10960 Wilshire Blvd., Suite 800
Los Angeles, California
(Address of principal executive offices)

90024
(Zip Code)

(310) 586-5180

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically 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 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a 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

As of May 1, 2014, there were 35,541,457 shares of the registrant's common stock outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Boingo Wireless, Inc.****Condensed Consolidated Balance Sheets****(Unaudited)****(In thousands, except per share amounts)**

| | March 31, | | December 31, |
|--|------------------|----|---------------------|
| | 2014 | | 2013 |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 13,516 | \$ | 27,338 |
| Restricted cash | 545 | | 545 |
| Marketable securities | 37,286 | | 32,962 |
| Accounts receivable, net | 18,045 | | 16,326 |
| Prepaid expenses and other current assets | 2,479 | | 2,566 |
| Deferred tax assets | 1,192 | | 1,192 |
| Total current assets | 73,063 | | 80,929 |
| Property and equipment, net | 76,445 | | 67,560 |
| Goodwill | 42,431 | | 42,431 |
| Intangible assets, net | 22,483 | | 23,413 |
| Other assets | 1,285 | | 1,210 |
| Total assets | \$ 215,707 | \$ | 215,543 |
| Liabilities and stockholders equity | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 8,748 | \$ | 11,642 |
| Accrued expenses and other liabilities | \$ 17,909 | | 16,908 |
| Deferred revenue | 22,303 | | 19,292 |
| Total current liabilities | \$ 48,960 | | 47,842 |
| Deferred revenue, net of current portion | 26,258 | | 21,591 |
| Deferred tax liabilities | 3,369 | | 3,369 |
| Other liabilities | \$ 1,372 | | 2,133 |
| Total liabilities | 79,959 | | 74,935 |
| Commitments and contingencies (Note 9) | | | |
| Stockholders equity: | | | |
| Preferred stock, \$0.0001 par value; 5,000 shares authorized; no shares issued and outstanding | | | |
| Common stock, \$0.0001 par value; 100,000 shares authorized; 35,516 and 35,226 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively | 4 | | 4 |
| Additional paid-in capital | 183,988 | | 182,927 |
| Accumulated deficit | (48,636) | | (43,188) |

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| | | |
|--|------------|------------|
| Total common stockholders' equity | 135,356 | 139,743 |
| Non-controlling interests | 392 | 865 |
| Total stockholders' equity | 135,748 | 140,608 |
| Total liabilities and stockholders' equity | \$ 215,707 | \$ 215,543 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Boingo Wireless, Inc.****Condensed Consolidated Statements of Operations****(Unaudited)****(In thousands, except per share amounts)**

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| Revenue | \$ 26,452 | \$ 23,134 |
| Costs and operating expenses: | | |
| Network access | 12,925 | 9,670 |
| Network operations | 5,824 | 3,951 |
| Development and technology | 3,671 | 3,136 |
| Selling and marketing | 3,885 | 2,990 |
| General and administrative | 4,395 | 4,490 |
| Amortization of intangible assets | 925 | 399 |
| Total costs and operating expenses | 31,625 | 24,636 |
| Loss from operations | (5,173) | (1,502) |
| Interest and other income, net | 19 | 47 |
| Loss before income taxes | (5,154) | (1,455) |
| Income tax expense (benefit) | 148 | (467) |
| Net loss | (5,302) | (988) |
| Net income attributable to non-controlling interests | 146 | 133 |
| Net loss attributable to common stockholders | \$ (5,448) | \$ (1,121) |
| Net loss per share attributable to common stockholders: | | |
| Basic | \$ (0.15) | \$ (0.03) |
| Diluted | \$ (0.15) | \$ (0.03) |
| Weighted average shares used in computing net loss per share attributable to common stockholders: | | |
| Basic | 35,350 | 35,597 |
| Diluted | 35,350 | 35,597 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Boingo Wireless, Inc.****Condensed Consolidated Statement of Stockholders Equity****(Unaudited)****(In thousands)**

| | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Non- controlling Interests | Total Stockholders Equity |
|---|------------------------------------|------------------------------------|---|--------------------------------|---|--|
| Balance at December 31, 2013 | 35,226 | \$ 4 | \$ 182,927 | \$ (43,188) | \$ 865 | \$ 140,608 |
| Issuance of common stock under stock incentive plans | 290 | | 95 | | | 95 |
| Shares withheld for taxes | | | (586) | | | (586) |
| Stock-based compensation expense | | | 1,552 | | | 1,552 |
| Non-controlling interests distributions | | | | | (619) | (619) |
| Net (loss) income | | | | (5,448) | 146 | (5,302) |
| Balance at March 31, 2014 | 35,516 | \$ 4 | \$ 183,988 | \$ (48,636) | \$ 392 | \$ 135,748 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Boingo Wireless, Inc.****Condensed Consolidated Statements of Cash Flows****(Unaudited)****(In thousands)**

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| Cash flows from operating activities | | |
| Net loss | \$ (5,302) | \$ (988) |
| Adjustments to reconcile net loss including non-controlling interests to net cash provided by operating activities: | | |
| Depreciation and amortization of property and equipment | 5,784 | 4,133 |
| Amortization of intangible assets | 925 | 399 |
| Stock-based compensation | 1,517 | 602 |
| Excess tax benefits from stock-based compensation | | (3,419) |
| Change in fair value of contingent consideration | (378) | |
| Changes in operating assets and liabilities, net of effect of acquisition: | | |
| Accounts receivable | (1,719) | (2,436) |
| Prepaid expenses and other assets | 13 | 1,282 |
| Accounts payable | (156) | (491) |
| Accrued expenses and other liabilities | (291) | (720) |
| Deferred revenue | 7,678 | 6,894 |
| Net cash provided by operating activities | 8,071 | 5,256 |
| Cash flows from investing activities | | |
| Purchases of marketable securities | (22,682) | (22,744) |
| Proceeds from sales of marketable securities | 18,358 | 19,078 |
| Purchases of property and equipment | (16,004) | (5,154) |
| Payments for business acquisition, net of cash acquired | | (4,874) |
| Net cash used in investing activities | (20,328) | (13,694) |
| Cash flows from financing activities | | |
| Excess tax benefits from stock-based compensation | | 3,419 |
| Proceeds from exercise of stock options | 95 | 214 |
| Payments of capital leases and notes payable | (180) | (27) |
| Payments of acquired notes payable and financed liabilities | | (6,079) |
| Payment of holdback consideration | (275) | |
| Payments of withholding tax on net issuance of restricted stock units | (586) | |
| Payments to non-controlling interests | (619) | (579) |
| Net cash used in financing activities | (1,565) | (3,052) |
| Net decrease in cash and cash equivalents | (13,822) | (11,490) |
| Cash and cash equivalents at beginning of period | 27,338 | 58,138 |
| Cash and cash equivalents at end of period | \$ 13,516 | \$ 46,648 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for taxes | \$ 9 | \$ 42 |
| Supplemental disclosure of non-cash investing and financing activities | | |
| Property and equipment costs in accounts payable, accrued expenses and other liabilities | 8,483 | 3,383 |
| Assets acquired in business acquisition | | 17,317 |
| Liabilities assumed in business acquisition | | 12,443 |

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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Boingo Wireless, Inc.

