CONCORD COMMUNICATIONS INC
Form DEFM14A
May 13, 2005

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

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to § 240.14a-12

CONCORD COMMUNICATIONS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

ý Fee paid previously with preliminary materials: $39,328

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Concord Communications, Inc.
600 Nickerson Road
Marlboro, Massachusetts 01752

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Concord Communications, Inc., which will be held at the offices of Bingham McCutchen LLP located at 150 Federal Street, Boston, Massachusetts 02110, on Thursday, June 2, 2005 at 9:00 a.m., local time.

At the meeting, you will be asked to consider and vote on a proposal to approve a merger agreement that Concord Communications has entered into with Computer Associates International, Inc. and a wholly owned subsidiary of Computer Associates. If our stockholders approve the merger agreement and the merger is subsequently completed, Concord Communications will become a wholly owned subsidiary of Computer Associates, and you will be entitled to receive $17.00 in cash for each share of Concord Communications' common stock that you own. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement, and you are encouraged to read it in its entirety.

After careful consideration, our board of directors has unanimously approved the merger agreement and determined that the merger and the merger agreement are advisable and in the best interests of Concord Communications and its stockholders. Our board of directors recommends that you vote "FOR" the approval of the merger agreement. In reaching its determination, our board of directors considered a number of factors, including the opinion of our financial advisor, which is attached as Annex B to the accompanying proxy statement, and which you are urged to read in its entirety.

The accompanying document provides a detailed description of the proposed merger, the merger agreement and related matters. I urge you to read these materials carefully.

Your vote is very important. Because approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Concord Communications common stock entitled to vote, a failure to vote will have the same effect as a vote against the approval of the merger agreement.

Whether or not you are able to attend the special meeting in person, please complete, sign and date the enclosed proxy card and return it in the envelope provided as soon as possible or submit a proxy through the Internet or by telephone as described in the enclosed proxy card. This action will not limit your right to vote in person if you wish to attend the special meeting and vote in person.

Thank you for your cooperation and your continued support of Concord Communications.

Sincerely,

JOHN A. BLAESER
Chief Executive Officer and President

This proxy statement is dated May 13, 2005, and is first being mailed to stockholders on or about May 16, 2005.

CONCORD COMMUNICATIONS, INC.

600 Nickerson Road
Marlboro, Massachusetts 01752

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS OF CONCORD COMMUNICATIONS

To Be Held on June 2, 2005

To the Stockholders of
CONCORD COMMUNICATIONS, INC.:

Notice is hereby given that a special meeting of stockholders of Concord Communications, Inc. will be held at the offices of Bingham McCutchen LLP located at 150 Federal Street, Boston, Massachusetts 02110, on Thursday, June 2, 2005, at 9:00 a.m., local time, for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of April 7, 2005, by and among Computer Associates International, Inc., Concord Communications, Inc. and Minuteman Acquisition Corp.; and

2. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof, including to consider any procedural matters incident to the conduct of the special meeting, such as adjournment or postponement of the special meeting to solicit additional proxies in favor of the proposal to approve the Agreement and Plan of Merger.

Only stockholders of record of our common stock as of the close of business on May 10, 2005 are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. The affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote is required to approve the merger agreement.

If you fail to vote by proxy or in person, it will have the same effect as a vote against the approval of the merger agreement. If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote "FOR" approval of the merger agreement. Holders of our common stock are entitled to appraisal rights under the Massachusetts Business Corporation Act in connection with the merger. See "Appraisal Rights" on page 41.

By Order of the Board of Directors,

DOUGLAS A. BATT
Executive Vice President, General Counsel and Secretary

Marlboro, Massachusetts
May 13, 2005

YOUR VOTE IS IMPORTANT.

Whether or not you plan to attend the special meeting, please sign and date the enclosed proxy card and return it promptly in the envelope provided or submit a proxy through the Internet or by telephone as described in the enclosed proxy card. Giving your proxy now will not affect your right to vote in person if you attend the meeting.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are provided for your convenience, and briefly address some commonly asked questions about the proposed merger and the Concord Communications special meeting of stockholders. You should still carefully read this entire proxy statement, including each of the annexes.

The Special Meeting

Q.

Who is soliciting my proxy?

A.

This proxy is being solicited by our board of directors.

Q.

What matters will be voted on at the special meeting?

A.

You will be asked to vote on the approval of the merger agreement that we have entered into with Computer Associates International, Inc. (which is referred to in this proxy statement as Computer Associates).

Q.

What vote is required for Concord Communications' stockholders to approve the merger agreement?

A.

In order to approve the merger agreement, holders of a majority of the outstanding shares of our common stock entitled to vote must vote "FOR" approval of the merger agreement.

Q.

Who is entitled to vote at the special meeting?

A.

Holders of record of our common stock as of the close of business on May 10, 2005, are entitled to vote at the special meeting.

Q.

What should I do now?

A.

After carefully reading and considering the information contained in this proxy statement, please vote your shares by returning the enclosed proxy or submitting a proxy through the Internet or by telephone. You can also attend the special meeting and vote in person. Do NOT enclose or return your stock certificate(s) with your proxy.

Q.

If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A.

Your broker will only be permitted to vote your shares if you instruct your broker how to vote. You should follow the procedures provided by your broker regarding the voting of your shares.

Q.

What if I do not vote?

A.

If you fail to vote by proxy, either by mail, through the Internet, by telephone or in person, it will have the same effect as a vote against approval of the merger agreement. If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote "FOR" approval of the merger agreement.

Q.

When should I send in my proxy card?

A.

You should send in your proxy card as soon as possible so that your shares will be voted at the special meeting.

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Q.

May I change my vote after I have mailed my signed proxy card?

A.

Yes. You may change your vote at any time before your proxy card is voted at the special meeting. You can do this in one of three ways. First, you can send a written, dated notice to the Secretary of Concord Communications stating that you would like to revoke your proxy. Second, you can complete, date and submit a new proxy card either by mail, through the Internet or by telephone. Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions received from your broker to change those instructions.

Q.

May I vote in person?

A.

Yes. You may attend the special meeting of stockholders and vote your shares of common stock in person. If you hold shares in "street name" you must provide a legal proxy executed by your bank or broker in order to vote your shares at the meeting.

The Merger

Q.

What is the proposed transaction?

A.

Computer Associates will acquire us by merging a subsidiary of Computer Associates into us, and we will cease to be a publicly traded company and will instead become a wholly owned subsidiary of Computer Associates.

Q.

If the merger is completed, what will I be entitled to receive for my shares of Concord Communications common stock and when will I receive it?

A.

You will be entitled to receive $17.00 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own.

After the merger closes, Computer Associates will arrange for a letter of transmittal to be sent to each stockholder. The merger consideration will be paid to each stockholder once that stockholder submits the letter of transmittal, properly endorsed stock certificates and any other required documentation.

Q.

Am I entitled to appraisal rights?

A.

Yes, Concord Communications has concluded that you are entitled under Massachusetts law to appraisal rights in connection with the merger provided that you comply with certain procedures. To exercise appraisal rights, you must:

- before the vote on the proposal to approve the merger agreement is taken, deliver to Concord Communications written notice of your intent to demand payment for your shares of common stock;

- **not** vote in favor of the proposal to approve the merger agreement; and

- comply with other procedures as are required by Part 13 of Chapter 156D of the Massachusetts Business Corporations Act.

A copy of the relevant sections of Part 13 of Chapter 156D of the Massachusetts Business Corporations Act is attached to this Proxy Statement as Annex C.

Q.

Why is the Concord Communications board recommending the merger?

A.

Our board believes that the merger and the merger agreement are advisable and in the best interests of Concord Communications and its stockholders and unanimously recommends that you approve the merger agreement. To review our board's reasons for recommending the merger, see the section entitled "Reasons for the Merger and Recommendation of the Board of Directors" on pages 16 through 17 of this proxy statement.

Q.

Will the merger be a taxable transaction to me?

A.

Yes. The receipt of cash for shares of Concord Communications common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. In general, you will recognize gain or loss equal to the difference between the amount of cash you receive and the adjusted tax basis of your shares of our common stock. See the section entitled "Material U.S. Federal Income Tax Consequences" on pages 28 through 29 of this proxy statement for a more detailed explanation of the tax consequences of the merger. You should consult your tax advisor on how specific tax consequences of the merger apply to you.

Q.

When is the merger expected to be completed?

A.

We are working towards completing the merger as quickly as possible. We currently expect to complete the merger as quickly as possible after the special meeting and after all the conditions to the merger are satisfied or waived, including stockholder approval of the merger agreement at the special meeting and expiration or termination of the waiting period under U.S. antitrust law, or other applicable antitrust law. We and Computer Associates filed pre-merger notifications with the U.S. antitrust authorities pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 on May 6, 2005. We and Computer Associates filed a pre-merger notification with the German Federal Cartel Office pursuant to the German Act Against Restraints of Competition on April 21, 2005.

Q.

Should I send in my Concord Communications stock certificates now?

A.

No. After the merger is completed, Computer Associates will send you written instructions for exchanging your Concord Communications stock certificates. You must return your Concord Communications stock certificates as described in the instructions. You will receive your cash payment as soon as practicable after Computer Associates receives your Concord Communications stock certificates and any completed documents required in the instructions.

PLEASE DO NOT SEND YOUR CONCORD COMMUNICATIONS STOCK CERTIFICATES NOW.

Q.

What should I do if I have questions?

A.

If you have more questions about the special meeting, the merger or this proxy statement, or would like additional copies of this proxy statement or the proxy card, you should contact The Altman Group, our proxy solicitor, toll-free at (800) 361-1722.

SUMMARY

This summary highlights selected information from this proxy statement. It does not contain all of the information that is important to you. Accordingly, we urge you to read this entire proxy statement and the annexes to this proxy statement.

The Companies

Concord Communications, Inc.
600 Nickerson Road
Marlboro, Massachusetts 01752
(508) 460-4646

Concord Communications, Inc., a corporation organized under the laws of the Commonwealth of Massachusetts, is a global provider of Business Service Management (BSM) software that reduces IT downtime, improves capacity planning, and optimizes service level management thereby enabling customers to increase revenue and productivity. Built on more than 1,000 technology patents, Concord Communications' family of world-class solutions addresses the needs of enterprise customers across 17 vertical markets, managed service providers, and both wireless and wireline telecommunications carriers. These solutions enable organizations of all sizes to map IT services to business needs, measure the actual end-user experience, and manage voice or data applications, systems and networks. More than 7,500 customers worldwide use Concord Communications' software, including 23 of the world's largest banks, and 11 of the world's 20 largest insurance companies. Our common stock is quoted on The NASDAQ National Market under the symbol "CCRD."

Computer Associates International, Inc.
One Computer Associates Plaza
Islandia, New York 11749
(631) 342-6000

Computer Associates International, Inc., a corporation organized under the laws of the State of Delaware, is one of the world's largest providers of management software. Founded in 1976, Computer Associates designs, markets and licenses computer software products that allow businesses to efficiently run, manage, and automate critical aspects of their IT operations. Computer Associates operates in more than 100 countries, has a large and broad base of customers and estimates that 95% of the Fortune 500® companies currently use its products. Computer Associates' common stock is quoted on the New York Stock Exchange under the symbol "CA."

Minuteman Acquisition Corp.
c/o Computer Associates International, Inc.
One Computer Associates Plaza
Islandia, New York 11749
(631) 342-6000

Minuteman Acquisition Corp., a corporation organized under the laws of the State of Delaware (which we refer to as Merger Sub), is a direct wholly owned subsidiary of Computer Associates. Minuteman Acquisition Corp. was formed exclusively for the purpose of effecting the merger. This is the only business of Minuteman Acquisition Corp.

The Special Meeting

Date, Time and Place (page 11)

The special meeting will be held on Thursday, June 2, 2005, at 9:00 a.m., local time at the offices of Bingham McCutchen LLP, located at 150 Federal Street, Boston, Massachusetts 02110.

Matters to be Considered (page 11)

You will be asked to consider and vote upon a proposal to approve the merger agreement that we have entered into with Computer Associates and to consider any other matters that may properly come before the meeting, including any procedural matters in connection with the special meeting.

Record Date (page 12)

If you owned shares of our common stock at the close of business on May 10, 2005, the record date for the special meeting, you are entitled to notice of and to vote at the special meeting. You have one vote for each share of our common stock that you own on the record date. As of the close of business on May 10, 2005, there were approximately 18,858,849 shares of our common stock outstanding and entitled to be voted at the special meeting.

Required Vote (page 12)

Approval of the merger agreement requires the affirmative vote of the holders of a majority of our outstanding shares of common stock entitled to vote at the special meeting. Failure to vote by proxy, either by mail, through the Internet, by telephone or in person, will have the same effect as a vote "AGAINST" approval of the merger agreement.

Voting by Proxy (page 12)

You may vote by proxy through the Internet, by telephone or by returning the enclosed proxy. If you hold your shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee, which may include submitting a proxy through the Internet or by telephone.

Revocability of Proxy (page 13)

You may revoke your proxy at any time before it is voted. If you have not submitted a proxy through your broker or nominee, you may revoke your proxy by:

- submitting another properly completed proxy bearing a later date;
- giving written notice of revocation to any of the persons named as proxies or to the Secretary of Concord Communications;
- if you submitted a proxy through the Internet or by telephone, submitting a proxy again through the Internet or by telephone prior to the close of the Internet voting facility or the telephone voting facility; or
- voting in person at the special meeting.

Simply attending the special meeting will not constitute revocation of your proxy. If your shares are held in "street name," you should follow the instructions of your broker or nominee regarding revocation of proxies. If your broker or nominee allows you to submit a proxy by telephone or through the Internet, you may be able to change your vote by submitting a proxy again by telephone or through the Internet.

Our Board's Recommendation to Our Stockholders Regarding the Merger (page 16)

Our board has approved the merger agreement, and determined that the merger and the merger agreement are advisable, and in the best interests of Concord Communications and its stockholders. Our board unanimously recommends that our stockholders vote "FOR" approval of the merger agreement at the special meeting.

The Merger

Structure of the Merger (page 30)

Upon the terms and subject to the conditions of the merger agreement, Merger Sub, a wholly owned subsidiary of Computer Associates, will be merged with and into us. As a result of the merger, we will cease to be a publicly traded company and will become a wholly owned subsidiary of Computer Associates. The merger agreement is attached as Annex A to this proxy statement. Please read it carefully.

What You Will Receive in the Merger (page 31)

Each holder of shares of our common stock will be entitled to receive $17.00 in cash for each share of our common stock held immediately prior to the merger.

Recommendation to Stockholders (page 17)

Our board of directors has determined that the merger agreement and the merger are advisable and in the best interests of Concord Communications and its stockholders. Accordingly, our board of directors has unanimously approved the merger agreement and the merger and recommends that you vote for "FOR" the approval of the merger agreement.

Opinion of Financial Advisor to the Board of Directors of Concord Communications (page 17)

Bear, Stearns & Co. Inc. delivered its oral opinion to our board, which opinion was subsequently confirmed in writing, to the effect that, as of April 7, 2005 and based upon the qualifications, assumptions, limitations and other matters set forth in its written opinion, the merger consideration of $17.00 in cash to be received by the holders of shares of our common stock pursuant to the merger was fair, from a financial point of view, to such holders.

The full text of the written opinion of Bear Stearns, dated April 7, 2005, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken by Bear Stearns in connection with its opinion, is attached as Annex B to this proxy statement. The opinion was provided to our board for its benefit and use in connection with its consideration as to whether the merger consideration of $17.00 in cash for each share of Concord common stock was fair, from a financial point of view, to our stockholders. The opinion did not constitute a recommendation to the Concord board of directors or any holder of shares of our common stock as to how to vote in connection with the merger.

Conditions to the Merger (page 38)

We and Computer Associates will not complete the merger unless a number of conditions are satisfied or waived. These conditions include:

- our stockholders must have approved the merger agreement;
- the applicable waiting period under the HSR Act must have expired or been terminated; and
- the absence of court or governmental prohibitions on the consummation of the merger.

In addition, our obligation to effect the merger is subject to the satisfaction or waiver of the following conditions:

the accuracy of the representations and warranties of Computer Associates; and

the performance by each of Computer Associates and Merger Sub of their obligations under the merger agreement.

