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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

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

For the transition period from _____ to _____

000-50327
(Commission File Number)

iPass Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

93-1214598
(I.R.S. Employer
Identification No.)

3800 Bridge Parkway
Redwood Shores, California 94065
(Address of principal executive offices, including zip code)

(650) 232-4100
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months or for such shorter period that the registrant was required to submit such files. Yes No

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

Large Accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 139a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant's Common Stock, \$0.001 par value, as of November 1, 2018 was 7,957,988.

IPASS INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED September 30, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

IPASS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,912	\$ 5,159
Accounts receivable, net of allowance for doubtful accounts of \$63 and \$151, respectively	7,944	8,717
Prepaid expenses	1,032	1,641
Other current assets	417	712
Total current assets	14,305	16,229
Property and equipment, net	1,009	1,334
Other assets	859	840
Total assets	\$ 16,173	\$ 18,403
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 8,145	\$ 9,044
Accrued liabilities	3,708	3,734
Deferred revenue, short-term	3,541	3,723
Total current liabilities	15,394	16,501
Debt, long-term	7,098	—
Deferred revenue, long-term	25	102
Other long-term liabilities	1,194	1,009
Total liabilities	23,711	17,612
Stockholders' equity (deficit):		
Common stock	82	71
Additional paid-in capital	232,144	226,490
Accumulated deficit	(239,764)	(225,770)
Total stockholders' equity (deficit)	(7,538)	791
Total liabilities and stockholders' equity (deficit)	\$ 16,173	\$ 18,403

See Accompanying Notes to Condensed Consolidated Financial Statements

IPASS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(Unaudited; in thousands, except shares and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 9,275	\$ 13,399	\$ 31,237	\$ 41,159
Cost of revenue and operating expenses:				
Network access costs	5,720	10,312	18,903	29,469
Network operations	1,294	1,629	4,057	4,835
Research and development	1,825	1,948	5,745	6,059
Sales and marketing	2,760	2,520	7,668	7,588
General and administrative	2,426	3,427	7,995	8,746
Total cost of revenue and operating expenses	14,025	19,836	44,368	56,697
Operating loss	(4,750)	(6,437)	(13,131)	(15,538)
Other income (expense):				
Interest income (expense), net	(572)	8	(608)	36
Foreign exchange loss	(87)	(173)	(80)	(351)
Change in fair value of derivative	(179)	—	(179)	—
Total other income (expense)	(838)	(165)	(867)	(315)
Loss before provision for income taxes	(5,588)	(6,602)	(13,998)	(15,853)
Provision for income taxes	44	56	170	389
Net loss	\$ (5,632)	\$ (6,658)	\$ (14,168)	\$ (16,242)
Comprehensive loss	\$ (5,632)	\$ (6,658)	\$ (14,168)	\$ (16,242)
Net loss per share - basic and diluted ⁽¹⁾	\$ (0.71)	\$ (1.01)	\$ (1.90)	\$ (2.47)
Weighted average shares outstanding - basic and diluted ⁽¹⁾	7,927,663	6,587,841	7,458,098	6,568,324

See Accompanying Notes to the Condensed Consolidated Financial Statements

(1) All per share amounts and shares of the Company's common stock issued and outstanding for all periods have been retroactively adjusted to reflect the one-for-ten reverse stock split which became effective August 23, 2018.

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IPASS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$ (14,168)	\$ (16,242)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	969	1,041
Depreciation and amortization	502	1,144
Provision for doubtful accounts	30	146
Amortization of debt discount	254	—
Change in fair value of derivative	179	—
Changes in operating assets and liabilities:		
Accounts receivable	743	2,639
Prepaid expenses and other current assets	1,059	(160)
Other assets	94	(20)
Accounts payable	(899)	3,033
Accrued liabilities	(26)	(362)
Deferred revenue	(338)	343
Other liabilities	(679)	(104)
Net cash used in operating activities	(12,280)	(8,542)
Cash flows from investing activities:		
Purchases of property and equipment	(192)	(737)
Net cash used in investing activities	(192)	(737)
Cash flows from financing activities:		
Proceeds from debt financing	10,000	—
Issuance cost of debt financing	(1,628)	—
Net proceeds from issuance of common stock	—	264
Proceeds from common stock purchase agreement	3,891	—
Issuance cost of common stock purchase agreement	(38)	—
Net cash provided by financing activities	12,225	264
Net decrease in cash and cash equivalents	(247)	(9,015)
Cash and cash equivalents at beginning of period	5,159	16,072
Cash and cash equivalents at end of period	\$ 4,912	\$ 7,057
Supplemental Cash Flow Disclosure:		
Net cash paid for taxes	\$ 130	\$ 180
Net cash paid for interest	\$ 385	\$ 2
Supplemental Non-cash Disclosure:		
Fair value of warrants issued in connection with debt financing	\$ 843	\$ —

Fair value of derivative liability in connection with debt financing	\$	864	\$	—
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See Accompanying Notes to Condensed Consolidated Financial Statements

IPASS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of iPass Inc., its wholly owned subsidiaries, and the variable interest entity discussed in detail in Note 6 (all together "iPass" and the "Company"). The condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The interim financial information is unaudited but reflects all normal adjustments that are, in the opinion of management, necessary to provide a fair presentation for the interim periods presented. The condensed consolidated financial statements as of and for the year ended December 31, 2017, were derived from audited financial statements. This interim financial information should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The results of operations for the nine months ended September 30, 2018, are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and judgments that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results that the Company experiences may differ materially from those estimates. Estimates are used for, but not limited to, the valuation of accounts receivables, other long-lived assets, deferred commissions, derivative liabilities, warrants, recognition of revenue and deferred revenue, network access costs, stock-based compensation, legal contingencies, and income taxes.