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except shares and per share amounts)

1. The business

Boingo Wireless, Inc. and its subsidiaries (collectively we, us, our or the Company) is a leading global provider of mobile Internet solutions for smartphones, tablet computers, laptops, and other wireless-enabled consumer devices. The Company has more than a million small cell networks for cellular distributed antenna system (DAS) and Wi-Fi access that reach more than one billion consumers annually. Boingo Wireless, Inc. was incorporated on April 16, 2001 in the State of Delaware. We have a diverse monetization model that enables us to generate revenues from retail sales, wholesale partnerships, and advertising across these small cell networks. Retail products include Wi-Fi subscriptions and day passes that provide access to more than 900,000 commercial hotspots worldwide, and Internet Protocol television (IPTV) services and residential broadband for military barracks. Wholesale offerings include Wi-Fi roaming, private label Wi-Fi, location based services, and DAS, which are cellular extension networks. Advertising revenue is driven by Wi-Fi sponsorships at airports, hotels, cafes and restaurants, and public spaces. Our customers include some of the world's largest carriers, telecommunications service providers and global consumer brands, as well as Internet savvy consumers on the go and troops stationed at military bases.

2. Summary of significant accounting policies

Basis of presentation

The accompanying interim unaudited condensed consolidated financial statements and related notes for the three months ended March 31, 2014 and 2013 are unaudited. The unaudited interim condensed consolidated financial information has been prepared in accordance with the rules and regulations of the SEC for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles (GAAP) in the United States of America (U.S.) for complete financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2013 contained in our annual report on Form 10-K filed with the SEC on March 17, 2014. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and in the opinion of management, reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our results of operations and cash flows for the three months ended March 31, 2014 and 2013, and our financial position as of March 31, 2014. The year-end balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by GAAP. Interim results are not necessarily indicative of the results to be expected for an entire year or any other future year or interim period.

Principles of consolidation

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The unaudited condensed consolidated financial statements include our accounts and the accounts of our majority owned subsidiaries. We consolidate our 70% ownership of Concourse Communications Detroit, LLC, our 70% ownership of Chicago Concourse Development Group, LLC and our 75% ownership of Boingo Holding Participacoes Ltda. in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation*. Other parties' interests in consolidated entities are reported as non-controlling interests. All intercompany balances and transactions have been eliminated in consolidation.

Business combinations

The results of businesses acquired in a business combination are included in the Company's condensed consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

The Company performs valuations of assets acquired and liabilities assumed for a business acquisition and allocates the purchase price to its respective net tangible and intangible assets. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows, discount rates, royalty rates and selection of comparable companies. The Company engages the assistance of valuation specialists in concluding on fair values of assets and liabilities assumed in a business combination.

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Transaction costs associated with business combinations are expensed as incurred, and are included in general and administrative expenses in the condensed consolidated statements of operations. There were no significant transaction costs associated with business combinations for the three months ended March 31, 2014. Transaction costs associated with business combinations were \$158 for the three months ended March 31, 2013.

Segment and geographical information

We operate as one reportable segment; a service provider of mobile Internet solutions across our managed and operated network and aggregated network for mobile devices such as laptops, smartphones, tablet computers and other wireless-enabled consumer devices. This single segment is consistent with the internal organization structure and the manner in which operations are reviewed and managed by our Chief Executive Officer, the chief operating decision maker.

Revenue is predominately generated and all significant long-lived tangible assets are held in the U.S. We do not disclose sales by geographic area because to do so would be impracticable. The following is a summary of our revenue by primary revenue source:

| | Three Months Ended | |
|-----------------------|--------------------|-----------|
| | March 31, | |
| | 2014 | 2013 |
| Revenue: | | |
| Wholesale | \$ 11,123 | \$ 11,555 |
| Retail subscription | 8,294 | 8,067 |
| Retail single-use | 2,536 | 2,586 |
| Advertising and other | 4,499 | 926 |
| Total revenue | \$ 26,452 | \$ 23,134 |

Marketable securities

Our marketable securities consist of available-for-sale securities with original maturities exceeding three months. In accordance with FASB ASC 320, *Investments Debt and Equity Securities*, we have classified securities, which have readily determinable fair values and are highly liquid, as short-term because such securities are expected to be realized within a one-year period. At March 31, 2014 and December 31, 2013, we had \$37,286 and \$32,962, respectively, in marketable securities, all of which are classified as short-term.

Marketable securities are reported at fair value with the related unrealized gains and losses reported as other comprehensive income (loss) until realized or until a determination is made that an other-than-temporary decline in market value has occurred. No significant unrealized gains and losses have been reported during the periods presented. Factors considered by us in assessing whether an other-than-temporary impairment has occurred include the nature of the investment, whether the decline in fair value is attributable to specific adverse conditions affecting the investment, the financial condition of the investee, the severity and the duration of the impairment and whether we have the ability to hold the investment to maturity. When it is determined that an other-than-temporary impairment has occurred, the investment is written down to its market value at the end of the period in which it is determined that an other-than-temporary decline has occurred. The cost of marketable securities sold is based upon the specific identification method. Any realized gains or losses on the sale of investments are reflected as a component of interest and other income, net.

For the three months ended March 31, 2014, we had no significant realized or unrealized gains or losses from investments in marketable securities classified as available-for-sale.

Revenue recognition

We generate revenue from several sources including: (i) platform service arrangements with wholesale customers that provide software licensing, network access, and professional services fees, (ii) wholesale customers that are telecom operators under long-term contracts for access to our DAS at our managed and operated locations, (iii) retail customers under subscription plans for month-to-month network access that automatically renew, and retail single-use access from sales of hourly, daily or other single-use access plans, and (iv) display advertisements and sponsorships on our walled garden sign-in pages. Software licensed by our wholesale platform services customers can only be used during the term of the service arrangements and has no utility to them upon termination of the service arrangement.

We recognize revenue when an arrangement exists, services have been rendered, fees are fixed or determinable, no significant obligations remain related to the earned fees and collection of the related receivable is reasonably assured.

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Services provided to wholesale partners under platform service arrangements generally contain several elements including: (i) a term license to use our software to access our Wi-Fi network, (ii) access fees for network usage, and (iii) professional services for software integration and customization and to maintain the Wi-Fi service. The term license, monthly minimum network access fees and professional services are billed on a monthly basis based upon predetermined fixed rates. Once the term license for integration and customization are delivered, the fees from the arrangement are recognized ratably over the remaining term of the platform service arrangement. The initial term of platform service license agreements is generally between one to five years and the agreements generally contain renewal clauses. Revenue for network access fees in excess of the monthly minimum amounts is recognized when earned. All elements within existing platform service arrangements are generally delivered and earned concurrently throughout the term of the respective service arrangement.

Revenue generated from access to our DAS networks consists of build-out fees and recurring access fees under certain long-term contracts with telecom operators. Build-out fees paid upfront are generally deferred and recognized ratably over the term of the estimated customer relationship period, once the build-out is complete. Minimum monthly access fees for usage of the DAS networks are non-cancellable and generally escalate on an annual basis. These minimum monthly access fees are recognized ratably over the term of the telecom operator agreement. The initial term of our contracts with telecom operators and wholesale partners generally range from three to fifteen years and the agreements generally contain renewal clauses. Revenue from network access fees in excess of the monthly minimums is recognized when earned.

In instances where the minimum monthly network access fees escalate over the term of the wholesale service arrangement, an unbilled receivable is recognized when performance is within our control and when we have reasonable assurance that the unbilled receivable balance will be collected.

We adopted the provisions of Accounting Standards Update (ASU) 2009-13, *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements* (ASU 2009-13), on a prospective basis on January 1, 2011. For multiple-deliverable arrangements entered into prior to January 1, 2011 that are accounted for under ASC 605-25, *Revenue Recognition Multiple-Deliverable Revenue Arrangements*, we defer recognition of revenue for the full arrangement and recognize all revenue ratably over the wholesale service period for platform service arrangements and the term of the estimated customer relationship period for DAS arrangements, because we do not have evidence of fair value for the undelivered elements in the arrangement. For multiple-deliverable arrangements entered into or materially modified after January 1, 2011 that are accounted for under ASC 605-25, we evaluate whether or not separate units of accounting exist and then allocate the arrangement consideration to all units of accounting based on the relative selling price method using estimated selling prices because vendor specific objective evidence and third party evidence is not available. We recognize the revenue associated with the separate units of accounting upon completion of such services or ratably over the wholesale service period for platform service arrangements and the term of the estimated customer relationship period for DAS arrangements.