In addition, the obligation of Computer Associates to effect the merger is subject to the satisfaction or waiver of the following conditions:

- the accuracy of our representations and warranties;
- the performance by us of our obligations under the merger agreement;
- the absence of any suit, action or proceeding in which a governmental entity is challenging or seeking to restrain or prohibit the consummation of the merger, or seeking to (i) prohibit or materially impair Computer Associates' ability to own or operate any of our material businesses and assets or (ii) prohibit or limit in any material respect Computer Associates' ability to vote, transfer, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of Concord Communications;
- the absence of any order, stay, judgment, injunction, statute, rule or regulation, which is referred herein as an "order," imposing any restraint, prohibition, impairment or limitation described in clauses (i) of (ii) of the bullet point above;
- all governmental and other filings, consents and approvals required of both Computer Associates and us and specified in the merger agreement shall have been made or obtained;
- all other approvals and consents of applicable governmental and regulatory agencies shall have been obtained or made, other than those failures to obtain, individually or in the aggregate, that would not be reasonably likely (i) to have a material adverse effect on Concord Communications or on Computer Associates (but with materiality measured at the Concord Communications level) or (ii) to provide a reasonable basis to conclude that the companies or any of their affiliates would be subject to the risk of criminal sanctions or any of their representatives would be subject to the risk of criminal or civil sanctions; and
- there must not have occurred any change, event, circumstance or development since April 7, 2005 that has had, or is reasonably likely to have, a material adverse effect on us.

Termination of the Merger Agreement (page 39)

We and Computer Associates may agree in writing to terminate the merger agreement at any time prior to completing the merger, even after our stockholders have approved the merger agreement. The merger agreement may also be terminated at any time prior to completion of the merger under certain circumstances, including:

- by either party, if the merger is not completed by September 30, 2005 (other than because of the failure to fulfill an obligation under the merger agreement by the party seeking termination);
- by either party, if any order permanently restraining, enjoining or otherwise prohibiting the merger shall become final and nonappealable;
- by either party, if our stockholders fail to approve the merger agreement at the special meeting (other than because of the failure to fulfill an obligation under the merger agreement by the party seeking termination);
- by Computer Associates, if our board (i) fails to recommend, or withholds, withdraws, qualifies or modifies its recommendation that our stockholders adopt the merger agreement in a manner adverse to Computer Associates or takes a neutral position or no position with respect to an acquisition proposal beyond the time permitted under the merger agreement, (ii) fails to reconfirm its recommendation as promptly as practicable (but in any event within five business days) after Computer Associates requests it to do so, (iii) approves, recommends or adopts an acquisition proposal (or publicly announces an intention to do so); or (iv) if a tender offer or exchange offer is made for our common stock and our board

either recommends that our stockholders accept a tender offer or exchange offer for our common stock or, within ten business days after commencement of a tender offer or exchange offer, fails to recommend against acceptance of the offer;

by us, if our board approves a superior proposal or recommends a superior proposal to our stockholders, provided, that prior to any such termination:

we inform Computer Associates of our intent to effect such termination;

we disclose the material terms and conditions (and provide copies of the documentation) regarding the superior proposal to Computer Associates;

Computer Associates does not make within three business days an offer that our board determines in good faith (after consultation with our financial advisor) is at least as favorable from a financial point of view to our stockholders as the superior proposal; and

we pay Computer Associates a termination fee and reimburse Computer Associates for its expenses; and

by either party, if the other party to the merger agreement breaches or fails to perform any of its representations or agreements in the merger agreement, which breach or failure to perform (i) would cause the non-breaching party's conditions to closing not to be satisfied and (ii) shall not have been cured within 20 days of written notice of the breach or failure to perform.

Termination Fee (page 40)

We will be required to pay Computer Associates a termination fee of $11.5 million, plus up to $0.5 million of Computer Associates' expenses relating to the transactions contemplated by the merger agreement, if any of the following occur:

the merger agreement is terminated by either party because:

the merger has not been completed by September 30, 2005, and (i) between the date of the merger agreement and the date of the special meeting of stockholders an acquisition proposal was made or publicly disclosed and not publicly withdrawn in good faith and without qualification prior to the date of such termination, and (ii) within 12 months after the termination of the merger agreement we enter into a definitive agreement to consummate, or consummate, or shall have approved or recommended to our stockholders or otherwise not opposed, any acquisition proposal; or

our stockholders did not approve the merger agreement at the special meeting, and (i) between the date of the merger agreement and the date the special meeting of stockholders an acquisition proposal was made or publicly disclosed and not publicly withdrawn in good faith and without qualification prior to the seventh business day prior to the date of the special meeting, and (ii) within 12 months after the termination of the merger agreement we enter into a definitive agreement to consummate, or consummate, or shall have approved or recommended to our stockholders or otherwise not opposed, any acquisition proposal; or

the merger agreement is terminated by us because:

our stockholders have not approved the merger agreement at a meeting, and, prior to the date of the meeting, our board (i) shall have failed to recommend that our stockholders approve the merger agreement, or shall have withheld, withdrawn, qualified or modified its recommendation that our stockholders approve the merger agreement in a manner adverse to Computer Associates or shall have taken a neutral position or no position with respect to an acquisition proposal beyond the time permitted under the merger agreement, (ii) shall have failed to reaffirm its recommendation as promptly as practicable (but in any event within five business days) after Computer Associates requests it to do so, (iii) shall have approved, recommended or adopted an acquisition proposal (or publicly announced its intention to do so), (iv) recommended that our stockholders accept a publicly disclosed tender offer or exchange offer for our common stock or, (v) within ten business days after commencement of a tender offer or exchange offer, failed to recommend against acceptance of the offer; or

our board has approved or recommended to our stockholders a superior proposal; or

the merger agreement is terminated by Computer Associates because:

our board fails to recommend that our stockholders approve the merger agreement, or withholds, withdraws, qualifies or modifies its recommendation that our stockholders approve the merger agreement in a manner adverse to Computer Associates;

our board takes a neutral position or no position with respect to an acquisition proposal beyond the time permitted under the merger agreement, or fails to reaffirm its recommendation as promptly as practicable (but in any event within five business days) after Computer Associates requests it to do so; or

our board approves, recommends or adopts an acquisition proposal (or publicly announces its intention to do so);

our board recommends that our stockholders accept a publicly disclosed tender offer or exchange offer for our common stock or, within ten business days after commencement of a tender offer or exchange offer, fails to recommend against acceptance of the offer.

Regulatory Matters (page 27)

Under the provisions of the HSR Act, we and Computer Associates may not complete the merger until we have made certain filings with the Federal Trade Commission and the United States Department of Justice and the applicable waiting period has expired or been terminated. We and Computer Associates filed pre-merger notifications with the U.S. antitrust authorities pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 on May 6, 2005. We and Computer Associates filed a pre-merger notification with the German Federal Cartel Office pursuant to the German Act Against Restraints of Competition on April 21, 2005. We cannot assure you that a challenge to the merger on antitrust grounds will not be made or, if a challenge is made, of the result.

Appraisal Rights (page 41)

Concord Communications has concluded that Concord Communications stockholders are entitled under Massachusetts law to appraisal rights in connection with the merger provided that they comply with certain procedures. To exercise appraisal rights, a Concord Communications stockholder must:

before the vote on the proposal to approve the merger agreement is taken, deliver to Concord Communications written notice of such stockholder's intent to demand payment for his or her shares of common stock;

vote in favor of the proposal to approve the merger agreement; and

comply with other procedures as are required by Part 13 of Chapter 156D of the Massachusetts Business Corporations Act.

A copy of the relevant sections of Part 13 of Chapter 156D of the Massachusetts Business Corporations Act is attached to this Proxy Statement as Annex C.

Concord Communications Stock Options (page 31)

In general, at the completion of the merger, each option to purchase shares of our common stock, including those options held by our executive officers, will be assumed by Computer Associates and become an option to purchase Computer Associates common stock with the number of shares of common stock and the exercise price of the option being adjusted in accordance with a conversion ratio equal to $17.00 divided by the average closing sales price of a share of Computer Associates common stock for the five trading days prior to the closing of the merger. The vesting of the options held by our non-employee directors will accelerate in full at the effective time of the merger. Each of these options will terminate at the effective time of the merger in exchange for a payment equal to the number of shares of our common stock subject to such option multiplied by the amount, if any, by which the cash consideration per share to be paid in the merger exceeds the exercise price of the option.

Interests of Certain Persons in the Merger (page 25)

Our directors and executive officers have interests in the merger that may be in addition to, or different from, the interests of our stockholders. For example, if the merger is completed, certain indemnification arrangements for directors and officers of Concord Communications will be continued and all of the options held by our non-employee directors will be accelerated and become fully vested at the effective time of the merger. In addition, our executive officers are entitled to acceleration of the vesting of their options, severance payments and continuation of benefits in connection with the merger.

No Solicitation (page 35)

We have agreed that we will not, until the effective time of the merger or the earlier termination of the merger agreement, initiate, solicit or knowingly encourage any inquiries or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, any acquisition proposal, or otherwise participate in any discussions regarding, or furnish confidential information, for the purpose of encouraging any acquisition proposal.

However, prior to the adoption of the merger agreement by our stockholders, we may provide information in response to a request by a third party who has made an unsolicited bona fide written acquisition proposal to enter into a merger, tender or exchange offer, business combination or similar transaction involving us or to acquire over 50% of our equity securities or all or substantially all of our consolidated total assets, so long as such proposal did not result from any breach by us of our obligations, we have notified Computer Associates regarding the acquisition proposal as required under the terms of the merger agreement, the third party enters into a customary confidentiality agreement with us and our board determines in good faith after consultation with outside legal counsel that failure to take such action would be inconsistent with the board's fiduciary obligations under applicable law. We may also participate in discussions or negotiations with a third party who has made such an acquisition proposal, if our board determines in good faith, after consultation, that (a) the failure to so act would be inconsistent with its fiduciary obligations, and (b) such discussions or negotiations are reasonably likely to result in a superior proposal.

Prior to the effective time of the merger or the earlier termination of the merger agreement, our board will not withhold, withdraw, qualify or modify (or publicly propose to take any such action), in a manner adverse to Computer Associates, its approval of the merger agreement or its recommendation that stockholders vote to approve the merger agreement (including publicly taking a neutral position or no position with respect to an acquisition proposal); cause or permit us to enter into any letter of intent, merger agreement or similar agreement regarding any acquisition proposal (other than a confidentiality agreement as discussed above); or approve, recommend or adopt any acquisition proposal (or propose, publicly or otherwise, to take any such action). However, prior to the adoption of the merger agreement by our stockholders, our board may withhold, withdraw, qualify or modify its recommendation with respect to the merger agreement or approve or recommend any superior proposal made after the date of the merger agreement and not solicited, initiated or knowingly encouraged in breach of the merger agreement if our board determines in good faith, after consultation, that failure to do so would be inconsistent with its fiduciary obligations. We must provide Computer Associates with two business days prior notice if our board intends to take any of these actions, and our board must take into account any changes to the terms of the merger agreement proposed by Computer Associates in determining whether the acquisition proposal still constitutes a superior proposal. Notwithstanding any change in recommendation, we are required to convene a special meeting of our stockholders to vote on the merger agreement, unless we terminate the merger agreement.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements about our plans, objectives, expectations and intentions. You can identify these statements by words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "may," "will" and "continue" or similar words. You should read statements that contain these words carefully. They discuss our future expectations or state other forward-looking information, and may involve known and unknown risks over which we have no control, including, without limitation:

- the requirement that our stockholders approve the merger agreement with Computer Associates;
- receipt of necessary approvals under applicable antitrust laws and other relevant regulatory authorities;
- failure by us to satisfy other conditions to the merger; and
- the effect of the announcement of the merger on our customer relationships, operating results and business generally, including the ability to retain key employees;

and other risks detailed in our current filings with the Securities and Exchange Commission (which we refer to as the SEC), including our most recent filings on Forms 10-Q and 10-K. See "Where You Can Find More Information" on page 48. You should not place undue reliance on forward-looking statements. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement, and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

THE SPECIAL MEETING OF CONCORD COMMUNICATIONS STOCKHOLDERS

We are furnishing this proxy statement to you, as a stockholder of Concord Communications, as part of the solicitation of proxies by our board for use at the special meeting of stockholders.

Date, Time, Place and Purpose of the Special Meeting

The special meeting will be held at the offices of Bingham McCutchen LLP, located at 150 Federal Street, Boston, Massachusetts 02110, on Thursday, June 2, 2005, at 9:00 a.m., local time. The purpose of the special meeting is:

- to consider and vote on the proposal to approve the Agreement and Plan of Merger, dated as of April 7, 2005, by and among Computer Associates, Concord Communications and Merger Sub; and
- to transact such other business as may properly come before the meeting or any adjournment or postponement thereof, including to consider any procedural matters incident to the conduct of the special meeting, such as adjournment or postponement of the special meeting to solicit additional proxies in favor of the proposal to approve the Agreement and Plan of Merger.

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Our board has, by unanimous vote, determined that the merger agreement and the merger are advisable and in the best interests of Concord Communications and its stockholders, and has approved the merger agreement and the merger. Our board unanimously recommends that our stockholders vote "FOR" approval of the merger agreement.

Record Date; Stock Entitled to Vote; Quorum

The holders of record of shares of our common stock as of the close of business on May 10, 2005, which is the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting.

On the record date, there were approximately 18,858,849 shares of our common stock outstanding held by approximately 267 stockholders of record. Holders of a majority of the shares of our common stock issued and outstanding as of the record date and entitled to vote at the special meeting must be present in person or represented by proxy at the special meeting to constitute a quorum to transact business at the special meeting. Both abstentions and broker "non-votes" will be counted as present for purposes of determining the existence of a quorum. In the event that a quorum is not present at the special meeting, we currently expect that we will adjourn or postpone the meeting to solicit additional proxies.

Vote Required

Approval of the merger agreement requires the affirmative vote of the holders of a majority of the shares of our common stock outstanding on the record date and entitled to vote.

Each holder of a share of our common stock is entitled to one vote per share. Failure to vote your proxy (either through the Internet, by telephone or by returning a properly executed proxy card) or to vote in person will have the same effect as a vote "AGAINST" approval of the merger agreement.

Brokers or other nominees who hold shares of our common stock in "street name" for customers who are the beneficial owners of such shares may not give a proxy to vote those customers' shares in the absence of specific instructions from those customers. These non-voted shares of our common stock will not be counted as votes cast or shares voting and will have the same effect as votes "AGAINST" approval of the merger agreement.

Voting

Stockholders may vote their shares by attending the special meeting and voting their shares of our common stock in person, or by completing the enclosed proxy card, signing and dating it and mailing it in the enclosed postage-prepaid envelope. All shares of our common stock represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the holder. If a proxy card is signed by a stockholder and returned without instructions, the shares of our common stock represented by the proxy will be voted "FOR" approval of the merger agreement.

In addition, stockholders may submit a proxy through the Internet or by telephone by following the instructions included with the enclosed proxy card. If you submit a proxy through the Internet or by telephone, please do not return the proxy card. You should be aware that in submitting a proxy through the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible. The Internet voting facility and the telephone voting facility for stockholders of record will close at 11:59 p.m., Eastern Standard Time, on June 1, 2005.

Stockholders who have questions or requests for assistance in completing and submitting proxy cards should contact The Altman Group, our proxy solicitor, toll-free at (800) 361-1722.

Stockholders who hold their shares of Concord Communications common stock in "street name," meaning in the name of a bank, broker or other person who is the record holder, must either direct the record holder of their shares of our common stock how to vote their shares or obtain a proxy from the record holder to vote their shares at the special meeting.

Revocability of Proxies

If you are a registered holder of our common stock, you can revoke your proxy at any time before it is voted at the special meeting by:

- submitting another properly completed proxy bearing a later date;
- giving written notice of revocation to any of the persons named as proxies or to the Secretary of Concord Communications;
- if you submitted a proxy through the Internet or by telephone, submitting a proxy again through the Internet or by telephone prior to the close of the Internet voting facility or the telephone voting facility; or
- voting in person at the special meeting.

If your shares of our common stock are held in the name of a bank, broker, trustee or other holder of record, you must follow the instructions of your broker or other holder of record to revoke a previously given proxy. If your broker or nominee allows you to submit a proxy by telephone or though the Internet, you may be able to change your vote by submitting a proxy again by telephone or through the Internet.

Solicitation of Proxies

In addition to solicitation by mail, our directors, officers and employees may solicit proxies by telephone, other electronic means or in person. These people will not receive any additional compensation for their services, but we will reimburse them for their out-of-pocket expenses. We will reimburse banks, brokers, nominees, custodians and fiduciaries for their reasonable expenses in forwarding copies of this proxy statement to the beneficial owners of shares of our common stock and in obtaining voting instructions from those owners. We will share equally with Computer Associates all expenses of filing, printing and mailing this proxy statement.

We have retained The Altman Group to assist in the solicitation of proxies by mail, telephone or other electronic means, or in person, for a fee of approximately $11,000 plus reasonable out-of-pocket expenses relating to the solicitation.

Other Business

We are not currently aware of any business to be acted upon at the special meeting other than the matters discussed in this proxy statement. Under our bylaws, business transacted at the special meeting is limited to matters relating to the purposes stated in the notice of special meeting, which is provided at the beginning of this proxy statement, unless otherwise properly brought by our board or a stockholder. If other matters do properly come before the special meeting, or at any adjournment or postponement of the special meeting, we intend that shares of our common stock represented by properly submitted proxies will be voted by and at the discretion of the persons named as proxies on the proxy card. In addition, the grant of a proxy will confer discretionary authority on the persons named as proxies on the proxy card to vote in accordance with their best judgment on procedural matters incident to the conduct of the special meeting, such as a motion to adjourn in the absence of a quorum or a motion to adjourn for other reasons, including to solicit additional votes in favor of approval of the merger agreement.

THE MERGER

This discussion of the merger is qualified by reference to the merger agreement, which is attached to this proxy statement as Annex A. You should read the entire merger agreement carefully as it is the legal document that governs the merger.

Background of the Merger

On February 4, 2005, Jeff Clarke (Chief Operating Officer of Computer Associates) telephoned John Blaeser (our President and Chief Executive Officer) to express Computer Associates' interest in a possible acquisition of our company.

On February 7, 2005, Mr. Clarke visited our Marlboro, Massachusetts headquarters and met with Mr. Blaeser and Ferdinand Engel (our Chief Technology Officer) to discuss the prospects for and benefits of such a transaction.

On February 13, 2005, Mr. Clarke telephoned Mr. Blaeser to reaffirm Computer Associates' interest in acquiring our company, to express his preliminary view on the valuation of our company and to express his desire to enter into negotiations concerning a sale of our company to Computer Associates. After consultation with our board of directors, Mr. Blaeser informed Mr. Clarke on February 17, 2005 that we were not prepared at that time to enter into negotiations for the sale of our company and that Computer Associates' valuation of our company was not consistent with our board's views on valuation.

On February 24, 2005, Mr. Clarke telephoned Mr. Blaeser to inform him that we would be receiving from Computer Associates a written indication of interest to acquire our company, which was received, later that day. The letter from Computer Associates contained a proposal to purchase our company for $16.00 per share in cash subject to Computer Associates performing confirmatory due diligence and negotiating a mutually satisfactory definitive merger agreement.

At a telephonic meeting held on March 1, 2005, our board of directors established a transaction committee (comprised of three independent directors) to evaluate the letter received from Computer Associates.

On March 1, 2005, we engaged Bear, Stearns & Co. Inc. as financial advisors to our board of directors to assist in the evaluation of Computer Associates' written proposal, which engagement was subsequently confirmed in an engagement letter dated March 24, 2005, and instructed our outside legal advisors at Bingham McCutchen to advise the committee and our board as to its fiduciary duties in responding to the proposal.

On March 3, 2005, Rick Burnes (our Lead Director and Chairman of the transaction committee) contacted Mr. Clarke to inform him of the process our board was undertaking to evaluate Computer Associates' letter. Mr. Burnes also informed Mr. Clarke that there was a board meeting scheduled for March 22, 2005 to further consider the proposal received from Computer Associates. Bear Stearns, our financial advisors, communicated the same message to Goldman, Sachs & Co., financial advisors to Computer Associates.

On March 22, 2005, a meeting of our board was held at the Radisson Hotel in Marlboro, Massachusetts with our legal and financial advisors to consider the proposal. At the meeting, representatives of Bear Stearns reviewed with the board the financial terms of the proposal and representatives of Bingham McCutchen advised the board on their fiduciary duties in considering the proposal, among other things. Following the board meeting, Mr. Burnes telephoned Mr. Clarke to inform him that the board had conducted its meeting and was evaluating the proposal. Mr. Clarke and Mr. Burnes then scheduled a dinner meeting for March 30, 2005 to discuss further Computer Associates' interest in acquiring our company.

On March 30, 2005, there was a dinner meeting. In attendance were Mr. Burnes and Robert Donahue of our transaction committee and Yogesh Gupta (Senior vice President and Chief Technology Officer of Computer Associates) and Michael Christenson (Executive Vice President, Strategy and Business Development, of Computer Associates). At the dinner, Messrs. Gupta and Christenson explained their views of the benefits of a Computer Associates' acquisition of our company.

On March 31, 2005, there was a telephonic meeting of the transaction committee. At the meeting, our management gave a preliminary review of estimated financial results for the quarter ending March 31, 2005 and Mr. Burnes gave the committee an update on the discussions which occurred at the dinner of March 30.

On April 1, 2005, a telephonic meeting of our board was held. At the meeting, our management updated the board on their preliminary view of estimated financial results for the quarter and indicated that they expected the results to be lower than initial expectations. After discussion, the board authorized Mr. Burnes to enter into valuation discussions with Computer Associates. Following the board meeting, we entered into a confidentiality agreement with Computer Associates and Mr. Burnes had discussions with Mr. Christenson regarding the valuation of our company. In these discussions, Mr. Christenson proposed a revised price of $17.00 per share subject to confirmatory due diligence and negotiating a mutually satisfactory definitive merger agreement.

On April 3, 2005, our board held a meeting at the offices of Bingham McCutchen. The board discussed numerous matters in connection with a possible sale of our Company to Computer Associates. Our management gave a financial presentation and after discussion our board determined to enter into negotiations with Computer Associates regarding a possible sale of our company. Mr. Burnes had additional discussions with Mr. Clarke and Mr. Christenson regarding valuation of our company later that day.

Between April 3, 2005 and April 7, 2005, representatives from Computer Associates, Sullivan & Cromwell LLP and Pillsbury Winthrop LLP, Computer Associates' outside legal advisors, and Goldman Sachs, conducted due diligence on our company in Boston. Computer Associates was provided information during the diligence process regarding our estimated financial results for the first quarter ending March 31, 2005.

On April 4, 2005, Sullivan & Cromwell LLP, on behalf of Computer Associates, delivered a draft merger agreement to us. From April 4 through April 7, 2005, our representatives and representatives of Computer Associates, together with the outside legal advisors, negotiated the terms and conditions of the merger agreement. During that period, management finalized their views on first quarter estimated results.

On April 6, 2005, a telephonic meeting of our board was held. During the meeting, representatives of Bingham McCutchen summarized the terms of the definitive merger agreement. Representatives of Bingham McCutchen also reviewed for the directors their fiduciary duties in considering the acquisition. Representatives of Bear Stearns then presented a financial analysis pertaining to the transaction and rendered to Concord Communications' board its oral opinion, which opinion was subsequently confirmed in a written opinion dated as of April 7, 2005, to the effect that, as of that date and based upon the qualifications, assumptions, limitations and other matters set forth in its written opinion, the merger consideration of $17.00 per share in cash to be received by the holders of Concord Communications common stock pursuant to the merger was fair, from a financial point of view, to such holders. Following these presentations, the board discussed the potential acquisition. Thereafter, the board unanimously determined that the merger agreement was in the best interests of our stockholders, approved and declared the advisability of the merger agreement and related matters and unanimously recommended that our stockholders approve the merger agreement and directed that the merger agreement be submitted to the Company's stockholders for their consideration.

During the early morning of April 7, 2005, we and Computer Associates executed the merger agreement.

Prior to the opening of trading on April 7, 2005, we issued a press release announcing our preliminary first quarter results and a press release announcing the proposed merger.

Reasons for the Merger and Recommendation of the Board of Directors

In the course of reaching its decision to approve the merger agreement and the merger, our board consulted with senior management and our financial and legal advisors, and reviewed a significant amount of information and considered a number of factors, including the following:

- the value of the consideration to be received by our stockholders pursuant to the merger agreement, as well as the fact that stockholders will receive the consideration in cash, which provides certainty of value to our stockholders compared to a transaction in which they would receive stock or other non-cash consideration;

- the $17.00 per share to be paid as the consideration in the merger represents a 71% premium over the closing price of our common stock on April 6, 2005 (the trading day prior to announcement of the transaction) and a 63.9% premium over the closing price of our common stock on March 7, 2005 (the four-week period prior to the announcement);

- the presentation of Bear Stearns (including the assumptions and methodologies underlying the analyses in connection therewith) and the opinion of Bear Stearns to our board dated April 7, 2005, a copy of which is attached to this proxy statement as Annex B and which you should read carefully in its entirety, to the effect that, as of April 7, 2005 and based upon the qualifications, assumptions, limitations and other matters set forth in its opinion, the merger consideration of $17.00 in cash per share to be received by our stockholders pursuant to the merger was fair to our stockholders from a financial point of view;

- the then current financial market conditions, and historical market prices, volatility and trading information with respect to our common stock, including the possibility that if we remained as a publicly owned corporation, in the event of a decline in the market price of our common stock or the stock market in general, the price that might be received by holders of our common stock in the open market or in a future transaction might be less than the $17.00 per share cash price to be paid in the merger;

- historical and current information concerning our business, financial performance and condition, operations, technology, management and competitive position, and current industry, economic and market conditions, including our prospects if we were to remain an independent company;

- Concord Communications' estimated financial results for the quarter ending March 31, 2005;

- the terms and conditions of the merger agreement, including:

  - the ability of the board, under certain circumstances, to furnish information to and conduct negotiations with a third party and, upon the payment to Computer Associates of a termination fee of $11.5 million and up to $0.5 million in expense reimbursement, to terminate the merger agreement to accept a superior proposal; and

  - the board's belief that the $12 million maximum aggregate fees and expenses payable to Computer Associates was reasonable in the context of termination fees that were payable in other comparable transactions and would not be likely to preclude another party from making a competing proposal; and the likelihood that the merger will be consummated in light of the limited conditions to Computer Associates' obligation to complete the merger, Computer Associates' financial capability, and the absence of any financing condition to Computer Associates' obligation to complete the merger.

In the course of its deliberations, our board also considered a variety of risks and other countervailing factors, including:

- the risks and costs to us if the merger does not close, including the diversion of management and employee attention, employee attrition and the effect on business relationships;

- the restrictions that the merger agreement imposes on actively soliciting competing bids, and the fact that we would be obligated to pay the $11.5 million termination fee (and up to an additional $0.5 million in expense reimbursement) to Computer Associates under certain circumstances;

- the fact that Concord Communications will no longer exist as an independent, stand-alone company and our stockholders will no longer participate in the growth of Concord Communications or in any synergies resulting from the merger;

- the fact that gains from an all-cash transaction would be taxable to our stockholders for U.S. federal income tax purposes; and

- the interests of our officers and directors in the merger described under "Interests of Certain Persons in the Merger."

The foregoing discussion of the factors considered by our board is not intended to be exhaustive, but does set forth the principal factors considered by the board. Our board collectively reached the unanimous conclusion to approve the merger agreement and the merger in light of the various factors described above and other factors that each member of our board felt were appropriate. In view of the wide variety of factors considered by our board in connection with its evaluation of the merger and the complexity of these matters, our board did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of the board. Rather, our board made its recommendation based on the totality of information presented to and the investigation conducted by it. In considering the factors discussed above, individual directors may have given different weights to different factors.

After evaluating these factors and consulting with its legal counsel and its financial advisors, our board determined that the merger agreement was advisable and in the best interests of our stockholders. Accordingly, our board has unanimously approved the merger agreement and the merger. **Our board recommends that you vote "FOR" the approval of the merger agreement.**

Opinion of Financial Advisor to the Board of Directors of Concord Communications

At the April 6, 2005 meeting of the Concord Communications' board of directors, Bear Stearns rendered to Concord Communications' board its oral opinion, which opinion was subsequently confirmed in a written opinion dated as of April 7, 2005, to the effect that, as of that date and based upon the qualifications, assumptions, limitations and other matters set forth in its written opinion, the merger consideration to be received by the holders of Concord Communications common stock pursuant to the merger was fair, from a financial point of view, to such holders.

The full text of Bear Stearns' written opinion, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken by Bear Stearns, is attached in Annex B to this proxy statement. The summary of the Bear Stearns opinion set forth below is qualified in its entirety by reference to the full text of the opinion. **Concord Communications stockholders are encouraged to read the Bear Stearns opinion in its entirety**. In reading the summary of the Bear

Stearns opinion set forth below, Concord Communications stockholders should be aware that the opinion:

- was provided to the Concord Communications board of directors for its benefit and use in connection with its consideration as to whether the merger consideration of $17.00 in cash for each share of Concord Communications common stock, was fair, from a financial point of view, to such holders;

- did not constitute a recommendation to the Concord Communications board of directors or any holder of Concord Communications common stock as to how to vote in connection with the merger;

- did not address Concord Communications' underlying business decision to pursue the merger on the terms set forth in the merger agreement, the relative merits of the merger as compared to any alternative business strategies that might exist for Concord Communications or the effects of any other transaction in which Concord Communications might engage, and did not address any aspect of the merger other than the fairness, from a financial point of view, to holders of Concord Communications common stock, of the merger consideration; and

- did not express any opinion as to the price or range of prices at which the shares of Concord Communications common stock might trade subsequent to the announcement of the merger agreement.

Although Bear Stearns evaluated the fairness, from a financial point of view, of the merger consideration to the holders of Concord Communications common stock, the merger consideration itself was determined at arms-length negotiations. Bear Stearns assumed no responsibility for updating or reviewing its opinion based on circumstances or events occurring after the date of such opinion.

In arriving at its opinion, Bear Stearns, among other things:

- reviewed the merger agreement;

- reviewed Concord Communications' Annual Reports to Shareholders and Annual Reports on Form 10-K for the years ended December 31, 2002, 2003 and 2004, its preliminary results for the quarter ended March 31, 2005 and its Current Reports on Form 8-K for the three years ended April 7, 2005;

- reviewed certain operating and financial information relating to Concord Communications' business and prospects, including projections for the years ending December 31, 2005 and through 2008, which are referred to as the "Projections";

- met with certain members of Concord Communications' senior management to discuss Concord Communications' business, operations, historical and projected financial results and future prospects (including the Projections);

- reviewed the historical prices, trading multiples and trading volumes of the common shares of Concord Communications;

- reviewed publicly available financial data, stock market performance data and trading multiples of companies which Bear Stearns deemed generally comparable to Concord Communications;

- reviewed the terms of recent acquisitions of companies which Bear Stearns deemed generally comparable to Concord Communications;

- performed discounted cash flow analyses based on the Projections; and conducted such other studies, analyses, inquiries and investigations as Bear Stearns deemed appropriate.

In preparing its opinion, Bear Stearns relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information provided to Bear Stearns by Concord Communications, including without limitation, the Projections. With respect to the Projections, Bear Stearns relied on representations that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the senior management of Concord Communications as to the expected future performance of Concord Communications. Bear Stearns did not assume any responsibility for the independent verification of any such information or of the Projections provided to them and Bear Stearns further relied upon the assurances of the senior management of Concord Communications that they were unaware of any facts that would make such information provided to Bear Stearns incomplete or misleading.

In arriving at its opinion, Bear Stearns did not perform or obtain any independent appraisal of the assets or liabilities (contingent or otherwise) of Concord Communications, nor was Bear Stearns furnished with any such appraisals. Bear Stearns assumed that the merger will be consummated in a timely manner and in accordance with the terms of the merger agreement, without any limitations, restrictions, conditions, amendments or modifications, regulatory or otherwise, that collectively would have a material effect on Concord Communications.