Subscription fees from retail customers are paid monthly in advance and revenue is deferred for the portions of monthly recurring subscription fees collected in advance. We do not have a stated or published refund policy for our Wi-Fi service, although our customer service representatives will provide a refund on a case-by-case basis. These amounts are not significant and are recorded as contra-revenue in the period the refunds are made. Subscription fee revenue is recognized ratably over the subscription period. Revenue generated from retail single-use access is recognized when earned.

Advertising revenue is generated from advertisements on our managed and operated or partner networks. In determining whether an arrangement exists, we ensure that a binding arrangement is in place, such as a standard insertion order or a fully executed customer-specific agreement. Obligations pursuant to our advertising revenue arrangements typically include a minimum number of units or the satisfaction of certain performance criteria. Advertising and other revenue is recognized when the services are performed.

3. Acquisitions

Electronic Media Systems, Inc. and Advanced Wireless Group, LLC

On October 31, 2013, we acquired all outstanding stock of Electronic Media Systems, Inc. and all membership interests in its subsidiary, Advanced Wireless Group, LLC, not otherwise owned by Electronic Media Systems, Inc. such that we are now the beneficial owner of all membership interests of Advanced Wireless, Group, LLC (collectively, AWG). AWG operates public Wi-Fi in seventeen U.S. airports including Los Angeles International, Charlotte/Douglas International, Miami International, Minneapolis- St. Paul International, Detroit Metropolitan Airport, and Boston s Logan International. We have included the operating results of AWG in our condensed consolidated financial statements since the date of acquisition.

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The acquisition has been accounted for under the acquisition method of accounting in accordance with FASB ASC 805, *Business Combinations*. As such, the assets acquired and liabilities assumed are recorded at their acquisition-date fair values. The total purchase price was \$17,380, which includes cash paid at closing, holdback consideration to be paid and the fair value of additional contingent consideration that would be due and payable upon the successful extension of a specified airport Wi-Fi contract. The total purchase price includes estimated net equity adjustments that may be subject to additional adjustments.

The fair value of the contingent consideration is based on Level 3 inputs, which are discussed in Note 6. Further changes in the fair value of the contingent consideration will be recorded through operating loss. We allocated the excess of the purchase price over the fair value of assets acquired and liabilities assumed to goodwill, which is primarily not deductible for tax purposes. The goodwill arising from the AWG acquisition is attributable primarily to expected synergies and other benefits, including the acquired workforce, from combining AWG with us.

The deferred tax liabilities are provisional pending the filing of AWG's final short period 2013 tax returns. The contingent consideration was valued at the date of acquisition using a discount rate of 3.1% and is expected to be paid in 2014. The identifiable intangible assets were primarily valued using the excess earnings, relief from royalty, with-and-without and replacement cost methods using discount rates ranging from 12.0% to 14.0% and royalty rates of 0.5%.

The amortizable intangible assets are being amortized straight-line over their estimated useful lives. The following summarizes the preliminary purchase price allocation:

| | Estimated Fair Value | Weighted Average Estimated Useful Life (years) |
|--|-------------------------|--|
| Consideration: | | |
| Cash paid | \$ 14,800 | |
| Holdback consideration | 1,600 | |
| Contingent consideration | 980 | |
| Total consideration | \$ 17,380 | |
| Recognized amounts of identifiable assets acquired and liabilities assumed: | | |
| Cash | \$ 215 | |
| Restricted cash | 515 | |
| Accounts receivable | 988 | |
| Other current assets | 609 | |
| Property and equipment | 2,297 | |
| Accounts payable | (563) | |
| Accrued expenses | (515) | |
| Other current liabilities | (134) | |
| Capital lease obligations | (932) | |
| Other non-current liabilities | (130) | |
| Deferred tax liabilities | (3,561) | |
| Net tangible liabilities acquired | (1,211) | |
| Existing airport contracts and relationships | 4,700 | 6.7 |
| Technology | 270 | 6.0 |
| Trademark and tradename | 120 | 3.0 |
| Non-compete agreement | 3,590 | 5.0 |

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| | | |
|----------------------|----|--------|
| Goodwill | | 9,911 |
| Total purchase price | \$ | 17,380 |

Endeka Group, Inc.

On February 22, 2013, we acquired all outstanding stock of Endeka Group, Inc. (Endeka). Endeka is a provider of commercial wireless broadband and IPTV services at certain military bases, as well as Wi-Fi services to certain federal law enforcement training facilities. We acquired Endeka because Endeka's portfolio of venues and management team are natural additions to our managed network business. We have included the operating results of Endeka in our condensed consolidated financial statements since the date of acquisition.

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The acquisition has been accounted for under the acquisition method of accounting in accordance with FASB ASC 805. As such, the assets acquired and liabilities assumed are recorded at their acquisition-date fair values. The total purchase price was \$6,498, which includes cash paid at closing, holdback consideration to be paid and the fair value of additional contingent consideration comprised of two components: (i) a payment (Build Payment) if the amount of the capital expenditures incurred for the substantial completion of a specified build project is less than a target; and (ii) a payment (Milestone Payment) based on revenue generated by certain contracts in fiscal year 2014. There is no maximum to the contingent consideration payments for the Milestone Payment. We do not expect to make any payments associated with the Build Payment. The Milestone Payment will be paid on February 28, 2015.

The fair value of the contingent consideration is based on Level 3 inputs. Further changes in the fair value of the contingent consideration will be recorded through operating (loss) income. We allocated the excess of the purchase price over the fair value of assets acquired and liabilities assumed to goodwill, which is not deductible for tax purposes. The goodwill arising from the Endeka acquisition is attributable primarily to expected synergies and other benefits, including the acquired workforce, from combining Endeka with us.

The contingent consideration was valued at the date of acquisition using a discounted cash flow method with probability weighted cash flows and a discount rate of 50.5%. The identifiable intangible assets were primarily valued using the excess earnings, relief from royalty, and replacement cost methods using discount rates ranging from 40.0% to 50.0% and royalty rates ranging from 0.5% to 1.5%, where applicable.

The amortizable intangible assets are being amortized straight-line over their estimated useful lives. The following summarizes the final purchase price allocation:

| | Estimated Fair Value | Estimated Useful Life (years) |
|--|-------------------------|----------------------------------|
| Consideration: | | |
| Cash paid | \$ 4,894 | |
| Holdback consideration | 275 | |
| Contingent consideration | 1,329 | |
| Total consideration | \$ 6,498 | |
| Recognized amounts of identifiable assets acquired and liabilities assumed: | | |
| Cash | \$ 20 | |
| Other current assets | 44 | |
| Property and equipment | 4,617 | |
| Other assets | 12 | |
| Accounts payable | (992) | |
| Other current liabilities | (211) | |
| Notes payable and financed liabilities | (6,476) | |
| Deferred tax liabilities | (2,637) | |
| Net tangible liabilities acquired | (5,623) | |
| Existing customer contracts and relationships | 4,770 | 10.0 |
| Technology | 930 | 6.0 |
| Trademark and tradename | 300 | 10.0 |
| Non-compete agreement | 250 | 2.0 |
| Other intangibles | 95 | 10.0 |
| Goodwill | 5,776 | |
| Total purchase price | \$ 6,498 | |

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During the three months ended March 31, 2014, we paid the holdback consideration in the amount of \$275 to the previous Endeka shareholders.