The following is a summary of the material valuation, financial and comparative analyses considered by Bear Stearns in connection with the rendering of its oral opinion on April 6, 2005 in connection with the merger consideration. This summary does not purport to be a complete description of the analyses underlying the Bear Stearns opinion.

Summary of reviews and analyses. Bear Stearns' opinion was necessarily based on economic, market and other conditions, and the information made available to Bear Stearns, as of the date of the opinion. In performing its analyses, Bear Stearns made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Bear Stearns and Concord Communications. Any estimates contained in the analyses performed by Bear Stearns are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, such analyses and estimates are inherently subject to substantial uncertainty.

In order to understand fully the reviews and financial and valuation analyses used by Bear Stearns, any information presented in tabular format must be read together with the text of each summary. The tables alone do not represent a complete description of any such reviews or financial and valuation analyses. This summary does not purport to be a complete description of the analyses underlying the Bear Stearns opinion. All such reviews and financial and valuation analyses were based on information available to Bear Stearns on April 6, 2005. Bear Stearns has not undertaken, and is under no duty, to update any such reviews or financial and valuation analyses upon the availability of new information.

Historical Stock Performance Analysis. Bear Stearns compared the consideration to be received pursuant to the merger of $17.00 in cash per share of Concord Communications common stock to the closing prices for Concord on certain dates and to the average daily closing prices for Concord Communications common stock for various periods and noted the following implied offer premia:

Implied Offer Premia

Time Period (ending April 1, 2005)	**Concord Communications common stock price**	**Premium Implied by Implied Consideration Value of $17.00**
1 day prior (April 1, 2005)	$ 9.82	73.1%
1 week prior (March 28, 2005)	$ 10.65	59.6%
4 weeks prior (March 7, 2005)	$ 10.37	63.9%
1 year average	$ 10.13	67.9%
52-week high (April 1, 2004)	$ 15.65	8.6%
52-week low (October 20, 2004)	$ 7.76	119.1%

Using publicly available information, Bear Stearns also reviewed the share price trading history of Concord Communications for the two year period ending April 1, 2005 on a stand-alone basis and also in relation to Computer Associates, an S&P 500 software index, and to a group consisting of the following twelve infrastructure software companies:

Altiris, Inc.

BMC Software, Inc.

Computer Associates

Mercury Interactive Corporation

Micromuse, Inc.

NetIQ Corporation

NetScout Systems, Inc.

Novell, Inc.

OPNET Technologies, Inc.

Packeteer, Inc.

Quest Software, Inc., and

Visual Networks, Inc.

Selected Comparable Company Analysis. Using publicly available earnings forecasts from Wall Street consensus equity research and selected Wall Street equity research reports and information provided by Concord management, Bear Stearns compared certain operating, financial, trading and valuation information for Concord Communications to the corresponding information for the group of companies listed above. In its analysis, Bear Stearns derived and compared multiples for Concord Communications and the selected companies, calculated as follows:

- enterprise value, which is defined as equity market value plus net debt, minority interest and liquidation value of preferred stock, divided by estimated revenue for calendar year 2005, which is referred to as "Enterprise Value/ CY 2005E Revenue", and enterprise value divided by estimated revenue for calendar year 2006, which is referred to as "Enterprise Value/ CY 2006E Revenue,"

- enterprise value divided by earnings before interest, taxes, depreciation and amortization, which is referred to as "EBITDA," for estimated EBITDA for calendar year 2005, which is referred to as "Enterprise Value/ CY 2005E EBITDA", and enterprise value divided by estimated EBITDA for calendar year 2006, which is referred to as "Enterprise Value/ CY 2006E EBITDA,"

enterprise value divided by earnings before interest and taxes, which is referred to as "EBIT," for estimated EBIT for calendar year 2005, which is referred to as "Enterprise Value/ CY 2005E EBIT", and enterprise value divided by estimated EBIT for calendar year 2006, which is referred to as "Enterprise Value/ CY 2006E EBIT", and

stock price divided by earnings, which is referred to as "P/E Ratio" for estimated earnings in calendar year 2005, which is referred to as "CY 2005E P/E", and P/E Ratio for estimated earnings in calendar year 2006, which is referred to as "CY 2006E P/E".

This analysis indicated the following:

Selected Comparable Company Multiples

	High	**Low**	**Median**	**Concord Communications***
Enterprise Value/CY 2005E Revenue	4.5x	0.6x	1.6x	2.3x
Enterprise Value/CY 2006E Revenue	4.0x	0.5x	1.4x	2.0x
Enterprise Value/CY 2005E EBITDA	20.1x	7.0x	11.1x	20.3x
Enterprise Value/CY 2006E EBITDA	15.6x	6.5x	8.9x	14.3x
Enterprise Value/CY 2005E EBIT	24.2x	9.9x	16.2x	29.0x
Enterprise Value/CY 2006E EBIT	17.3x	9.3x	12.6x	18.1x
CY 2005E P/E	54.1x	19.2x	29.4x	41.6x
CY 2006E P/E	34.2x	14.1x	18.4x	25.3x

* Based upon Concord Communications management projections and the merger consideration of $17.00 per share of Concord Communications common stock.

Bear Stearns noted that none of the comparable companies are identical to Concord Communications and, accordingly, any analysis of comparable companies necessarily involved complex considerations and judgments concerning differences in financial and operating characteristics and other factors that would necessarily affect the relative trading value of Concord Communications versus the companies to which Concord Communications was being compared.

Selected Precedent Transaction Analysis. Using publicly available information, Bear Stearns examined the following transactions involving infrastructure software companies announced since January 1, 2002. The transactions considered and the month and year each transaction was announced were as follows:

Target	Acquiror	Month and Year
Retek Inc.	Oracle Corp.	March 2005
Ascential Software Corp.	International Business Machines Corp.	March 2005
SMARTS, Inc.	EMC Corp.	December 2004
TippingPoint Technologies, Inc.	3Com Corp.	December 2004
Netegrity, Inc.	Computer Associates International, Inc.	October 2004
KVault Software Limited	Veritas Software Corp.	August 2004
Marimba, Inc.	BMC Software, Inc.	April 2004
Staffware plc	Tibco Software Inc.	April 2004
Merant plc	Serena Software, Inc.	March 2004
Novadigm Inc.	Hewlett-Packard Company	February 2004
Aelita Software Corp.	Quest Software, Inc.	January 2004
VMware, Inc.	EMC Corp.	December 2003
ON Technology Corp.	Symantec Corp.	October 2003
Rainbow Technologies, Inc.	SafeNet Inc.	October 2003
Documentum, Inc.	EMC Corp.	October 2003
Crystal Decisions, Inc.	Business Objects SA	July 2003
Legato Systems, Inc.	EMC Corp.	July 2003
Kintana, Inc.	Mercury Interactive Corp.	June 2003
Precise Software Solutions Ltd.	Veritas Software Corp.	December 2002
OTG Software, Inc.	Legato Systems, Inc.	February 2002

In its analysis, Bear Stearns derived and compared multiples for Concord Communications and the selected transactions, calculated as follows:

- transaction value as a multiple of the latest-twelve-month, or "LTM", revenues immediately preceding announcement of the transaction, which is referred to below as "Transaction Value/LTM Revenues,"
- transaction value as a multiple of estimated revenues for the next-twelve-month, or "NTM", period following announcement of the transaction, which is referred to below as "Transaction Value/NTM Revenues,"
- transaction value as a multiple of LTM EBITDA immediately preceding announcement of the transaction, which is referred to below as "Transaction Value/LTM EBITDA,"

transaction value as a multiple of estimated NTM EBITDA for the period following announcement of the transaction, which is referred to below as "Transaction Value/NTM EBITDA,"

transaction value as a multiple of LTM EBIT immediately preceding announcement of the transaction, which is referred to below as "Transaction Value/LTM EBIT," transaction value as a multiple of estimated NTM EBIT for the period following announcement of the transaction, which is referred to below as "Transaction Value/NTM EBIT,"

transaction equity value as a multiple of LTM net income immediately preceding announcement of the transaction, which is referred to below as "Transaction Equity Value/LTM Net Income,"

transaction equity value as a multiple of estimated NTM net income for the period following announcement of the transaction, which is referred to below as "Transaction Equity Value/NTM Net Income," and

Estimated revenue growth for the LTM period preceding announcement of the transaction to the NTM period following announcement of the transaction, which is referred to below as "LTM-NTM Revenue Growth".

This analysis indicated the following:

Selected Precedent Transaction Multiples

	High	**Low**	**Median**	**Concord***
Transaction Value/LTM Revenues	16.5x	1.8x	4.3x	3.2x
Transaction Value/NTM Revenues	6.4x	2.0x	3.7x	2.1x
Transaction Value/LTM EBITDA	77.5x	14.0x	25.6x	57.9x
Transaction Value/NTM EBITDA	51.8x	12.8x	26.0x	15.5x
Transaction Value/LTM EBIT	87.5x	15.8x	36.3x	411.3x
Transaction Value/NTM EBIT	92.8x	12.7x	32.3x	19.2x
Transaction Equity Value/LTM Net Income	75.4x	24.5x	58.2x	304.6x
Transaction Equity Value/NTM Net Income	98.6x	34.9x	47.3x	27.0x
LTM-NTM Revenue Growth	158.8%	0.4%	14.1%	8.0%

*

Based upon Concord Communications management projections and the merger consideration of $17.00 per share of Concord Communications common stock. LTM reflects period ending March 31, 2005, and NTM reflects period beginning April 1, 2005.

Bear Stearns noted that none of the precedent transactions above are identical to the merger. Bear Stearns further noted that the analysis of precedent transactions necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that would necessarily affect the acquisition value of Concord Communications versus the acquisition value of any comparable company in general and the transactions above in particular.

Discounted Cash Flow Analysis. Bear Stearns performed a discounted cash flow analysis on the projected cash flows of Concord Communications for the fiscal years ending December 31, 2005 through December 31, 2008 using forecasts provided by the management of Concord Communications. Bear Stearns also calculated the terminal value of the enterprise at December 31, 2008 by multiplying projected EBIT in the fiscal year ending December 31, 2008 by multiples ranging from 10.0x to 14.0x. To discount the projected free cash flows and the terminal value to present value, Bear Stearns used discount rates ranging from 19.0% to 22.0%. This analysis indicated a range of implied values per share of Concord Communications' common stock of $12.72 to $18.39, compared to the merger consideration of $17.00 per share of Concord Communications' common stock.

Transaction Premiums Paid Analysis. Bear Stearns reviewed the premiums paid on 43 selected transactions in the technology industry announced since January 1, 2003 with transaction values ranging from $200 million to $500 million. Bear Stearns analyzed the premium of the offer prices over the trading prices one day, one week and four weeks prior to the announcement date of the selected transactions and the premiums implied for Concord Communications, based on the $17.00 per share of Concord Communications common stock to be received in the merger.

The following table presents, as of April 1, 2005, the median premium for these transactions and the premium implied by the merger consideration of $17.00 per share of Concord Communications common stock:

Premiums Paid Analysis

Time Period Prior to Announcement	Median Premium	Concord Communications Premium
1 day	28.6%	73.1%
1 week	27.5%	59.6%
4 weeks	35.4%	63.9%

No transaction utilized as a comparable in the transaction premiums paid analysis is identical to the merger.

Other Considerations. The preparation of a fairness opinion is a complex process that involves various judgments and determinations as to the most appropriate and relevant methods of financial and valuation analysis and the application of those methods to the particular circumstances. The opinion is, therefore, not necessarily susceptible to partial analysis or summary description. Bear Stearns believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered, without considering all of the analyses and factors, would create a misleading and incomplete view of the processes underlying its opinion. Bear Stearns did not form an opinion as to whether any individual analysis or factor, whether positive or negative, considered in isolation, supported or failed to support its opinion. In arriving at its opinion, Bear Stearns did not assign any particular weight to any analysis or factor considered by it, but rather made qualitative judgments based upon its experience in providing such opinions and on then-existing economic, monetary, market and other conditions as to the significance of each analysis and factor.

Pursuant to an engagement letter dated March 24, 2005, Concord Communications' board of directors retained Bear Stearns based upon Bear Stearns' qualifications, experience and expertise. Bear Stearns is an internationally recognized investment banking firm that regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Bear Stearns has previously rendered investment banking services to Concord and has received customary fees for rendering these services. Since December 2003, Bear Stearns has earned fees totaling approximately $4.5 million in connection with Concord Communications' 3.00% Convertible Senior Notes due 2023 and Concord Communications' acquisition of Aprisma Management Technologies. In the ordinary course of its business, Bear Stearns may actively trade the equity securities of Concord Communications or Computer Associates for its own account and for the accounts of its customers and, accordingly, at any time may hold a long or short position in such securities.

Pursuant to the engagement letter, Concord Communications agreed to pay to Bear Stearns for its services (i) a fee of $500,000 upon delivery of Bear Stearns' opinion to Concord Communications' board of directors, (ii) a fee of $1,000,000 upon public announcement of the merger and (iii) a transaction fee payable upon consummation of the merger equal to 1.15% of the aggregate merger consideration, which fee, based on the number of shares of common stock of, and debt of, Concord Communications outstanding as of March 31, 2005, is expected to be approximately $4.9 million, against which the amounts paid pursuant to clauses (i) and (ii) above shall be credited. In addition, Concord Communications agreed to reimburse Bear Stearns for reasonable out-of-pocket expenses incurred by Bear Stearns in connection with the merger, including the reasonable fees and disbursements of its legal counsel. Concord Communications has also agreed to indemnify Bear Stearns against specific liabilities in connection with its engagement, including liabilities under the federal securities laws.

Delisting and Deregistration of Concord Communications Common Stock

If the merger is completed, Concord Communications common stock will be delisted from The Nasdaq National Market and deregistered under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and Concord Communications will no longer file periodic reports with the SEC.

Interests of Certain Persons in the Merger

In considering the recommendation of our board with respect to the merger agreement, holders of shares of our common stock should be aware that our executive officers and directors have interests in the merger that may be different from, or in addition to, those of our stockholders generally. These interests may create potential conflicts of interest. Our board was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to approve the merger agreement and to recommend that our stockholders vote in favor of approving the merger agreement.

Stock Options and Other Equity-Based Awards

The merger agreement provides that, in general, at the effective time of the merger, each option to purchase shares of our common stock, including those options held by our executive officers, will be assumed by Computer Associates and become an option to purchase Computer Associates common stock with the number of shares of common stock and the exercise price of the option being adjusted in accordance with a conversion ratio equal to $17.00 divided by the average closing sales price of a share of Computer Associates common stock for the five trading days prior to the closing of the merger.

The vesting of the options held by our non-employee directors will accelerate in full at the effective time of the merger. Each of these options will terminate at the effective time of the merger in exchange for a payment equal to the number of shares of our common stock subject to such option multiplied by the amount, if any, by which the cash consideration per share to be paid in the merger exceeds the exercise price of the option.

In addition, certain agreements between us and our executive officers provide for acceleration of the vesting of options as a result of the merger:

Our change in control agreement with John Blaeser provides that all of Mr. Blaeser's unvested stock options will automatically vest upon the closing of the merger.

As of May 10, 2005, Mr. Blaeser held unvested options to purchase 112,814 shares of our common stock.

In addition, our management change in control agreements with each of Douglas Batt, Melissa Cruz, Ferdinand Engel, Michael Fabiaschi, Dayton Semerjian and Ted Williams, provide that all of their respective unvested stock options or restricted stock will automatically vest (or, with respect to restricted stock, the forfeiture provisions shall lapse) upon the closing of the merger. As of May 10, 2005, Mr. Batt, Ms. Cruz, Mr. Engel, Mr. Semerjian and Mr. Williams held unvested options to purchase 50,439, 50,939, 62,189, 126,982 and 150,000, shares, respectively, of our common stock and Mr. Fabiaschi held 70,000 shares of restricted stock.

Change in Control Agreements

Also, pursuant to our change in control agreement with Mr. Blaeser, in addition to the vesting of options described above, upon closing of the merger, Mr. Blaeser is entitled to 24 months' base salary and 75% of target annual bonus and 24 months' continuation of life, health, dental and disability

insurance benefits. Mr. Blaeser's current annual base salary is $380,000, his bonus for 2004 was $0, and 75% of his target annual bonus for 2005 is $239,400.

Pursuant to our change in control agreements with each of Douglas Batt, Melissa Cruz, Ferdinand Engel, Michael Fabiaschi, Dayton Semerjian and Ted Williams, in addition to the vesting of options described above, upon closing of the merger each is entitled to 18 months' base salary and 75% of target annual bonus for the year in which the change in control occurs, and 18 months' continuation of life, health, dental and disability insurance benefits. The current annual base salary of Mr. Batt, Ms. Cruz, Mr. Engel, Mr. Fabiaschi, Mr. Semerjian and Mr. Williams is $255,000, $280,000, $360,000, $358,313, $250,000 and $300,000, respectively, their bonuses for 2004 were $50,000, $50,000, $50,000, $400,000, $50,000 and $0, respectively, and 75% of their target annual bonuses for 2005 are $160,650, $176,400, $226,800, $279,737, $157,500 and $221,000, respectively.

Indemnification of Officers and Directors

Computer Associates has agreed that, for a period of six years following the effective time of the merger, it and the surviving corporation will indemnify, to the fullest extent permitted under the Massachusetts Business Corporation Act, our current and former directors and officers, and the current and former directors and officers of any of our subsidiaries, against all claims, losses, liabilities, damages, judgments, fines and reasonable fees, costs and expenses, including attorneys' fees and disbursements incurred in connection with any claim, action, suit, proceeding or investigation, arising out of or pertaining to the fact that those persons were directors or officers of us or any of our subsidiaries. Each indemnified party will be entitled to advancement of expenses incurred in the defense of any such claim, action, suit, proceeding or investigation from Computer Associates and the surviving corporation within ten business days of receipt of a request for an advancement. However, to the extent required by the Massachusetts Business Corporation Act, any person to whom expenses are advanced must provide an undertaking to repay the advances if it is ultimately determined that such person is not entitled to indemnification.

Computer Associates has agreed that the provisions of the certificate of incorporation and bylaws of the surviving corporation will contain provisions as favorable as can be obtained in comparison with respect to indemnification, advancement of expenses and exculpation of our and our subsidiaries' current and former directors and officers to those in the current provisions of our articles of organization and bylaws.

Computer Associates has also agreed to cause the surviving corporation to maintain in effect, for six years after the merger, the current policies of the directors' and officers' liability insurance maintained by Concord Communications with respect to matters existing or occurring at or prior to the effective time, so long as the aggregate annual premiums therefor would not be in excess of 250% of the annual premiums paid by us in our most recent fiscal year (this amount is referred to below in this section as the maximum premium). If any of our existing insurance policies expires, is terminated or is canceled during such six-year period, or if the premiums therefor exceed the maximum premium, Computer Associates shall cause the surviving corporation to obtain as much directors' and officers' liability insurance as can be obtained for the remainder of such period for an annualized premium not in excess of the maximum premium, on terms and conditions as favorable as can be obtained in comparison to our existing directors' and officers' liability insurance.

Benefits Arrangements

Computer Associates has agreed that, for a period of 12 months following the merger, it will use commercially reasonable efforts to provide generally to continuing employees of Concord Communications the same base salary and pension and welfare benefits under employee benefit plans (but excluding bonus, incentive and equity compensation) which are substantially similar in the aggregate to those provided to those persons immediately prior to the execution of the merger agreement. Continuing employees are those of our employees who continue as employees of the surviving corporation following the merger. Computer Associates has agreed to give continuing employees full credit for prior service with us for purposes of any waiting period, eligibility, vesting and benefit entitlement under Computer Associates' employee benefits plans and the determination of benefits levels under Computer Associates' employee benefits plans relating to tax qualified pension plans, 401(k) savings plans, and welfare benefit plans and policies. In early May 2005, Computer Associates discussed with several members of Concord management a proposal to offer retention compensation to certain employees of Concord who are key to the successful integration of Concord into Computer Associates after the merger. The final terms of these retention amounts have not yet been determined, but are expected to be based on a percentage of the applicable employee's compensation, would not be paid to more than 150 employees of Concord, including certain Concord executive officers, and in no event would exceed $5 million in the aggregate. It is expected that this proposal will be finalized after the closing of the merger.

REGULATORY MATTERS

Federal or State Regulatory Filings Required in Connection with the Merger

United States Antitrust. Mergers and acquisitions that may have an impact in the United States are subject to review by the Department of Justice and the Federal Trade Commission to determine whether they comply with applicable antitrust laws. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder, which we refer to as the HSR Act, mergers and acquisitions that meet certain jurisdictional thresholds, such as the present transaction, may not be completed until the expiration of a waiting period that follows the filing of notification forms by both parties to the transaction with the Department of Justice and the Federal Trade Commission. The initial waiting period is 30 days, but this period may be shortened if the reviewing agency grants "early termination" of the waiting period, or it may be lengthened if the reviewing agency determines that an in-depth investigation is required and issues a formal request for additional information and documentary material. We and Computer Associates filed pre-merger notifications with the U.S. antitrust authorities pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 on May 6, 2005 and, in accordance with the merger agreement, requested "early termination" of the waiting period.

Other Jurisdictions. In addition to the filing requirements under U.S. law, mergers and acquisitions that may have an impact in the Federal Republic of Germany are subject to review by the German Federal Cartel Office to determine whether they comply with applicable German antitrust laws. Under the German Act Against Restraints of Competition, mergers and acquisitions that meet certain jurisdictional thresholds and are not subject to antitrust review by the European Commission, such as the present transaction, may not be completed until the expiration of an initial one-month waiting period that follows the filing of a notification by both parties to the transaction with the German Federal Cartel Office. The waiting period may be shortened if the German Federal Cartel Office notifies the parties that the requirements for a prohibition of a merger are not fulfilled, or it may be lengthened if the German Federal Cartel Office determines that an in-depth investigation is required and enters into a main examination proceeding. We and Computer Associates filed a pre-merger notification with the German Federal Cartel Office pursuant to the German Act against Restraints of Competition on April 21, 2005.

It is possible that any of the government entities with which filings are made may seek various regulatory concessions as conditions for granting approval of the merger. There can be no assurance that we will obtain the regulatory approvals necessary to complete the merger or that the granting of these approvals will not involve the imposition of conditions on completion of the merger or require changes to the terms of the merger. These conditions or changes could result in conditions to the merger not being satisfied. For more information, please refer to "The Merger Agreement Conditions to the Merger."

Anti-Takeover Considerations

We are subject to the provisions of Chapter 110C of the Massachusetts General Laws, entitled "Regulation of Take-Over Bids in the Acquisition of Corporations." Under Chapter 110C, no offeror may make a "take-over bid" for the stock of a "target company" without publicly announcing the terms of the bid, filing certain information with the Secretary of the Commonwealth of Massachusetts and the target company and paying a fee to the Secretary of the Commonwealth. The Secretary of the Commonwealth may hold a hearing to determine if adequate disclosure has been made and if the take-over bid is fair. A "target company" is defined as any Massachusetts corporation, or any corporation with its principal place of business in Massachusetts, whose securities are or are to be the subject of a "take-over bid." We qualify as a target company. A "take-over bid" is defined as any acquisition or offer to acquire stock of a target company where, after such acquisition, the offeror and its affiliates will be the beneficial owner directly or indirectly of more than 10% of a class of the target company's stock. However, a "take-over bid" does not include any bid to which the target company's board of directors consents, if the board of directors has recommended the acceptance of the bid and the terms thereof to the stockholders. For purposes of Chapter 110C, our board of directors specifically approved and consented to the merger and recommended the acceptance of the terms thereof to our stockholders. Therefore, the merger is not a "take-over bid" under Chapter 110C.

We are also subject to the provisions of Chapter 110F of the Massachusetts General Laws, the so-called "Business Combination Statute". Under Chapter 110F, a Massachusetts corporation with over 200 stockholders, such as Concord Communications, may not engage in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person becomes an interested stockholder, unless (i) the interested stockholder obtains the approval of the board of directors prior to becoming an interested stockholder, (ii) the interested stockholder acquires 90% of the outstanding voting stock of Concord Communications (excluding shares held by certain of our affiliates) at the time it becomes an interested stockholder, or (iii) the business combination is approved by both the board of directors and at a meeting of the stockholders by the holders of at least two-thirds of the outstanding voting stock of Concord Communications (excluding shares held by the interested stockholder). An "interested stockholder" is a person who, together with affiliates and associates, owns (or at any time within the prior three years did own) 5% or more of the outstanding voting stock of Concord Communications. Any person or entity that enters into an agreement, arrangement or understanding with another person or entity that beneficially owns shares of Concord Communications common stock for the purpose of acquiring, holding, voting (except pursuant to certain forms of revocable proxy and consent) or disposing of such stock, is deemed to "own" such person's or entity's stock under Chapter 110F. A "business combination" includes a merger, a stock or assets sale, and other transactions resulting in a financial benefit to the stockholder. Our board of directors approved the merger, exempting the merger from the provisions of Chapter 110F.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of certain material United States federal income tax consequences to our stockholders of the receipt of cash in exchange for shares of our common stock pursuant to the merger or upon the exercise of appraisal rights. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, applicable current and proposed United States Treasury Regulations, judicial authority, and administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis. This discussion assumes that the shares of our common stock are held as capital assets by a United States person (i.e., a citizen or resident of the United States or a domestic corporation). This discussion does not address all aspects of United States federal income taxation that may be relevant to a particular stockholder of ours in light of the stockholder's personal investment circumstances, or those stockholders of ours subject to special treatment under the United States federal income tax laws (for example, life insurance companies, dealers or brokers in securities or currencies, tax-exempt organizations, financial institutions, United

States expatriates, foreign corporations and nonresident alien individuals), our stockholders who hold shares of our common stock as part of a hedging, "straddle," conversion or other integrated transaction, or stockholders of ours who acquired their shares of our common stock through the exercise of employee stock options or other compensation arrangements or our employee stock purchase plan. In addition, this discussion does not address any aspect of foreign, state or local or estate and gift taxation that may be applicable to a stockholder of ours. **We urge you to consult your own tax advisor to determine the particular tax consequences to you (including the application and effect of any state, local or foreign income and other tax laws) of the receipt of cash in exchange for shares of our common stock pursuant to the merger or upon the exercise of appraisal rights.**

The receipt of cash in the merger or upon the exercise of appraisal rights will be a taxable transaction for United States federal income tax purposes. In general, for United States federal income tax purposes, a holder of shares of our common stock will recognize gain or loss equal to the difference between his or her adjusted tax basis in shares of our common stock converted to cash in the merger and the amount of cash received. Gain or loss will be calculated separately for each block of shares of our common stock (i.e., shares of our common stock acquired at the same cost in a single transaction) converted to cash in the merger. If the shares of our common stock have been held for more than one year at the effective time of the merger, the gain or loss will be long-term capital gain or loss subject (in the case of stockholders who are individuals) to tax at a maximum United States federal income tax rate of 15%, and will be short-term capital gain or loss if, at the effective time of the merger, the shares of our common stock so converted to cash have been held for one year or less. The deductibility of a capital loss recognized on the exchange is subject to limitation.

Under the United States federal income tax backup withholding rules, unless an exemption applies, Computer Associates generally is required to and will withhold 28% of all payments to which a stockholder or other payee is entitled in the merger, unless the stockholder or other payee (1) is a corporation or comes within other exempt categories and demonstrates this fact or (2) provides its correct tax identification number (social security number, in the case of an individual, or employer identification number in the case of other stockholders), certifies under penalties of perjury that the number is correct (or properly certifies that it is awaiting a taxpayer identification number), certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Each stockholder of ours and, if applicable, each other payee, should complete, sign and return to the paying agent for the merger the substitute Form W-9 that each stockholder of ours will receive with the letter of transmittal following completion of the merger in order to provide the information and certification necessary to avoid backup withholding, unless an applicable exception exists and is proved in a manner satisfactory to the paying agent. The exceptions provide that certain stockholders of ours (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, however, he or she must submit a signed Form W-8BEN, "Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding." Backup withholding is not an additional tax. Generally, any amounts withheld under the backup withholding rules described above can be refunded or credited against a holder's United States federal income tax liability, if any, provided that the required information is furnished to the United States Internal Revenue Service in a timely manner.

The foregoing discussion of certain material United States federal income tax consequences is included for general information purposes only and is not intended to be, and should not be construed as, legal or tax advice to any holder of shares of our common stock. We urge you to consult your own tax advisor to determine the particular tax consequences to you (including the application and effect of any state, local or foreign income and other tax laws) of the receipt of cash in exchange for shares of our common stock pursuant to the merger or upon the exercise of appraisal rights.

THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement. However, because the merger agreement is the primary legal document that governs the merger, you should carefully read the complete text of the merger agreement for its precise legal terms and other information that may be important to you. The merger agreement is included as Annex A to this proxy statement and contains representations and warranties we made to each other. These representations and warranties were made only for the purposes of the merger agreement and solely for the benefit of Computer Associates and Concord Communications as of specific dates, may be subject to important limitations and qualifications agreed by the companies, and may not be complete. Furthermore, these representations and warranties may have been made for the purposes of allocating contractual risk between the companies to the merger agreement instead of establishing these matters as facts, and may or may not have been accurate as of any specific date and do not purport to be accurate as of the date of this proxy statement. Accordingly, you should ***NOT*** *rely upon the descriptions of the representations and warranties in this proxy statement or the actual representations and warranties contained in the merger agreement as characterizations of the actual state of facts, since they were intended for the benefit of, and to be limited to, the companies. Information about the companies can be found elsewhere in this proxy statement and in such other public filings each of us makes with the Securities and Exchange Commission, which are available without charge at www.sec.gov.*

Form of the Merger

If all of the conditions to the merger are satisfied or waived in accordance with the merger agreement, Merger Sub, a wholly owned subsidiary of Computer Associates created solely for the purpose of engaging in the transactions contemplated by the merger agreement, will merge with and into Concord Communications. The separate corporate existence of Merger Sub will cease, and Concord Communications will survive the merger and will become a wholly owned subsidiary of Computer Associates. We sometimes refer to Concord Communications after the merger as the surviving corporation.

Structure and Effective Time

The merger agreement provides that we will complete the merger on the first business day after satisfaction or waiver of the conditions to the completion of the merger described in the merger agreement. We intend to complete the merger as promptly as practicable, subject to receipt of stockholder approval and all requisite regulatory approvals. We refer to the time at which the merger is completed as the effective time. Although we expect to complete the merger by June 30, 2005, we cannot specify when, or assure you that, we and Computer Associates will satisfy or waive all conditions to the merger.

Articles of Organization and Bylaws

Our articles of organization, as in effect on the date of the merger agreement, will be amended and restated as of the effective time to be identical to the certificate of incorporation of Merger Sub, except the name of the corporation shall be Concord Communications, Inc. After the effective time, our authorized share capital shall consist of 1,000 shares of common stock. At the effective time, the bylaws of Merger Sub, as in effect immediately prior to the effective time of the merger, will be the bylaws of the surviving corporation.

Board of Directors and Officers of the Surviving Corporation

The directors of Merger Sub immediately prior to the merger will become the directors of the surviving corporation following the merger. Our officers will continue to be the officers of the surviving corporation following the merger.

Consideration to Be Received in the Merger

Upon completion of the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger will be cancelled and converted into the right to receive $17.00 in cash, without interest and less applicable withholding taxes, other than shares held by stockholders who properly exercise and perfect their appraisal rights and any shares owned by us, Computer Associates or Merger Sub. Our stockholders are entitled to assert appraisal rights instead of receiving the merger consideration. For more information, please refer to "Appraisal Rights."

Payment Procedures

Prior to the effective time of the merger, Computer Associates will appoint a paying agent that will make payment of the merger consideration in exchange for certificates representing shares of our common stock. Computer Associates will deposit sufficient cash with the paying agent at or before the effective time of the merger in order to permit the payment of the merger consideration. Promptly after the effective time of the merger, the paying agent will mail to each holder of record of a certificate representing shares of our common stock a letter of transmittal and instructions explaining how to send his, her or its stock certificates to the paying agent. The paying agent will pay the merger consideration, less any withholding taxes required by law, to our stockholders promptly following the paying agent's receipt of the stock certificates and properly completed letter of transmittal. No interest will be paid or accrued on the cash payable upon the surrender of any such stock certificate. Computer Associates is entitled to cause the paying agent to deliver to it any funds that have not been distributed within 180 days after the effective time of the merger. After that date, holders of certificates who have not complied with the instructions to exchange their certificates will be entitled to look only to Computer Associates for payment of the applicable merger consideration, without interest.