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The following table presents the unaudited pro forma results of the Company for the three months ended March 31, 2013 as if the acquisitions of AWG and Endeka had occurred on January 1, 2012. These results are not intended to reflect the actual operations of the Company had the acquisitions occurred on January 1, 2012. We did not record any incremental income taxes for pro forma net loss because we established a valuation allowance in 2013.

| | Three Months Ended March 31, 2013 | |
|----------|--|---------|
| Revenue | \$ | 25,497 |
| Net loss | \$ | (2,121) |

4. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

| | March 31, 2014 | | December 31, 2013 | |
|-----------------------------------|---------------------------|--------|------------------------------|--------|
| Cash and cash equivalents: | | | | |
| Cash | \$ | 2,622 | \$ | 3,655 |
| Money market accounts | | 10,894 | | 23,683 |
| Total cash and cash equivalents | \$ | 13,516 | \$ | 27,338 |

For the three months ended March 31, 2014 and 2013, interest income was \$48 and \$54, respectively, which is included in interest and other income, net in the accompanying condensed consolidated statements of operations.

5. Property and equipment

Property and equipment consisted of the following:

| | March 31, 2014 | | December 31, 2013 | |
|--------------------------|---------------------------|---------|------------------------------|--------|
| Leasehold improvements | \$ | 108,459 | \$ | 97,462 |
| Construction in progress | | 17,755 | | 18,157 |
| Computer equipment | | 7,486 | | 7,372 |
| Software | | 13,132 | | 10,452 |

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| | | |
|---|-----------|-----------|
| Office equipment | 413 | 412 |
| Total property and equipment | 147,245 | 133,855 |
| Less: accumulated depreciation and amortization | (70,800) | (66,295) |
| Total property and equipment, net | \$ 76,445 | \$ 67,560 |

Depreciation and amortization of property and equipment is allocated as follows on the accompanying condensed consolidated statements of operations:

| | Three Months Ended | |
|---|--------------------|----------|
| | March 31, | |
| | 2014 | 2013 |
| Network access | \$ 3,862 | \$ 2,877 |
| Network operations | 1,187 | 808 |
| Development and technology | 697 | 416 |
| General and administrative | 38 | 32 |
| Total depreciation and amortization of property and equipment | \$ 5,784 | \$ 4,133 |

Table of Contents**6. Fair value measurement**

ASC 820 establishes a three-tiered hierarchy that draws a distinction between market participant assumptions based on (i) quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1); (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2); and (iii) unobservable inputs that require us to use present value and other valuation techniques in the determination of fair value (Level 3). The following table sets forth our financial assets and liabilities that are measured at fair value on a recurring basis:

| At March 31, 2014 | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|------------------|------------------|-----------------|------------------|
| Assets: | | | | |
| Cash equivalents | \$ 10,894 | \$ | \$ | \$ 10,894 |
| Marketable securities | | 37,286 | | 37,286 |
| Restricted cash | 545 | | | 545 |
| Total assets | \$ 11,439 | \$ 37,286 | \$ | \$ 48,725 |
| Liabilities: | | | | |
| Contingent consideration | \$ | \$ | \$ 1,564 | \$ 1,564 |
| Total liabilities | \$ | \$ | \$ 1,564 | \$ 1,564 |
| At December 31, 2013 | | | | |
| Assets: | | | | |
| Cash equivalents | \$ 23,683 | \$ | \$ | \$ 23,683 |
| Marketable securities | | 32,962 | | 32,962 |
| Restricted cash | 545 | | | 545 |
| Total assets | \$ 24,228 | \$ 32,962 | \$ | \$ 57,190 |
| Liabilities: | | | | |
| Contingent consideration | \$ | \$ | \$ 1,942 | \$ 1,942 |
| Total liabilities | \$ | \$ | \$ 1,942 | \$ 1,942 |

Our marketable securities utilize Level 2 inputs and consist primarily of corporate securities which include commercial paper and corporate debt instruments including notes issued by foreign or domestic corporations which pay in U.S. dollars and carry a rating of A or better. We have evaluated the various types of securities in our investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Due to variations in trading volumes and the lack of quoted market prices in active markets, our fixed maturities are classified as Level 2 securities. The fair value of our fixed maturity marketable securities is derived through the use of a third party pricing source or recent reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable data.

The Company used the income approach to value the contingent consideration as of March 31, 2014. The contingent consideration used a discounted cash flow method with probability weighted cash flows and a discount rate of 20.0% for Endeka. The contingent consideration used a discount rate of 3.1% for AWG. The following table presents a reconciliation of the beginning and ending amounts related to the fair value of contingent consideration for the Endeka and AWG acquisitions, categorized as Level 3:

| | |
|------------------------------------|----------|
| Beginning balance, January 1, 2014 | \$ 1,942 |
| Change in fair value | (378) |
| Balance, March 31, 2014 | \$ 1,564 |

7. Accrued expenses and other liabilities

Accrued expenses and other liabilities consisted of the following:

| | March 31, 2014 | December 31, 2013 |
|--|-------------------|----------------------|
| Revenue share | \$ 4,383 | \$ 4,598 |
| Salaries and wages | 2,654 | 3,024 |
| Accrued for construction-in-progress | 3,626 | 2,717 |
| Accrued partner network | 535 | 736 |
| Deferred rent | 847 | 853 |
| Holdback liabilities | 1,600 | 1,875 |
| Contingent consideration | \$ 1,564 | 980 |
| Other | 2,700 | 2,125 |
| Total accrued expenses and other liabilities | \$ 17,909 | \$ 16,908 |

8. Income taxes

We calculate our interim income tax provision in accordance with ASC 270, *Interim Reporting*, and ASC 740, *Accounting for Income Taxes*. At the end of each interim period, we estimate the annual effective tax rate and apply that rate to our ordinary quarterly earnings. The tax expense or benefit related to significant, unusual, or extraordinary items is recognized in the interim period in which those items occur. In addition, the effect of changes in enacted tax laws, rates, or tax status is recognized in the interim period in which the change occurs.

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The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment, including the expected operating income (loss) for the year, projections of the proportion of income (loss) earned and taxed in various states, permanent and temporary differences as a result of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained, or as the tax environment changes.

Income tax expense (benefit) of \$148 and \$(467) reflects an effective tax rate of 2.9% and 32.1% for the three months ended March 31, 2014 and 2013, respectively. Our effective tax rate differs from the statutory rate primarily due to our valuation allowance for the three months ended March 31, 2014. Our effective tax rate differs from the statutory rate primarily due to benefits from disqualifying dispositions of incentive stock options and non-tax deductible transaction costs related to the acquisition of Endeka for the three months ended March 31, 2013. At March 31, 2014, we have net deferred tax liabilities of \$2,177, which includes net operating loss carry-forwards. As of March 31, 2014 and December 31, 2013, we had \$450 and \$445, respectively, of uncertain tax positions, \$106 of which is a reduction to deferred tax assets, which is presented net of uncertain tax positions, in the accompanying condensed consolidated balance sheets. We accrue interest and penalties related to unrecognized tax benefits as a component of income taxes. As of March 31, 2014 and December 31, 2013, we have accrued \$58 and \$53, respectively, for related interest, net of federal income tax benefits, and penalties. The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of March 31, 2014 was \$286.

We are subject to taxation in the United States and in various states. Our tax years 2010 and forward are subject to examination by the IRS and our tax years 2009 and forward are subject to examination by material state jurisdictions. However, due to prior year loss carryovers, the IRS and state tax authorities may examine any tax years for which the carryovers are used to offset future taxable income. We are currently subject to examination by the IRS for our 2011 tax year. Although the ultimate outcome is unknown, we believe that any adjustments that may result from the examination is not likely to have a material, adverse effect on our condensed consolidated results of operations, financial position or cash flows.

9. Commitments and contingencies

Letters of credit

We have entered into Letter of Credit Authorization agreements (collectively, Letters of Credit) with Silicon Valley Bank. The Letters of Credit are irrevocable and serve as performance guarantees that will allow our customers to draw upon the available funds if we are in default. As of March 31, 2014, we have Letters of Credit totaling \$2,648 that are scheduled to expire over the next eighteen month period. There have been no drafts drawn under these Letters of Credit as of March 31, 2014.

Legal proceedings

From time to time, we may be subject to claims, suits, investigations and proceedings arising out of the normal course of business. We are not currently a party to any litigation that we believe could have a material adverse effect on our business, financial position, results of operations or cash flows.

10. Stock incentive plans

In March 2011, our board of directors approved the 2011 Equity Incentive Plan (2011 Plan). The 2011 Plan provides for the grant of incentive and nonstatutory stock options, stock appreciation rights, restricted shares of our common stock, stock units, and performance cash awards. As of January 1 of each year, the number of shares of common stock reserved for issuance under our stock incentive plan shall automatically be increased by a number equal to the lesser of (a) 4.5% of the total number of shares of common stock then outstanding, (b) 3,000,000 shares of common stock and (c) as determined by our board of directors. As of March 31, 2014, 8,693,162 shares of common stock are reserved for issuance.

No further awards will be made under our Amended and Restated 2001 Stock Incentive Plan (2001 Plan), and it will be terminated. Options outstanding under the 2001 Plan will continue to be governed by their existing terms.

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Stock-based compensation expense is allocated as follows on the accompanying condensed consolidated statements of operations:

| | Three Months Ended March 31, | |
|--------------------------------|---------------------------------|--------|
| | 2014 | 2013 |
| Network operations | \$ 288 | \$ 166 |
| Development and technology | 141 | (43) |
| Selling and marketing | 334 | 118 |
| General and administrative | 754 | 361 |
| Total stock-based compensation | \$ 1,517 | \$ 602 |

During the three months ended March 31, 2014, we capitalized \$35 of stock-based compensation expense.

Stock option awards

We grant stock option awards to both employees and non-employee directors. The grant date for these awards is the same as the measurement date. The stock option awards generally vest over a four year service period with 25% vesting when the individual completes 12 months of continuous service and the balance vesting monthly thereafter subject to continuous service on each vesting date. These awards are valued as of the measurement date and the stock-based compensation expense, net of estimated and actual forfeitures, is recognized on a straight-line basis over the requisite service period.

A summary of the stock option activity is as follows:

| | Number of Options (000 s) | Weighted Average Exercise Price | Weighted- Average Remaining Contract Life (years) | Aggregate Intrinsic Value |
|---|------------------------------|--|---|---------------------------------|
| Outstanding at December 31, 2013 | 4,955 | \$ 6.31 | 6.6 | \$ 9,535 |
| Granted | 203 | \$ 5.99 | | |
| Exercised | (111) | \$ 0.92 | | |
| Canceled/forfeited | (103) | \$ 8.74 | | |
| Outstanding at March 31, 2014 | 4,944 | \$ 6.37 | 6.6 | \$ 9,988 |
| Vested, exercisable and expected to vest at March 31, 2014 | 4,787 | \$ 6.33 | 6.5 | \$ 9,939 |
| Exercisable at March 31, 2014 | 2,814 | \$ 4.87 | 5.0 | \$ 9,442 |

The significant assumptions used for newly-issued stock option grants for the three months ended March 31, 2014 were an expected term of 6.25 years, an expected volatility of 48.6%, a risk free interest rate of 1.8% and no expected dividends. The weighted average grant date fair value for stock option grants for the three months ended March 31, 2014 was \$2.92.

Restricted stock unit awards

During the three months ended March 31, 2014, we granted time-based restricted stock units (RSU) to executive and non-executive personnel and non-employee directors. The time-based RSUs granted to executive and non-executive personnel in 2014 generally vest over a series of 12 successive equal quarterly installments subject to continuous service on each vesting date. The time-based RSUs granted to executive and non-executive personnel in 2013 generally vest over a two year period with 50% of the RSUs vesting when the individual completes 12 months of continuous service and the balance vesting over a series of four successive equal quarterly installments thereafter subject to continuous service on each vesting date. The time-based RSUs for our non-employee directors generally vest over a one year period for existing members and 25% per year over a four-year period for new members subject to continuous service on each vesting date.

During the three months ended March 31, 2014, we granted performance-based RSUs to executive personnel. These awards vest subject to certain performance objectives based on the Company's annual revenue growth achieved during the specified performance period and certain long-term service conditions. The maximum number of RSUs that may vest is determined based on actual Company achievement with one-third of the performance-based RSUs vesting when the individual completes 12 months of continuous service and the balance vesting over a series of eight successive equal quarterly installments thereafter subject to continuous service on each vesting date. We recognize stock-based compensation expense for performance-based RSUs when we believe that it is probable that the performance objectives will be met.

A summary of the nonvested RSU activity under the 2011 Plan is as follows:

| | Number of Shares (000 s) | Weighted Average Grant-Date Fair Value |
|--------------------------------|-----------------------------|--|
| Nonvested at December 31, 2013 | 753 | \$ 6.22 |
| Granted | 1,343 | \$ 5.88 |
| Vested | (279) | \$ 6.05 |
| Forfeited | (8) | \$ 6.05 |
| Nonvested at March 31, 2014 | 1,809 | \$ 5.99 |

During the three months ended March 31, 2014, 278,545 shares of time-based RSUs vested on March 1, 2014. The Company issued 176,835 shares and the remaining shares were withheld to pay minimum statutory federal, state, and local employment payroll taxes on those vested awards.

Table of Contents**11. Net loss per share attributable to common stockholders**

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

| | Three Months Ended | |
|---|---------------------------|-------------|
| | March 31, | |
| | 2014 | 2013 |
| | (in thousands) | |
| Numerator: | | |
| Net loss attributable to common stockholders, basic and diluted | \$ (5,448) | \$ (1,121) |
| Denominator: | | |
| Weighted average common stock, basic and diluted | 35,350 | 35,597 |
| Net loss per share attributable to common stockholders: | | |
| Basic | \$ (0.15) | \$ (0.03) |
| Diluted | \$ (0.15) | \$ (0.03) |

For the three months ended March 31, 2014 and 2013, we excluded all stock options and RSUs from the computation of diluted net loss per share due to the net loss for the quarter as the inclusion would be anti-dilutive.

On April 1, 2013, the Company approved a stock repurchase program to repurchase up to \$10,000 of the Company's common stock in the open market, exclusive of any commissions, markups or expenses. The stock repurchased will be retired and will resume the status of authorized but unissued shares of common stock. The Company did not repurchase any of our common stock during the three months ended March 31, 2014. As of March 31, 2014, the remaining approved amount for repurchases was approximately \$5,180.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included in Item 1. Financial Statements of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and the section titled Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities Exchange Commission on March 17, 2014.

Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended, based on our current expectations, estimates and projections about our operations, industry, financial condition, performance, results of operations, and liquidity. Statements containing words such as may, believe, anticipate, expect, intend, plan, project, projections, business outlook, estimate, or similar expressions constitute forward-looking statements. These forward-looking statements include, but are not limited to, statements about future financial performance; revenues; metrics; operating expenses; market trends, including those in the markets in which we compete; operating and marketing efficiencies; liquidity; cash flows and uses of cash; dividends; capital expenditures; depreciation and amortization; tax payments; foreign currency exchange rates; hedging arrangements; our ability to repay indebtedness, pay dividends and invest in initiatives; our products and services; pricing; competition; strategies; and new business initiatives, products, services, and features. Potential factors that could affect the matters about which the forward-looking statements are made include, among others, the factors disclosed in the section entitled Risk Factors in this Quarterly Report on Form 10-Q and additional factors that accompany the related forward-looking statements in this Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as the date hereof. Any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that may cause actual performance and results to differ materially from those predicted. Reported results should not be considered an indication of future performance. Except as required by law, we undertake no obligation to publicly release the results of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Overview

Boingo helps the world stay connected.