You should not send your Concord Communications stock certificates to the paying agent until you have received transmittal materials from the paying agent. Do not return your Concord Communications stock certificates with the enclosed proxy.

If any of your certificates representing common stock have been lost, stolen or destroyed, you will be entitled to obtain the merger consideration after you make an affidavit of that fact and, if required by Computer Associates, post a bond as Computer Associates may direct as indemnity against any claim that may be made against Computer Associates with respect to your lost, stolen or destroyed stock certificates.

Stock Options and the Employee Stock Purchase Plans

The merger agreement provides that, at the completion of the merger, each option to purchase shares of our common stock will be assumed by Computer Associates and will become an option to acquire shares of Computer Associates common stock, on the same terms and conditions (other than the number of underlying shares and the exercise price) as were applicable under such option immediately prior to the effective time of the merger. The number of shares of Computer Associates common stock underlying each option will be determined by multiplying the number of shares of our common stock that were subject to the option immediately prior to the effective time by the conversion ratio described below, and rounding the resulting number down to the nearest whole number of shares of Computer Associates common stock. The per share exercise price for the Computer Associates common stock issuable upon exercise of each option will be determined by dividing the per share exercise price of our common stock subject to such option, as in effect immediately prior to the effective time, by the conversion ratio and rounding the resulting exercise price up to the nearest whole cent. Options that are "incentive stock options" may be further adjusted to comply with the applicable regulations.

The conversion ratio will be equal to the fraction having a numerator equal to $17.00 and a denominator equal to the average of the closing sales prices of a share of Computer Associates common stock as reported on the New York Stock Exchange for each of the five consecutive trading days immediately preceding the closing date.

We have agreed to terminate our 2001 Non-Executive Employee Stock Purchase Plan and our 2004 Non-Executive Employee Stock Purchase Plan prior to the effective time of the merger.

Restricted Stock

All outstanding shares of our common stock that are issued pursuant to our stock plans and are subject to vesting and forfeiture provisions set forth in restricted stock grant or similar agreements shall remain subject to the terms and conditions of the applicable restriction agreements without modification notwithstanding the merger, except as modified by certain change in control agreements to which the holders of such stock are parties, as applicable. After the effective time, as the vesting and forfeiture restrictions set forth in any restriction agreement expire or lapse, the holder of the applicable shares will be entitled to exchange such shares for merger consideration.

Representations and Warranties

The merger agreement contains customary representations and warranties that we made to Computer Associates regarding, among other things:

- corporate matters, including due organization, power and qualification;
- our capital structure;
- our subsidiaries;
- authorization, execution, delivery and performance and the enforceability of the merger agreement and related matters;
- our receipt of a fairness opinion from our financial advisor;
- identification of required governmental filings and consents;
- absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger;
- our material contracts and key customer relationships;
- accuracy of information contained in registration statements, reports and other documents that we file with the SEC and the compliance of our filings with the SEC with applicable federal securities law requirements and, with respect to financial statements therein, generally accepted accounting principles;
- accuracy of information contained in this proxy statement;
- maintenance and effectiveness of disclosure controls and procedures required under applicable federal securities law;

compliance in all material respects with the applicable provisions of the Sarbanes-Oxley Act of 2002;

absence of certain changes or events affecting our business since December 31, 2004;

litigation and other liabilities;

employee benefits plans;

compliance with laws;

permits;

environmental matters;

- filing of tax returns, absence of unpaid taxes and other tax matters;
- labor matters;
- insurance;
- intellectual property;
- owned and leased property;
- inapplicability of state anti-takeover statutes; and
- absence of undisclosed brokers' fees.

In addition, Computer Associates made representations and warranties regarding, among other things:

- corporate matters, including due organization, power and qualification;
- authorization, execution, delivery and performance and the enforceability of the merger agreement and related matters;
- absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger;
- identification of required governmental filings and consents;
- accuracy of information supplied for inclusion in this proxy statement;
- operations of Merger Sub; and
- availability of funds necessary for the merger, including the merger consideration.

Many of our representations and warranties are qualified by a material adverse effect standard. A "company material adverse effect" means, with respect to Concord Communications, a material adverse effect on the financial condition, properties, business or results of operations of Concord Communications and its subsidiaries taken as a whole, except that the following, in and of themselves, will not be considered to constitute a company material adverse effect:

- any change resulting from (1) general economic or business conditions in the U.S. or Europe or acts of war or terrorism, (2) factors generally affecting the industries or markets in which Concord Communications operates, or (3) any changes in applicable law or generally accepted accounting principles (except, in each case, to the extent such change primarily relates only to Concord Communications and its subsidiaries or disproportionately adversely affects Concord Communications and its subsidiaries as compared to other companies of similar size in our industry);
- any adverse change proximately caused by the pendency or announcement of the merger;

any failure by Concord Communications to meet any revenue or earnings estimates for any period ending on or after April 7, 2005 and prior to the closing (provided that this will not prevent a determination that any event underlying such failure has resulted in, or contributed to, a company material adverse effect); or

a decline in the price of our common stock on Nasdaq (provided that this will not prevent a determination that any event underlying such decline has resulted in, or contributed to, a company material adverse effect).

Covenants Relating to the Conduct of Our Business

From the date of the merger agreement through the effective time of the merger, we have agreed, and have agreed to cause our subsidiaries, to conduct our business in the ordinary course of business and use our reasonable best efforts to preserve our business organization, assets, properties and relationships with third parties and to keep available the services of our present officers and key employees.

During the same period, we have also agreed that, subject to certain exceptions, we will not do any of the following without the prior written consent of Computer Associates:

- issue or otherwise dispose of or encumber any shares of our capital stock;
- amend our articles of organization or bylaws or comparable organizational documents;
- split, combine or reclassify any of our outstanding shares of capital stock;
- declare, set aside or pay any dividend payable in cash, stock or property in respect of any capital stock other than dividends from wholly owned subsidiaries;
- purchase or redeem any shares of our capital stock or any of our other securities convertible into shares of our capital stock, except for the acquisition of shares of our common stock in connection with the exercise of options;
- issue, sell, pledge, dispose of or encumber any shares of our capital stock, any securities convertible into or exercisable for shares of our capital stock or any options, warrants or rights of any kind to acquire shares of our capital stock or any voting debt or other assets (other than shares of common stock issuable pursuant to options and other stock-based awards outstanding as of the date of the merger agreement under our existing option plans or upon conversion of certain outstanding convertible senior notes);
- transfer, sell, lease, license, abandon, cancel or otherwise dispose of, allow to lapse or encumber any material property or assets;
- restructure, recapitalize, reorganize or completely or partially liquidate or adopt a plan of complete or partial liquidation or otherwise enter into any arrangement imposing material changes or restrictions on the operation of our assets or business;
- acquire any business or any business organization or division, or any material assets, other than inventory and other items in the ordinary course of business;
- adopt a stockholder rights plan or similar plan or arrangement that is applicable to Computer Associates or its affiliates;
- incur or guarantee indebtedness, other than obligations pursuant to existing credit facilities in the ordinary course of business;
- issue, sell, amend or guarantee any debt securities;
- make any loans or advances, except routine employee advances in the ordinary course of business, or capital contributions to, or investment in, any other person;
- enter into any hedging agreements or other similar financial agreements, other than in the ordinary course of business;

make any capital expenditures in excess of $250,000 in the aggregate, other than as set forth in our budget;

make any material changes in accounting methods, principles or practices, except as may be required under generally accepted accounting principles;

change any assumption underlying, or method of calculating, any bad debt, contingency or other reserve;

enter into, renew, modify, amend or terminate or waive, release or assign any material rights or claims under, any material contract, other than in the ordinary course of business;

grant any exclusivity rights, "most favored nation" rights or agreements restricting our ability to compete, to the extent any such right or agreements would survive the effective time of the merger;

except as required by applicable law or agreements in effect as of April 7, 2005:

adopt, enter into, amend or terminate any employment agreement, change in control agreement, or any employee benefit plan or arrangement;

increase the compensation or fringe benefits of any director, officer, employee or consultant, other than annual increases in salaries of persons who are not officers in the ordinary course of business that do not exceed 2%;

amend or accelerate the payment, right to payment or vesting of any compensation or benefits;

pay any benefit not provided for as of April 7, 2005 under our employee benefit plans;

grant any awards under any bonus, compensation or equity compensation plan, except for grants of options to purchase common stock upon customary terms to new hires in the ordinary course of business; or

take any action to fund or in any other way secure the payment of compensation or benefits under any company benefit plan;

initiate, compromise or settle any material litigation, proceeding, claim or charge;

make or rescind any tax election, amend any tax return or permit any insurance policy naming Concord Communications or any of our subsidiaries as a beneficiary or loss-payable payee to be cancelled or terminated, except in the ordinary course of business;

take any action or omit to take any action that is reasonably likely to result in any condition to the merger not being satisfied; or

authorize, or commit or agree to take, any of the foregoing actions.

No Solicitation

The merger agreement provides that, until the effective time of the merger or the earlier termination of the merger agreement, neither Concord Communications nor any of our officers and directors will, and we will use reasonable best efforts to cause our employees, investment bankers, attorneys, accountants and other advisors or representatives not to, directly or indirectly:

initiate, solicit or knowingly encourage any inquiries or the making of any proposal or offer that constitutes, or could reasonably be expect to lead to, any acquisition proposal; or

engage in, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any confidential information for the purpose of encouraging or facilitating, any acquisition proposal, or otherwise facilitate knowingly any effort or attempt to make an acquisition proposal.

An "acquisition proposal" means any proposal or offer for a merger, consolidation, dissolution, tender offer, recapitalization, reorganization, share exchange, business combination or similar transaction involving us or any proposal or offer to acquire in any manner, directly or indirectly, over 15% of our equity securities or consolidated total assets.

However, prior to the adoption of the merger agreement by our stockholders, we may (a) provide information in response to a request therefor by a third party who has made an unsolicited bona fide written acquisition proposal (for the purposes of this paragraph, the reference in the definition of acquisition proposal above to 15% will be replaced by 50%, except in the case the acquisition proposal is an asset sale, in which case "all or substantially all" will be substituted for 15%), so long as (i) the proposal did not result from a breach by us of the no solicitation provisions of the merger agreement, (ii) we have notified Computer Associates regarding the acquisition proposal and provided Computer Associates with the information concerning the acquisition proposal required under the terms of the merger agreement, (iii) the third party enters into a customary confidentiality agreement with us containing terms not less restrictive of the third party than those terms contained in our confidentiality agreement with Computer Associates and (iv) our board determines in good faith after consultation with outside legal counsel that failure to take such action would be inconsistent with our board's fiduciary obligations under applicable law, and (b) participate in discussions or negotiations with a third party who has made such an acquisition proposal, if and to the extent that:

- our board determines in good faith, after consultation with outside counsel, that the failure to so act would be inconsistent with its fiduciary obligations under applicable law; and

- with respect to our participation in such discussions or negotiations, our board determines in good faith, after consultation with outside counsel and our financial advisors, that it is reasonably likely that the acquisition proposal (a) if accepted, is reasonably likely to be consummated, taking into account all legal, financial, regulatory and other aspects of the proposal and the person making the proposal, and, if consummated, would result in a superior proposal, or (b) is reasonably likely to lead to a superior proposal.

A "superior proposal" means any acquisition proposal that would, if consummated, result in a transaction more favorable to our stockholders from a financial point of view than the merger.

We have agreed to promptly notify Computer Associates of our receipt of any acquisition proposal, request for information in connection with any acquisition proposal or inquiry with respect to any acquisition proposal, and to provide copies of any written request, acquisition proposal or inquiry, together with the material terms of the acquisition proposal or inquiry and the identity of the person making the acquisition proposal or inquiry. We are also required to keep Computer Associates informed of the status of any such acquisition proposal or inquiry. We also agreed to cease all discussions and negotiations regarding any acquisition proposal that existed as of the date of the merger agreement and to request the return or destruction of all confidential information provided to the other bidders.

We have further agreed that, until the effective time of the merger or the earlier termination of the merger agreement, our board will not:

- withhold, withdraw, qualify or modify (or publicly propose to take any such action), in a manner adverse to Computer Associates, its approval of the merger agreement or its recommendation that stockholders vote to approve the merger agreement (including publicly taking a neutral position or no position with respect to an acquisition proposal, except during the ten-business day period after the first public announcement of such acquisition proposal);

- cause or permit us to enter into any letter of intent, merger agreement or similar agreement providing for the consummation of a transaction contemplated by an acquisition proposal (other than a confidentiality agreement as discussed above); or

- approve, recommend or adopt any acquisition proposal (or propose, publicly or otherwise, to take any such action).

However, prior to the adoption of the merger agreement by our stockholders, our board may withhold, withdraw, qualify or modify its recommendation with respect to the merger agreement or approve or recommend any superior proposal made after the date of the merger agreement and not solicited, initiated or knowingly encouraged in breach of the merger agreement if our board determines in good faith, after consultation with outside counsel, that failure to do so would be inconsistent with its fiduciary obligations under applicable law. We must notify Computer Associates if our board intends to take any of these actions, our board may not take such actions until two business days after Computer Associates has been so notified and our board must take into account any changes to the terms of the merger agreement proposed by Computer Associates in determining whether the acquisition proposal still constitutes a superior proposal.

Nothing in the merger agreement prohibits us or our representatives from taking and disclosing a position to our stockholders with respect to a tender offer contemplated by Rules 14d-9 and 14e-2 of the Exchange Act or from making any required disclosure to our stockholders, if our board determines in good faith, and after consultation with outside counsel, that failure to do so would be inconsistent with its obligations under applicable law.

Stockholders Meeting

We have agreed to hold as promptly as practicable a meeting of our stockholders to vote on the proposal to approve the merger agreement. Unless the merger agreement has been terminated in accordance with its terms, we are required to hold the meeting regardless of whether our board determines to withhold, withdraw, qualify or modify its recommendation that stockholders approve the merger agreement or our board determines to approve or recommend a superior proposal.

Benefit Arrangements

Computer Associates has agreed that, for a period of 12 months following the merger, it will use commercially reasonable efforts to provide generally to continuing employees the same base salary and pension and welfare benefits under employee benefit plans (but excluding bonus, incentive and equity compensation) which are substantially similar in the aggregate to those provided to those persons immediately prior to the execution of the merger agreement. Continuing employees are those of our employees who continue as employees of the surviving corporation following the merger. Computer Associates has agreed to give continuing employees full credit for prior service with us for purposes of any waiting period, eligibility, vesting and benefit entitlement under Computer Associates' employee benefits plans and the determination of benefits levels under Computer Associates' employee benefits plans relating to tax qualified pension plans, 401(k) savings plans and welfare benefit plans and policies.

Indemnification and Insurance

Computer Associates has agreed that, for a period of six years following the effective time of the merger, it and the surviving corporation will indemnify our current and former directors and officers against losses arising out of or pertaining to the fact that those persons were directors or officers of Concord Communications. Computer Associates has also agreed to cause the surviving corporation to maintain in effect, for six years after the merger, the current policies of the directors' and officers' liability insurance maintained by Concord Communications with respect to matters existing or occurring at or prior to the effective time, so long as the aggregate annual premiums therefor would not be in excess of 250% of the annual premiums paid by us in our most recent fiscal year (this amount is referred to below in this section as the maximum premium). If any of our existing insurance policies expires, is terminated or is canceled during such six-year period, or if the premiums therefor exceed the maximum premium, Computer Associates shall cause the surviving corporation to obtain as much directors' and officers' liability insurance as can be obtained for the remainder of such period for an annualized premium not in excess of the maximum premium, on terms and conditions as favorable as can be obtained in comparison to our existing directors' and officers' liability insurance. For more information, please refer to "The Merger Interests of Certain Persons in the Merger Indemnification of Officers and Directors."

Conditions to the Merger

Our and Computer Associates' obligations to effect the merger are subject to the satisfaction or waiver of the following conditions:

- our stockholders must have approved the merger agreement;
- the applicable waiting period under the HSR Act must have expired or been terminated; and
- no court or governmental agency shall have enacted, issued, promulgated, enforced or entered any order, stay, decree, judgment or injunction or statute, rule or regulation that is in effect and that has the effect of making the merger illegal or otherwise prohibiting consummation of the merger.

In addition, our obligation to effect the merger is subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of Computer Associates in the merger agreement must be true and correct (without giving effect to any limitation as to materiality or material adverse effect) as of April 7, 2005 and as of the closing date of the merger as though made on and as of such date and time (except to the extent that any such representation and warranty speaks of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), except for such inaccuracies that, individually or in the aggregate, have not had, and are not reasonably likely to have, a material adverse effect on Computer Associates; and
- each of Computer Associates and Merger Sub must have performed, in all material respects, all obligations required to be performed by it under the merger agreement.

In addition, the obligation of Computer Associates to effect the merger is subject to the satisfaction or waiver of the following conditions:

- our representations and warranties in the merger agreement must be true and correct (without giving effect to any limitation as to materiality or material adverse effect) as of April 7, 2005 and as of the closing date of the merger as though made on and as of such date and time (except to the extent that any such representation and warranty speaks of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), except for such inaccuracies (other than with respect to our capitalization representation which shall be true and correct in all material respects) that, individually or in the aggregate, have not had, and are not reasonably likely to have, a material adverse effect on us;
- we must have performed, in all material respects, all obligations required to be performed by us under the merger agreement;
- there must not be instituted or pending any suit, action or proceeding in which a governmental entity is (i) challenging or seeking to restrain or prohibit the consummation of the merger, or (ii) seeking to prohibit or materially impair Computer Associates' ability to own or operate any of our material businesses and assets, or any of the businesses or assets of Computer Associates (including, without limitation, through any divestiture, licensing, lease or hold separate arrangement) or seeking to prohibit or limit in any material respect Computer Associates' ability to vote, transfer, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of the surviving corporation;
- there must not be any order, stay, judgment, injunction, statute, rule or regulation imposing any restraint, prohibition, impairment or limitation described in clause (i) or (ii) of the bullet point above;
- all governmental and other filings, consents and approvals required of both Computer Associates and us and specified in the merger agreement shall have been made or obtained;

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all other approvals and consents of applicable governmental and regulatory agencies shall have been obtained or made, other than those failures to obtain, individually or in the aggregate, that would not be reasonably likely (i) to have a material adverse effect on Concord Communications or on Computer Associates (but with materiality measured at the Concord Communications level) or (ii) to provide a reasonable basis to conclude that the companies or any of their affiliates would be subject to the risk of criminal sanctions or any of their representatives would be subject to the risk of criminal or civil sanctions; and

there must not have occurred any change, event, circumstance or development since April 7, 2005 that has had, or is reasonably likely to have, a material adverse effect on us.

Termination

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger (notwithstanding any approval by our stockholders):

by the mutual written consent of us and Computer Associates;

by either us or Computer Associates, if:

the merger has not been consummated by September 30, 2005 or the approval of our stockholders shall not have been obtained at the special meeting of our stockholders, provided, that this right to terminate is not available to any party that has breached in any material respect its obligations under the merger agreement in any manner that has proximately contributed to the occurrence of the failure of the merger to be consummated; or

any governmental order, decree, ruling or action permanently restraining, enjoining or otherwise prohibiting the merger shall become final and nonappealable; or

by Computer Associates, if:

our board (i) fails to recommend, or withholds, withdraws, qualifies or modifies its recommendation that our stockholders approve the merger agreement in a manner adverse to Computer Associates or takes a neutral position or no position with respect to an acquisition proposal beyond the time permitted under the merger agreement, (ii) fails to reconfirm its recommendation as promptly as practicable (but in any event within five business days) after Computer Associates requests it to do so, (iii) approves, recommends or adopts an acquisition proposal (or publicly announces an intention to do so), or recommends that our stockholders accept a tender offer or exchange offer for our common stock or, within ten business days after commencement of a tender offer or exchange offer, fails to recommend against acceptance of the offer; or

we breach any representation, warranty, covenant or agreement that would result in the failure of a condition to our obligation to effect the merger being satisfied and which is not cured within 20 days after written notice of the breach or failure to perform is given to us; or

by us, if:

our board approves or recommends to our stockholders a superior proposal, provided that prior to any such termination, (i) we inform Computer Associates of our intent to effect such termination and to enter into a binding written agreement concerning a superior proposal, attaching the most current version of such agreement or, to the extent no such agreement is contemplated, a description of all material terms and conditions of such superior proposal, and (ii) Computer Associates does not make within three business days an offer that our board determines in good faith (after consultation with our financial advisor) is at least as favorable from a financial point of view to our stockholders as the superior proposal, and (iii) we pay Computer Associates a termination fee (as detailed below) and reimburse Computer Associates for its expenses; or

Computer Associates breaches any representation, warranty, covenant or agreement that would result in the failure of a condition to its obligation to effect the merger being satisfied and which is not cured within 20 days after written notice of the breach or failure to perform is given to Computer Associates.

Termination Fee

The merger agreement obligates us to pay a termination fee to Computer Associates of $11.5 million, plus reimburse up to $0.5 million of Computer Associates' expenses relating to the transactions contemplated by the merger agreement, if:

the merger agreement is terminated by us or Computer Associate

3,138

Proceeds from exercise of stock options

179

291

Repurchase and retirement of common stock

(1,062

)

Payments of capital leases and notes payable

(348

)

(59

)

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

(992

)

Payments to non-controlling interests

(623

)

(578

)

Net cash used in financing activities

	(2,059)	(4,349)
Net decrease in cash and cash equivalents	(19,384)	(10,046)
Cash and cash equivalents at beginning of period	27,338	58,138
Cash and cash equivalents at end of period	$ 7,954	$ 48,092

Supplemental disclosure of non-cash investing and financing activities

Property and equipment costs in accounts payable, accrued expenses and other liabilities	
	12,075
	2,797
Assets acquired in business acquisition	
	17,317
Liabilities assumed in business acquisition	
	12,443

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 wholesale partnerships, retail sales, and advertising across these small cell networks. Wholesale offerings include Wi-Fi roaming, private label Wi-Fi, location based services, and DAS, which are cellular extension networks. Retail products include Wi-Fi subscriptions and day passes that provide access to more than 1,000,000 commercial hotspots worldwide, and Internet Protocol television (IPTV) services and residential broadband for military barracks. 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 and six months ended June 30, 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 and six months ended June 30, 2014 and 2013, and our financial position as of June 30, 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

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 and six months ended June 30, 2014. Transaction costs associated with business combinations were $34 and $192 for the three and six months ended June 30, 2013, respectively.

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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue:				
Wholesale	$ 12,872	$ 12,339	$ 23,995	$ 23,894
Retail subscription	8,161	8,731	16,455	16,798
Retail single-use	2,830	2,830	5,366	5,416
Advertising and other	4,533	2,339	9,032	3,265
Total revenue	$ 28,396	$ 26,239	$ 54,848	$ 49,373

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 June 30, 2014 and December 31, 2013, we had $29,909 and $32,962, respectively, in marketable securities.

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 (expense) income, net.

For the six months ended June 30, 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.

Recent accounting pronouncements

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which is intended to improve and converge the financial reporting requirements for revenue from contracts with customers between U.S. GAAP and International Accounting Standards. In accordance with this new standard, an entity would recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard establishes a five-step model and related application guidance, which will replace most existing revenue recognition guidance in U.S. GAAP. The standard will be effective for annual and interim periods in fiscal years beginning after December 15, 2016. Early adoption is not permitted. An entity may choose to adopt the new standard either retrospectively or through a cumulative effect adjustment as of the start of the first period for which it applies the new standard. We are currently evaluating the expected impact of this new standard on our reporting of revenue contracts in our consolidated financial statements.

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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.

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 $17,527, which includes cash paid at closing, net equity adjustments, 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. On July 29, 2014, we paid $147 to the previous AWG shareholders as settlement for the net equity adjustments that were not finalized as of the acquisition date.

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 are recorded through operating loss. On July 29, 2014, we paid the contingent consideration in the amount of $1,000 to the previous AWG shareholders. 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%. 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	
Net equity adjustments		147	
Holdback consideration		1,600	

Contingent consideration		980	
Total consideration	$	17,527	
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
Goodwill		10,058	
Total purchase price	$	17,527	

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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.

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 are 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	

During the six months ended June 30, 2014, we paid the holdback consideration in the amount of $275 to the previous Endeka shareholders.

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Pro forma results

The following table presents the unaudited pro forma results of the Company for the three and six months ended June 30, 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 June 30, 2013	Six Months Ended June 30, 2013
Revenue	$ 28,694	$ 54,191
Net loss	$ (341)	$ (2,463)

Goodwill

The following table sets forth the changes in our goodwill balance during the period:

Beginning balance, January 1, 2014	$ 42,431
Additions	147
Balance, June 30, 2014	$ 42,578

4. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	June 30, 2014	December 31, 2013
Cash and cash equivalents:		
Cash	$ 3,659	$ 3,655
Money market accounts	4,295	23,683
Total cash and cash equivalents	$ 7,954	$ 27,338

For the six months ended June 30, 2014 and 2013, interest income was $86 and $104, respectively, which is included in interest and other (expense) income, net in the accompanying condensed consolidated statements of operations.

5. Property and equipment

Property and equipment consisted of the following:

	June 30, 2014	December 31, 2013
Leasehold improvements	$ 119,261	$ 97,462
Construction in progress	28,763	18,157
Computer equipment	7,611	7,372
Software	14,775	10,452
Office equipment	422	412
Total property and equipment	170,832	133,855
Less: accumulated depreciation and amortization	(77,317)	(66,295)
Total property and equipment, net	$ 93,515	$ 67,560

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Network access	$ 4,511	$ 3,205	$ 8,373	$ 6,082
Network operations	1,182	1,008	2,369	1,816
Development and technology	782	472	1,479	888
General and administrative	56	49	94	81
Total depreciation and amortization of property and equipment	$ 6,531	$ 4,734	$ 12,315	$ 8,867

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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 June 30, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 4,295	$	$	$ 4,295
Marketable securities		29,909		29,909
Restricted cash	545			545
Total assets	$ 4,840	$ 29,909	$	$ 34,749
Liabilities:				
Contingent consideration	$	$	$ 1,584	$ 1,584
Total liabilities	$	$	$ 1,584	$ 1,584

At December 31, 2013	Level 1	Level 2	Level 3	Total
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 using 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 June 30, 2014. The contingent consideration used a discounted cash flow method with probability weighted cash flows for Endeka. The contingent consideration for AWG was paid out subsequent to June 30, 2014. 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		(358)
Balance, June 30, 2014	$	1,584

7. Accrued expenses and other liabilities

Accrued expenses and other liabilities consisted of the following:

		June 30, 2014		December 31, 2013
Revenue share	$	3,870	$	4,598
Salaries and wages		2,367		3,024
Accrued for construction-in-progress		6,261		2,717
Accrued partner network		749		736
Deferred rent		828		853
Holdback liabilities		1,600		1,875
Contingent consideration		1,584		980
Other		2,832		2,125
Total accrued expenses and other liabilities	$	20,091	$	16,908

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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.

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 $303 and $(640) reflects an effective tax rate of (3.6)% and 34.5% for the six months ended June 30, 2014 and 2013, respectively. Our effective tax rate differs from the statutory rate primarily due to our valuation allowance for the six months ended June 30, 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 six months ended June 30, 2013. At June 30, 2014, we have net deferred tax liabilities of $2,407, which include net operating loss carry-forwards. As of June 30, 2014 and December 31, 2013, we had $455 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 June 30, 2014 and December 31, 2013, we have accrued $63 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 June 30, 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 June 30, 2014, we have Letters of Credit totaling $2,857 that are scheduled to expire over the next thirteen-month period. There have been no drafts drawn under these Letters of Credit as of June 30, 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.

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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 June 30, 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.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Network operations	$	351	$	231	$	639	$	397
Development and technology		119		142		260		99
Selling and marketing		402		340		736		458
General and administrative		979		532		1,733		893
Total stock-based compensation	$	1,851	$	1,245	$	3,368	$	1,847

We capitalized $126 and $161 of stock-based compensation expense during the three and six months ended June 30, 2014, respectively.

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	(203)	$ 0.88		
Canceled/forfeited	(176)	$ 8.28		
Outstanding at June 30, 2014	4,779	$ 6.46	6.3	$ 9,567
Vested, exercisable and expected to vest at June 30, 2014	4,653	$ 6.43	6.3	$ 9,522
Exercisable at June 30, 2014	2,919	$ 5.27	5.0	$ 9,005

The significant assumptions used for newly-issued stock option grants for the six months ended June 30, 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 six months ended June 30, 2014 was $2.92.

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Restricted stock unit awards

During the six months ended June 30, 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 generally vest over a two to three year period 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 six months ended June 30, 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	1,516	$	5.96
Vested	(540)	$	6.24
Forfeited	(60)	$	5.91
Nonvested at June 30, 2014	1,669	$	5.99

During the six months ended June 30, 2014, 539,773 shares of time-based RSUs vested. The Company issued 380,526 shares and the remaining shares were withheld to pay minimum statutory federal, state, and local employment payroll taxes on those vested awards.

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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013

	(in thousands)			
Numerator:				
Net loss attributable to common stockholders, basic and diluted	$ (3,734)	$ (399)	$ (9,182)	$ (1,520)
Denominator:				
Weighted average common stock, basic and diluted	35,621	35,670	35,486	35,634
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.10)	$ (0.01)	$ (0.26)	$ (0.04)

For the three and six months ended June 30, 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 six months ended June 30, 2014. During the six months ended June 30, 2013, we repurchased and retired 155,000 shares under this program for approximately $1,056, excluding commissions paid, or an average price per share of $6.81. As of June 30, 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 staten 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.

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 1,000,000 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.

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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 June 30, 2014 and 2013, we had approximately 300,000 and 313,000 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.

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 expense (benefit), amortization of intangible assets, stock-based compensation expense, non-controlling interests and interest and other expense (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 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.

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

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(unaudited) (in thousands)			
Net loss attributable to common stockholders	$ (3,734)	$ (399)	$ (9,182)	$ (1,520)
Depreciation and amortization of property and equipment	6,531	4,734	12,315	8,867
Income tax expense (benefit)	155	(173)	303	(640)
Amortization of intangible assets	928	516	1,853	915
Stock-based compensation expense	1,851	1,245	3,368	1,847
Non-controlling interests	209	173	355	306
Interest and other expense (income), net	18	(25)	(1)	(72)
Adjusted EBITDA	$ 5,958	$ 6,071	$ 9,011	$ 9,703

Results of Operations

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

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(unaudited) (in thousands)			
Consolidated Statement of Operations Data:				
Revenue	$ 28,396	$ 26,239	$ 54,848	$ 49,373
Costs and operating expenses:				
Network access	13,247	11,035	26,172	20,705
Network operations	5,793	4,753	11,617	8,704
Development and technology	3,169	2,726	6,840	5,862
Selling and marketing	3,966	3,822	7,851	6,812
General and administrative	4,645	3,811	9,040	8,301
Amortization of intangible assets	928	516	1,853	915
Total costs and operating expenses	31,748	26,663	63,373	51,299
Loss from operations	(3,352)	(424)	(8,525)	(1,926)
Interest and other (expense) income, net	(18)	25	1	72
Loss before income taxes	(3,370)	(399)	(8,524)	(1,854)
Income tax expense (benefit)	155	(173)	303	(640)
Net loss	(3,525)	(226)	(8,827)	(1,214)
Net income attributable to non-controlling interests	209	173	355	306

Net loss attributable to common stockholders	$	(3,734)	$	(399)	$	(9,182)	$	(1,520)

Depreciation and amortization expense included in costs and operating expenses:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
	(unaudited) (in thousands)							
Network access	$	4,511	$	3,205	$	8,373	$	6,082
Network operations		1,182		1,008		2,369		1,816
Development and technology		782		472		1,479		888
General and administrative		56		49		94		81
Total (1)	$	6,531	$	4,734	$	12,315	$	8,867

(1) The $1.8 million and $3.4 million increase in depreciation and amortization expense of property and equipment for the three and six months ended June 30, 2014 compared to the three and six months ended June 30, 2013, respectively, is primarily due to increased depreciation and amortization expense from our increased fixed assets from our DAS build-out projects, Wi-Fi networks, and software development in 2013 and 2014.