We have established a global footprint of small cell networks that provide high-speed, high-bandwidth wireless Internet service to smartphones, tablet computers, laptops, and other wireless-enabled devices. Small cells are low-powered radio access nodes that operate in licensed and unlicensed spectrum that have a range of 10 meters to 1 to 2 kilometers. These small cell networks cover more than a million distributed antenna system (DAS) and Wi-Fi locations and reach more than one billion consumers annually. With the proliferation of mobile Internet-enabled wireless devices, and growth of high-bandwidth usage from streaming media and smartphone apps, we expect these small cells to play a significant role in helping meet the ever-increasing data demands of connected consumers who are accustomed to the benefits of broadband performance at home and work and are seeking the same applications, performance and availability on-the-go.

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Our small cell networks include DAS and Wi-Fi networks that we manage and operate ourselves, which we refer to as our managed and operated locations, as well as Wi-Fi networks managed and operated by third-parties with whom we contract for access, which we refer to as our roaming networks. Our managed and operated locations are typically located in large venues with big audiences, such as airports, stadiums, arenas, universities, convention centers, shopping malls, and military bases where we install a wireless network infrastructure and generally have exclusive multi-year agreements. Our roaming networks comprise more than 900,000 commercial Wi-Fi hotspots in over 100 countries around the world. We also sell advertising and sponsorships on other Wi-Fi networks that are not part of our network on behalf of the network owner.

We generate revenue through wholesale partnerships, retail sales, and advertising and sponsorships. We have direct customer relationships with users who have purchased our mobile Internet services, and we also provide mobile Internet access and solutions to our partners, which include telecom operators, cable companies, technology companies, enterprise software and services companies, and communications service providers to allow their millions of users to connect to the mobile Internet through hotspots in our network. Our software solution which provides one-click access to our global footprint of hotspots has been rebranded for wholesale partners, in addition to being marketed under the Boingo brand. In combination with our back-end system infrastructure, it creates a global roaming solution for operators, carriers and other service providers.

We generate wholesale revenue from telecom operators that pay us build-out fees and recurring access fees so that their cellular customers may use our DAS networks at locations where we manage and operate the wireless network. In addition, our partners pay us usage-based Wi-Fi network access and software licensing fees to allow their customers access to our footprint worldwide.

We generated revenue from individual users purchasing month-to-month retail subscription plans that automatically renew, hotspot specific single-use access to our network, or residential broadband and Internet Protocol television (IPTV) services in military barracks. As of March 31, 2014 and 2013, we had approximately 296,000 subscribers, respectively.

We also generate revenue from advertisers that seek to reach our users with sponsored access, promotional programs and online display advertising at locations where we manage and operate the Wi-Fi network and locations where we solely provide authorized access to a partner s Wi-Fi network through sponsored access and promotional programs.

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We believe we are the leading global provider of commercial mobile Wi-Fi Internet solutions and indoor DAS services for carriers. Key elements of our strategy are to:

- expand our footprint of managed and operated and aggregated networks;
- leverage our neutral-host business model to accelerate wholesale roaming and carrier offload partnerships;
- maximize advertising and sponsorship sell-through for our inventory of advertising-enabled networks; and
- increase our brand awareness.

Reconciliation of Non-GAAP Financial Measures

We define Adjusted EBITDA as net loss attributable to common stockholders plus depreciation and amortization of property and equipment, income tax benefit, amortization of intangible assets, stock-based compensation expense, non-controlling interests and interest and other income, net.

We believe that Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods. We believe that:

- Adjusted EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and facilitates comparisons with other companies, many of which use similar non-generally accepted accounting principles in the United States (GAAP) financial measures to supplement their GAAP results; and
- it is useful to exclude non-cash charges, such as depreciation and amortization of property and equipment, amortization of intangible assets and stock-based compensation, from Adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations, and these expenses can vary significantly between periods as a result of full amortization of previously acquired tangible and intangible assets or the timing of new stock-based awards.

We use Adjusted EBITDA in conjunction with traditional GAAP measures as part of our overall assessment of our performance, for planning purposes, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business

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strategies and to communicate with our board of directors concerning our financial performance.

We do not place undue reliance on Adjusted EBITDA as our only measure of operating performance. Adjusted EBITDA should not be considered as a substitute for other measures of financial performance reported in accordance with GAAP. There are limitations to using non-GAAP financial measures, including that other companies may calculate these measures differently than we do.

We compensate for the inherent limitations associated with using Adjusted EBITDA through disclosure of these limitations, presentation of our financial statements in accordance with GAAP and reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net loss attributable to common stockholders.

The following provides a reconciliation of net loss attributable to common stockholders to Adjusted EBITDA:

| | Three Months Ended | |
|---|---------------------------|-------------|
| | March 31, | |
| | 2014 | 2013 |
| | (unaudited) | |
| | (in thousands) | |
| Net loss attributable to common stockholders | \$ (5,448) | \$ (1,121) |
| Depreciation and amortization of property and equipment | 5,784 | 4,133 |
| Income tax expense (benefit) | 148 | (467) |
| Amortization of intangible assets | 925 | 399 |
| Stock-based compensation expense | 1,517 | 602 |
| Non-controlling interests | 146 | 133 |
| Interest and other income, net | (19) | (47) |
| Adjusted EBITDA | \$ 3,053 | \$ 3,632 |

Table of Contents**Results of Operations**

The following tables set forth our results of operations for the specified periods.

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2014 | 2013 |
| | (unaudited) (in thousands) | |
| Consolidated Statement of Operations Data: | | |
| Revenue | \$ 26,452 | \$ 23,134 |
| Costs and operating expenses: | | |
| Network access | 12,925 | 9,670 |
| Network operations | 5,824 | 3,951 |
| Development and technology | 3,671 | 3,136 |
| Selling and marketing | 3,885 | 2,990 |
| General and administrative | 4,395 | 4,490 |
| Amortization of intangible assets | 925 | 399 |
| Total costs and operating expenses | 31,625 | 24,636 |
| Loss from operations | (5,173) | (1,502) |
| Interest and other income, net | 19 | 47 |
| Loss before income taxes | (5,154) | (1,455) |
| Income tax expense (benefit) | 148 | (467) |
| Net loss | (5,302) | (988) |
| Net income attributable to non-controlling interests | 146 | 133 |
| Net loss attributable to common stockholders | \$ (5,448) | \$ (1,121) |

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| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2014 | 2013 |
| | (unaudited) (in thousands) | |
| Depreciation and amortization expense included in the above line items: | | |
| Network access | \$ 3,862 | \$ 2,877 |
| Network operations | 1,187 | 808 |
| Development and technology | 697 | 416 |
| General and administrative | 38 | 32 |
| Total(1) | \$ 5,784 | \$ 4,133 |

(1) The \$1.7 million increase in depreciation and amortization of property and equipment for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, is primarily a result of our increased fixed assets from our DAS build-out projects, Wi-Fi networks, and software development in 2013 and 2014.

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| | (unaudited) (in thousands) | |
| Stock-based compensation expense included in the above line items: | | |
| Network operations | \$ 288 | \$ 166 |
| Development and technology | 141 | (43) |
| Selling and marketing | 334 | 118 |
| General and administrative | 754 | 361 |
| Total(2) | \$ 1,517 | \$ 602 |

(2) The \$0.9 million increase in stock-based compensation expense for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, is due primarily to \$1.3 million of additional stock-based compensation expense related to the stock options and restricted stock units (RSUs) issued in 2013 and 2014, which was partially offset by \$0.4 million of reductions recorded in 2013 for employees who left the Company during 2013.

The following table sets forth our results of operations for the specified periods as a percentage of our revenue for those periods.

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| | (unaudited) | |
| | (as a percentage of revenue) | |
| Consolidated Statement of Operations Data: | | |
| Revenue | 100.0% | 100.0% |
| Costs and operating expenses: | | |
| Network access | 48.9 | 41.8 |
| Network operations | 22.0 | 17.1 |
| Development and technology | 13.9 | 13.6 |
| Selling and marketing | 14.7 | 12.9 |

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| | | |
|--|---------|--------|
| General and administrative | 16.6 | 19.4 |
| Amortization of intangible assets | 3.5 | 1.7 |
| Total costs and operating expenses | 119.6 | 106.5 |
| Loss from operations | (19.6) | (6.5) |
| Interest and other income, net | 0.1 | 0.2 |
| Loss before income taxes | (19.5) | (6.3) |
| Income tax expense (benefit) | 0.6 | (2.0) |
| Net loss | (20.0) | (4.3) |
| Net income attributable to non-controlling interests | 0.6 | 0.6 |
| Net loss attributable to common stockholders | (20.6)% | (4.8)% |

Table of Contents**Three Months ended March 31, 2014 and 2013****Revenue**

| | 2014 | Three Months Ended March 31, 2013 (unaudited) | | Change | % Change |
|---|-----------|---|----------|--------|----------|
| (in thousands, except churn data and percentages) | | | | | |
| Revenue: | | | | | |
| Wholesale | \$ 11,123 | \$ 11,555 | \$ (432) | (3.7)% | |
| Retail subscription | 8,294 | 8,067 | 227 | 2.8% | |
| Retail single-use | 2,536 | 2,586 | (50) | (1.9)% | |
| Advertising and other | 4,499 | 926 | 3,573 | 385.9% | |
| Total revenue | \$ 26,452 | \$ 23,134 | \$ 3,318 | 14.3% | |
| Key business metrics: | | | | | |
| Subscribers | 296 | 296 | | % | |
| Monthly churn | 12.3% | 9.9% | 2.4% | 24.8% | |
| Connects | 17,507 | 6,266 | 11,241 | 179.4% | |
| DAS nodes | 7.3 | 5.6 | 1.7 | 30.4% | |

There are four key metrics that we use to monitor results and activity in the business as follows:

Subscribers. This metric represents the number of paying retail customers who are on a recurring month-to-month subscription plan at a given period end.

Monthly churn. This metric shows the number of subscribers who canceled their subscriptions in a given month, expressed as a percentage of the average subscribers in that month. The churn in a given period is the average monthly churn in that period. This measure is one indicator of the longevity of our subscribers. Some of our customers who cancel subscriptions maintain accounts for single-use access.

Connects. This metric shows how often individuals connect to our non-military global Wi-Fi network in a given period. The connects include retail and wholesale customers in both customer pay locations and customer free locations where we are a paid service provider or receive sponsorship or promotional fees. We count each connect as a single connect regardless of how many times the individual accesses the network at a given venue during their 24 hour period. This measure is an indicator of paid activity throughout our network.

DAS nodes. This metric represents the number of active DAS nodes as of the end of the period. A DAS node is a single communications endpoint, typically an antenna, which transmits or receives radio frequency signals wirelessly. This measure is an indicator of the reach of our DAS network.

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Total revenue. Total revenue increased \$3.3 million or 14.3%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013.

Wholesale. Wholesale revenue decreased \$0.4 million, or 3.7%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, due to a \$1.8 million decrease in partner usage-based fees. The decrease was partially offset by an increase of \$1.2 million in revenues related to new DAS build-out projects in our managed and operated locations and a \$0.1 million increase in DAS access fees from our telecom operators.

Retail subscription. Retail subscription revenue increased \$0.2 million, or 2.8%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013. The increase is primarily due to a 2.7% increase in our average monthly subscribers for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013. Our average monthly revenue per subscriber remained essentially unchanged for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013.

Retail single-use. Retail single-use revenue decreased \$0.1 million, or 1.9%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013. Retail single-use revenue includes \$0.6 million of revenues related to the venues acquired from Electronic Media Systems, Inc. and Advanced Wireless Group, LLC (collectively, AWG) in October 2013. The decrease in single-use was due primarily to the transition of certain paid managed and operated locations to a tiered or free pricing model and the loss of certain paid managed and operated locations.

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Advertising and other. Advertising and other revenue increased \$3.6 million, or 385.9%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013 due to a \$3.8 million increase in advertising sales at our managed and operated locations, which includes \$1.6 million of advertising sales at the venues acquired from AWG in October 2013.

Costs and Operating Expenses

| | 2014 | 2013 | Change | % Change |
|--------------------------------------|---|-----------|----------|----------|
| | Three Months Ended March 31, (unaudited) (in thousands, except percentages) | | | |
| Costs and operating expenses: | | | | |
| Network access | \$ 12,925 | \$ 9,670 | \$ 3,255 | 33.7% |
| Network operations | 5,824 | 3,951 | 1,873 | 47.4% |
| Development and technology | 3,671 | 3,136 | 535 | 17.1% |
| Selling and marketing | 3,885 | 2,990 | 895 | 29.9% |
| General and administrative | 4,395 | 4,490 | (95) | (2.1)% |
| Amortization of intangible assets | 925 | 399 | 526 | 131.8% |
| Total costs and operating expenses | \$ 31,625 | \$ 24,636 | \$ 6,989 | 28.4% |

Network access. Network access costs increased \$3.3 million, or 33.7%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013. The increase is primarily due to a \$2.1 million increase in revenue share paid to venues in our managed and operated locations resulting from our increased sales, a \$1.0 million increase in depreciation expense, and a \$0.6 million increase in bandwidth and other direct costs. The increases were partially offset by a \$0.3 million decrease from customer usage at partner venues.

Network operations. Network operations expenses increased \$1.9 million, or 47.4%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, due to a \$1.1 million increase in personnel related expenses primarily resulting from increased headcount and a \$0.4 million increase in depreciation expense.

Development and technology. Development and technology expenses increased \$0.5 million, or 17.1% for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, due primarily to a \$0.3 million increase in depreciation expense and a \$0.2 million increase in hardware and software maintenance expenses.

Selling and marketing. Selling and marketing expenses increased \$0.9 million, or 29.9%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, due primarily to a \$1.0 million increase in personnel related expenses primarily resulting from increased headcount.

General and administrative. General and administrative expenses decreased \$0.1 million, or 2.1%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, due to a \$0.3 million decrease in professional fees and a \$0.4 million decrease in other expenses. The decreases were partially offset by a \$0.6 million increase in personnel related expenses, inclusive of a \$0.4 million increase in stock-based compensation expenses.

Amortization of intangible assets. Amortization of intangible assets expense increased \$0.5 million, or 131.8%, for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, due to our acquisitions of Endeka Group, Inc. and AWG in February 2013 and October 2013, respectively.

Interest and Other Income, Net

Interest and other income, net, remained essentially unchanged for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013.

Income Tax Expense (Benefit)

We had income tax expense of \$0.1 million for the three months ended March 31, 2014 compared to income tax benefit of \$0.5 million for the three months ended March 31, 2013. Our effective tax rate decreased to 2.9% for the three months ended March 31, 2014 compared to 32.1% for the three months ended March 31, 2013 due primarily to the valuation allowance we established at year-end in 2013.

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Non-controlling Interests

Non-controlling interests remained essentially unchanged for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013.