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Stock-based compensation expense included in costs and operating expenses:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(unaudited) (in thousands)			
Network operations	$ 351	$ 231	$ 639	$ 397
Development and technology	119	142	260	99
Selling and marketing	402	340	736	458
General and administrative	979	532	1,733	893
Total (2)	$ 1,851	$ 1,245	$ 3,368	$ 1,847

(2) The $0.6 million increase in stock-based compensation expense for the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 is due primarily to $0.7 million of additional stock-based compensation expense related to the stock options and restricted stock units (RSU) issued in 2013 and 2014, which was partially offset by $0.1 million of additional reductions recorded in 2013 for employees who left the Company during 2013.

The $1.5 million increase in stock-based compensation expense for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 is due primarily to $2.0 million of additional stock-based compensation expense related to the stock options and restricted stock units (RSU) issued in 2013 and 2014, which was partially offset by $0.5 million of additional 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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(unaudited) (as a percentage of revenue)			
Consolidated Statement of Operations Data:				
Revenue	100.0%	100.0%	100.0%	100.0%
Costs and operating expenses:				
Network access	46.7	42.1	47.7	41.9
Network operations	20.4	18.1	21.2	17.6
Development and technology	11.2	10.4	12.5	11.9
Selling and marketing	14.0	14.6	14.3	13.8
General and administrative	16.4	14.5	16.5	16.8
Amortization of intangible assets	3.3	2.0	3.4	1.9
Total costs and operating expenses	111.8	101.6	115.5	103.9
Loss from operations	(11.8)	(1.6)	(15.5)	(3.9)
Interest and other (expense) income, net	(0.1)	0.1	0.0	0.1
Loss before income taxes	(11.9)	(1.5)	(15.5)	(3.8)

Income tax expense (benefit)	0.5	(0.7)	0.6	(1.3)
Net loss	(12.4)	(0.9)	(16.1)	(2.5)
Net income attributable to non-controlling interests	0.7	0.7	0.6	0.6
Net loss attributable to common stockholders	(13.1)%	(1.5)%	(16.7)%	(3.1)%

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Three Months ended June 30, 2014 and 2013

Revenue

	Three Months Ended June 30, 2014	2013	Change	% Change
	(unaudited) (in thousands, except churn data and percentages)			
Revenue:				
Wholesale	$ 12,872	$ 12,339	$ 533	4.3%
Retail subscription	8,161	8,731	(570)	(6.5)%
Retail single-use	2,830	2,830		0.0%
Advertising and other	4,533	2,339	2,194	93.8%
Total revenue	$ 28,396	$ 26,239	$ 2,157	8.2%
Key business metrics:				
Subscribers	300	313	(13)	(4.2)%
Monthly churn	10.9%	10.2%	0.7%	6.9%
Connects	20,286	11,230	9,056	80.6%
DAS nodes	7.6	5.6	2.0	35.7%

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.

Total revenue. Total revenue increased $2.2 million or 8.2%, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013.

Wholesale. Wholesale revenue increased $0.5 million, or 4.3%, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, due to a $1.7 million increase in revenues related to new DAS build-out projects in our managed and operated locations and a $0.5 million increase in DAS access fees from our telecom operators. The increase was partially offset by a $1.8 million decrease in partner usage-based fees.

Retail subscription. Retail subscription revenue decreased $0.6 million, or 6.5%, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013. The decrease is primarily due a decrease in our average monthly subscribers and a 2.3% decrease in our average monthly revenue per subscriber for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013.

Retail single-use. Retail single-use revenue was unchanged for the three months ended June 30, 2014, as compared to the three months ended June 30, 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.

Advertising and other. Advertising and other revenue increased $2.2 million, or 93.8%, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013 due to a $2.2 million increase in advertising sales at our managed and operated locations, which includes $1.8 million of advertising sales at the venues acquired from AWG in October 2013.

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Costs and Operating Expenses

	Three Months Ended June 30, 2014	2013	Change	% Change
	(unaudited) (in thousands, except percentages)			
Costs and operating expenses:				
Network access	$ 13,247	$ 11,035	$ 2,212	20.0%
Network operations	5,793	4,753	1,040	21.9%
Development and technology	3,169	2,726	443	16.3%
Selling and marketing	3,966	3,822	144	3.8%
General and administrative	4,645	3,811	834	21.9%
Amortization of intangible assets	928	516	412	79.8%
Total costs and operating expenses	$ 31,748	$ 26,663	$ 5,085	19.1%

Network access. Network access costs increased $2.2 million, or 20.0%, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013. The increase is primarily due to a $1.3 million increase in depreciation expense, a $1.2 million increase in revenue share paid to venues in our managed and operated locations resulting from our increased sales, and a $0.6 million increase in bandwidth and other direct costs. The increases were partially offset by a $0.9 million decrease from customer usage at partner venues.

Network operations. Network operations expenses increased $1.0 million, or 21.9%, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, due to a $0.8 million increase in personnel related expenses primarily resulting from increased headcount and a $0.2 million increase in depreciation expense.

Development and technology. Development and technology expenses increased $0.4 million, or 16.3% for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, due primarily to a $0.3 million increase in depreciation expense and a $0.3 million increase in hardware and software maintenance expenses. The increases were partially offset by a $0.4 million decrease in personnel related expenses.

Selling and marketing. Selling and marketing expenses increased $0.1 million, or 3.8%, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, due primarily to a $0.5 million increase in personnel related expenses primarily resulting from increased headcount. The increase was partially offset by a $0.3 million decrease in marketing related expenses.

General and administrative. General and administrative expenses increased $0.8 million, or 21.9%, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, due to a $0.5 million increase in personnel related expenses, inclusive of a $0.4 million increase in stock-based compensation expenses, and a $0.2 million increase in professional fees.

Amortization of intangible assets. Amortization of intangible assets expense increased $0.4 million, or 79.8%, for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013, due to our acquisition of AWG in October 2013.

Interest and Other (Expense) Income, Net

Interest and other (expense) income, net, remained essentially unchanged for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013.

Income Tax Expense (Benefit)

We had income tax expense of $0.2 million for the three months ended June 30, 2014 compared to income tax benefit of $0.2 million for the three months ended June 30, 2013. Our effective tax rate decreased to (4.6)% for the three months ended June 30, 2014 compared to 43.4% for the three months ended June 30, 2013 due primarily to the valuation allowance we established at year-end in 2013.

Non-controlling Interests

Non-controlling interests remained essentially unchanged for the three months ended June 30, 2014, as compared to the three months ended June 30, 2013.

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Net Loss Attributable to Common Stockholders

Our net loss for the three months ended June 30, 2014 increased as compared to the three months ended June 30, 2013, primarily as a result of the $5.1 million increase in costs and operating expenses and the $0.3 million decrease in income tax benefits, which was partially offset by the $2.2 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 $6.0 million for the three months ended June 30, 2014, down 1.9% from the $6.1 million recorded in the three months ended June 30, 2013. As a percent of revenue, Adjusted EBITDA was 21.0% for the three months ended June 30, 2014, down from 23.1% of revenue for the three months ended June 30, 2013. The Adjusted EBITDA decrease was due primarily to the $3.3 million increase in our net loss attributable to common stockholders for the three months ended June 30, 2014 compared to the three months ended June 30, 2013. The decrease was partially offset by a $2.2 million increase in depreciation and amortization expense, a $0.6 million increase in stock-based compensation expenses, and a $0.3 million decrease in income tax benefits.

Six Months ended June 30, 2014 and 2013

Revenue

	Six Months Ended June 30,			
	2014	2013	Change	% Change
	(unaudited) (in thousands, except churn data)			
Revenue:				
Wholesale	$ 23,995	$ 23,894	$ 101	0.4%
Retail subscription	16,455	16,798	(343)	(2.0)%
Retail single-use	5,366	5,416	(50)	(0.9)%
Advertising and other	9,032	3,265	5,767	176.6%
Total revenue	$ 54,848	$ 49,373	$ 5,475	11.1%
Key business metrics:				
Subscribers	300	313	(13)	(4.2)%
Monthly churn	11.6%	10.0%	1.6%	16.0%
Connects	37,793	17,496	20,297	116.0%
DAS nodes	7.6	5.6	2.0	35.7%

Total revenue. Total revenue increased $5.5 million or 11.1%, for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013.

Wholesale. Wholesale revenue increased $0.1 million, or 0.4%, for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, due to a $2.9 million increase in revenues related to new DAS build-out projects in our managed and operated locations, a $0.6 million increase in DAS access fees from our telecom operators, and a $0.2 million increase in our wholesale service provider revenues. The increases were primarily offset by a $3.6 million decrease in partner usage-based fees.

Retail subscription. Retail subscription revenue decreased $0.3 million, or 2.0%, for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013. The decrease is primarily due to a 1.1% decrease in our average monthly revenue per subscriber for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013.

Retail single-use. Retail single-use revenue remained essentially unchanged for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013. Retail single-use revenue includes $1.3 million of revenues related to the venues acquired from AWG in October 2013.

Advertising and other. Advertising and other revenue increased $5.8 million, or 176.6%, for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013 due primarily to a $6.0 million increase in advertising sales at our managed and operated locations, which includes $3.5 million of advertising sales at the venues acquired from AWG in October 2013.

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Costs and Operating Expenses

	Six Months Ended June 30, 2014	2013	Change	% Change
	(unaudited) (in thousands, except percentages)			
Costs and operating expenses:				
Network access	$ 26,172	$ 20,705	$ 5,467	26.4%
Network operations	11,617	8,704	2,913	33.5%
Development and technology	6,840	5,862	978	16.7%
Selling and marketing	7,851	6,812	1,039	15.3%
General and administrative	9,040	8,301	739	8.9%
Amortization of intangible assets	1,853	915	938	102.5%
Total costs and operating expenses	$ 63,373	$ 51,299	$ 12,074	23.5%

Network access. Network access costs increased $5.5 million, or 26.4%, for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013. The increase is primarily due to a $3.3 million increase in revenue share paid to venues in our managed and operated locations resulting from our increased sales, a $2.3 million increase in depreciation expense, and a $1.2 million increase in bandwidth and other direct costs. The increases were partially offset by a $1.2 million decrease from customer usage at partner venues.

Network operations. Network operations expenses increased $2.9 million, or 33.5%, for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, due to a $1.9 million increase in personnel related expenses primarily resulting from increased headcount, a $0.6 million increase in depreciation expense, and a $0.4 million increase in other operating expenses.

Development and technology. Development and technology expenses increased $1.0 million, or 16.7% for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, due primarily to a $0.6 million increase in depreciation expense, a $0.5 million increase in hardware and software maintenance expenses, and a $0.2 million increase in technology service expenses. The increases were partially offset by a $0.3 million decrease in personnel related expenses.

Selling and marketing. Selling and marketing expenses increased $1.0 million, or 15.3%, for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, due primarily to a $1.4 million increase in personnel related expenses primarily resulting from increased headcount. The increase was partially offset by a $0.4 million decrease in marketing related expenses.

General and administrative. General and administrative expenses increased $0.7 million, or 8.9%, for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, due primarily to a $1.2 million increase in personnel related expenses, inclusive of a $0.8 million increase in stock-based compensation expenses. The increases were partially offset by a $0.4 million decrease in other expenses.

Amortization of intangible assets. Amortization of intangible assets expense increased $0.9 million, or 102.5%, for the six months ended June 30, 2014, as compared to the six months ended June 30, 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 six months ended June 30, 2014, as compared to the six months ended June 30, 2013.

Income Tax Expense (Benefit)

We had income tax expense of $0.3 million for the six months ended June 30, 2014 compared to income tax benefit of $0.6 million for the six months ended June 30, 2013. Our effective tax rate decreased to (3.6)% for the six months ended June 30, 2014 compared to 34.5% for the six months ended June 30, 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 six months ended June 30, 2014, as compared to the six months ended June 30, 2013.

Net Loss Attributable to Common Stockholders

Our net loss for the six months ended June 30, 2014 increased as compared to the six months ended June 30, 2013, primarily as a result of the $12.1 million increase in costs and operating expenses and the $0.9 million decrease in income tax benefits, which was partially offset by the $5.5 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 $9.0 million for the six months ended June 30, 2014, down 7.1% from the $9.7 million recorded in the six months ended June 30, 2013. As a percent of revenue, Adjusted EBITDA was 16.4% for the six months ended June 30, 2014, down from 19.7% of revenue for the six months ended June 30, 2013. The Adjusted EBITDA decrease was due primarily to the $7.7 million increase in our net loss attributable to common stockholders for the six months ended June 30, 2014 compared to the six months ended June 30, 2013. The decrease was partially offset by a $4.4 million increase in depreciation and amortization expense, a $1.5 million increase in stock-based compensation expenses, and a $0.9 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 June 30, 2014 consisted of $8.0 million of cash and cash equivalents and $29.9 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 six months ended June 30, 2014 were $35.9 million, of which $22.5 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 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 $17 million to $27 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 seek additional equity or debt financing to fund our capital requirements and any potential acquisitions. Additional funds may not be available on terms favorable to us, or at all.

The following table sets forth cash flow data for the six months ended June 30:

	2014	2013
	(unaudited) (in thousands)	
Net cash provided by operating activities	$ 15,508	$ 9,265
Net cash used in investing activities	(32,833)	(14,962)
Net cash used in financing activities	(2,059)	(4,349)

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Net Cash Provided by Operating Activities

For the six months ended June 30, 2014, we generated $15.5 million of net cash from operating activities, an increase of $6.2 million from the prior year comparative period. The increase is primarily due to a $5.0 million change in our operating assets and liabilities, net of effect of acquisition, a $4.4 million increase in depreciation and amortization expenses, a $3.1 million decrease in excess windfall tax benefits from stock option exercises, a $1.5 million increase in stock-based compensation expenses, and a $0.2 million increase in our net deferred tax liabilities. The increases were partially offset by the $7.6 million increase in our net loss and the $0.4 million change in fair value for our contingent consideration liabilities.

Net Cash Used in Investing Activities

For the six months ended June 30, 2014, we used $32.8 million in investing activities, an increase of $17.9 million from the prior year comparative period. This increase is primarily due to a $23.7 million increase in purchases of property and equipment. The increase was partially offset by the $4.9 million of cash used for the acquisition of Endeka during the six months ended June 30, 2013 and a $0.9 million increase in cash provided by net proceeds from sales of marketable securities.

Net Cash Used in Financing Activities

For the six months ended June 30, 2014, we used $2.1 million in financing activities, a decrease of $2.3 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 and $1.1 million of cash used for the repurchase of stock during the six months ended June 30, 2013. The decreases were partially offset by the $3.1 million decrease in excess windfall tax benefits from stock option exercises, $1.0 million in cash used to pay minimum statutory taxes related to our time-based RSUs that vested during the six months ended June 30, 2014, $0.3 million in cash used to pay holdback liabilities related to the Endeka acquisition during the six months ended June 30, 2014, a $0.3 million increase in cash used for capital leases and notes payable, and a $0.1 million decrease in proceeds from exercise of stock options.

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

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

Information regarding recent accounting pronouncements is contained in Note 2 Summary of Significant Accounting Policies to the accompanying Condensed Consolidated Financial Statements included in Part I, Item 1, which is incorporated herein by this reference.

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 June 30, 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 (expense) 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 June 30, 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 June 30, 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	Incorporated by Reference Form	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 June 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2014 and December 31, 2013 for Boingo Wireless, Inc.; (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2014 and 2013 for Boingo Wireless, Inc.; (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 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: August 11, 2014	By:	/s/ DAVID HAGAN David Hagan Chief Executive Officer
	BOINGO WIRELESS, INC.	
Date: August 11, 2014	By:	/s/ PETER HOVENIER Peter Hovenier Chief Financial Officer (Principal Accounting Officer)