Net Loss Attributable to Common Stockholders

Our net loss for the three months ended March 31, 2014 increased as compared to the three months ended March 31, 2013, primarily as a result of the \$7.0 million increase in costs and operating expenses and the \$0.6 million decrease in income tax benefits, which was partially offset by the \$3.3 million increase in revenues. Our diluted net loss per share increased primarily as a result of the increase in our net loss.

Adjusted EBITDA

Adjusted EBITDA was \$3.1 million for the three months ended March 31, 2014, down 15.9% from the \$3.6 million recorded in the three months ended March 31, 2013. As a percent of revenue, Adjusted EBITDA was 11.5% for the three months ended March 31, 2014, down from 15.7% of revenue for the three months ended March 31, 2013. The Adjusted EBITDA decrease was due primarily to the \$4.3 million increase in our net loss for the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The decrease was partially offset by a \$2.2 million increase in depreciation and amortization expense, a \$0.9 million increase in stock-based compensation expenses, and a \$0.6 million decrease in income tax benefits.

Liquidity and Capital Resources

We have financed our operations primarily through cash provided by operating activities. Our primary sources of liquidity as of March 31, 2014 consisted of \$13.5 million of cash and cash equivalents and \$37.3 million of marketable securities.

Our principal uses of liquidity have been to fund our operations, working capital requirements, capital expenditures and acquisitions. We expect that these requirements will be our principal needs for liquidity over the near term. Our capital expenditures in the three months ended March 31, 2014 were \$16.0 million, of which \$11.8 million will be reimbursed through revenue for DAS build-out projects from our telecom operators.

We believe that our existing cash and cash equivalents, working capital and our cash flow from operations will be sufficient to fund our operations, planned capital expenditures and potential acquisitions for at least the next 12 months. There can be no assurance, however, that future industry-specific or other developments, general economic trends, or other matters will not adversely affect our operations or our ability to meet our future cash requirements. Our future capital requirements will depend on many factors, including our rate of revenue growth, the timing and size of our managed and operated location expansion efforts, the timing and extent of spending to support product development

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efforts, the timing of introductions of new solutions and enhancements to existing solutions and the continuing market acceptance of our solutions. We expect our capital expenditures for the remainder of 2014 will range from \$26 million to \$36 million, excluding capital expenditures for DAS build-out projects which are reimbursed through revenue from our telecom operator customers. The majority of our remaining 2014 capital expenditures will be used to build out residential broadband and IPTV networks for troops stationed on military bases pursuant to our contracts with the U.S. government. The investment of these resources will occur in advance of experiencing any direct benefit from them including generation of revenues. The U.S. government may modify, curtail or terminate its contracts with us, either at its convenience or for default based on performance. Any such modification, curtailment, or termination of one or more of our government contracts could have a material adverse effect on our earnings, cash flow and/or financial position. We may also enter into acquisitions of complementary businesses, applications or technologies which could require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us, or at all.

The following table sets forth cash flow data for the three months ended March 31:

| | 2014 | (unaudited) (in thousands) | 2013 |
|---|------|-------------------------------|----------|
| Net cash provided by operating activities | \$ | 8,071 | \$ 5,256 |
| Net cash used in investing activities | | (20,328) | (13,694) |
| Net cash used in financing activities | | (1,565) | (3,052) |

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Net Cash Provided by Operating Activities

For the three months ended March 31, 2014, we generated \$8.1 million of net cash from operating activities, an increase of \$2.8 million from the prior year comparative period. The increase is primarily due to a \$3.4 million decrease in excess windfall tax benefits from stock option exercises, a \$2.2 million increase in depreciation and amortization expenses, a \$1.0 million change in our operating assets and liabilities, net of effect of acquisition, and a \$0.9 million increase in stock-based compensation expenses. The increases were partially offset by the \$4.3 million increase in our net loss and the \$0.4 million in change in fair value for our contingent consideration liabilities.

Net Cash Used in Investing Activities

For the three months ended March 31, 2014, we used \$20.3 million in investing activities, an increase of \$6.6 million from the prior year comparative period. This increase is primarily due to a \$10.9 million increase in purchases of property and equipment, and a \$0.7 million increase in cash used in net purchases of marketable securities. The increases were partially offset by the \$4.9 million of cash used for the acquisition of Endeka during the three months ended March 31, 2013.

Net Cash Used in Financing Activities

For the three months ended March 31, 2014, we used \$1.6 million in financing activities, a decrease of \$1.5 million from the prior year comparative period. This decrease is primarily due to \$6.1 million of cash used for payment of certain assumed liabilities related to the acquisition of Endeka during the three months ended March 31, 2013. The decrease was partially offset by the \$3.4 million decrease in excess windfall tax benefits from stock option exercises, \$0.6 million in cash used to pay federal, state, and local employment payroll taxes related to our time-based RSUs that vested during the three months ended March 31, 2014, \$0.3 million in cash used to pay holdback liabilities related to the Endeka acquisition during the three months ended March 31, 2014, and a \$0.2 million increase in cash used for capital leases and notes payable.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements and we do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

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There have been no material changes to our critical accounting policies and estimates from the information provided for the year ended December 31, 2013 in Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our annual report on Form 10-K filed by us with the SEC on March 17, 2014.

Recently Issued Accounting Standards

There have been no recently issued accounting standards that are expected to have a material impact on our results of operations and financial condition.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings.

We have established guidelines relative to the diversification and maturities of investments to maintain safety and liquidity. These guidelines are reviewed periodically and may be modified depending on market conditions. Although investments may be subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. At March 31, 2014, our market risk sensitive instruments consisted of marketable securities available-for-sale, which are comprised of highly rated short-term corporate bonds.

Marketable securities available-for-sale are carried at fair value and are intended for use in meeting our ongoing liquidity needs. Unrealized gains and losses on available-for-sale securities, which are deemed to be temporary, are reported as a separate component of stockholders' equity, net of tax. Unrealized gains and losses on available-for-sale securities have not been significant. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses is included in interest and other income, net.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness, as of March 31, 2014, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting. During the three months ended March 31, 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 9 Commitments and Contingencies, to the unaudited condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q, is incorporated herein by this reference.

Item 1A. Risk Factors

Certain Factors Affecting Boingo Wireless, Inc.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013, which we incorporate by reference into this Quarterly Report on Form 10-Q, which could materially affect our business, results of operations, cash flows, or financial condition. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results. There have been no material changes in the risk factors contained in our Annual Report on Form 10-K.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q:

| Exhibit No. | Description | Form | Incorporated by Reference Date | Number | Filed Herewith |
|-------------|---|------|--------------------------------|--------|----------------|
| 3.2 | Amended and Restated Certificate of Incorporation. | S-1 | 03/21/2011 | 3.2 | |
| 3.4 | Amended and Restated Bylaws. | S-1 | 03/21/2011 | 3.4 | |
| 31.1 | Certification of David Hagan, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 31.2 | Certification of Peter Hovenier, Chief Financial Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32.1 | Certification of David Hagan, Chief Executive Officer, and Peter Hovenier, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 101 | The following financial information from the Quarterly Report on Form 10-Q of Boingo Wireless, Inc. for the quarter ended March 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at March 31, 2014 and December 31, 2013 for Boingo Wireless, Inc.; (ii) Condensed Consolidated Statements of Operations for the three months ended March 31, 2014 and 2013 for Boingo Wireless, Inc.; (iii) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013 for Boingo Wireless, Inc.; (iv) Condensed Consolidated Statements of Equity for Boingo Wireless, Inc.; and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. | | | | |

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

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

BOINGO WIRELESS, INC.

Date: May 12, 2014

By:

/s/ DAVID HAGAN
David Hagan
Chief Executive Officer

BOINGO WIRELESS, INC.

Date: May 12, 2014

By:

/s/ PETER HOVENIER
Peter Hovenier
Chief Financial Officer
(Principal Accounting Officer)