The Company reports total comprehensive net loss in a single continuous financial statement within its condensed consolidated statements of operations and comprehensive loss. The Company's comprehensive net loss is equivalent to its total net loss because the Company does not have any transactions that are recorded through other comprehensive loss.

Reverse Stock Split

On August 21, 2018, the Company filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation of iPass Inc. (the "Amendment") to effect a one-for-ten reverse stock split of its outstanding common stock, effective as of August 23, 2018. A series of alternate amendments to effect a reverse stock split were approved by the Company's stockholders at its Annual Meeting of Stockholders held on June 13, 2018, and the specific one-for-ten ratio was subsequently approved by the board of directors on August 16, 2018. All share and per-share data in our unaudited condensed consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect this reverse stock split.

Going Concern

The Company has historically relied on existing cash and cash equivalents, sales of equity and debt financing for its liquidity needs. As of September 30, 2018, the Company had \$4.9 million in cash and cash equivalents.

In November 2017, the Company entered into a Common Stock Purchase Agreement ("CSPA") with Aspire Capital Fund, LLC, ("Aspire Capital"). The agreement allowed the Company to sell up to \$10.0 million worth of common stock to Aspire Capital over a 24 month period. Upon execution of the agreement on November 16, 2017, Aspire Capital purchased from the Company 186,769 shares of common stock for a total purchase price of \$1.0 million. In addition, the Company issued 84,046 commitment shares to Aspire Capital. Beyond the initial purchase, the Company, at its discretion, had the right to direct Aspire Capital to purchase additional shares up to a daily maximum of 20,000 shares. The Company and Aspire Capital could mutually agree to increase the daily maximum in any given business day. However, the total number of shares issued to Aspire Capital could not exceed 1,334,175, which represented 19.99% of the Company's total outstanding shares of common stock at the signing of the CSPA. On June 8, 2018, the Company issued 199,179 shares to Aspire Capital, bringing the cumulative total issued to 1,334,175 shares for a gross amount of \$5.1 million. The Company cannot currently sell any additional shares under the current agreement.

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In June 2018, the Company executed a credit agreement with Fortress Credit Corp ("Fortress") to borrow \$10.0 million with an option to borrow up to an additional \$10.0 million, subject to the discretion of Fortress. See Note 6 for further details.

The accompanying condensed consolidated financial statements were prepared on a going concern basis in accordance with GAAP. The going concern basis assumes that the Company will continue operations for the next twelve months from the date the condensed consolidated financial statements are issued and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's history of losses, limited liquidity, and other factors raise substantial doubt about the Company's ability to continue as a going concern. The Company may require additional financing, through either debt or equity arrangements. Equity and debt financing, however, might not be available when needed or, if available, might not be available on terms satisfactory to the Company. If the Company raises additional funds through equity financing, stockholders will experience dilution. Debt financing, if available, may involve covenants restricting operations or the Company's ability to incur additional debt. If the Company is unable to execute its business plan or obtain adequate financing and satisfactory financing terms, its ability to continue to support business growth and to respond to business challenges would be significantly limited as the Company will have to delay, reduce the scope of or eliminate some or all of its initiatives, or reduce expenses which would harm operating results. The condensed consolidated financial statements do not include any adjustments to reflect the possible future effects that may result from the Company's inability to continue as a going concern.

Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement - Disclosure Framework (Topic 820)*. The updated guidance improves the disclosure requirements on fair value measurements. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The Company is currently assessing the timing and impact of adopting the updated provisions to its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 impacts any entity that enters a lease with some specified scope exceptions. The guidance updates and supersedes Topic 840, *Leases*. For public entities, ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. For leases longer than twelve months, the Company may be required to recognize a right-of-use ("ROU") asset and a lease liability. The Company is still evaluating the effect ASU 2016-02 will have on the Company's consolidated financial statements and related disclosures but believes it will be required to record a lease liability and corresponding ROU asset.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers ("Topic 606")*. Topic 606 supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and requires entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligations, determination of the transaction price, allocation of the transaction price to the performance obligations and recognition of revenue as the entity satisfies the performance obligations.

On January 1, 2018, the Company adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC Topic 605.

The Company recorded a net decrease to opening accumulated deficit of \$0.2 million as of January 1, 2018, due to the cumulative impact of adopting Topic 606. The impact primarily related to the capitalization of costs to obtain customer contracts of \$0.3 million, specifically commissions, offset by \$0.1 million from the deferral of revenue from certain arrangements. There was no impact to other items on the condensed consolidated balance sheets. The adoption of Topic 606 had a less than \$0.1 million impact on the Company's condensed consolidated statements of operations and comprehensive loss and to each of the line items therein.

The costs associated with obtaining a customer contract were previously expensed in the period they were incurred. Under Topic 606, these payments have been deferred on our condensed consolidated balance sheets as other current assets and other assets and amortized over the expected life of the customer contract.

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Previously, the revenue from certain arrangements was recognized on a straight-line basis on an estimated period of time it was expected end users would activate the service to begin their twelve month trial period. Under Topic 606, the Company will recognize revenue in proportion to end user activation of the twelve month trial period based on expected or historical experience.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The majority of the Company's revenue is derived from monthly recurring arrangements that provide the Company's customers access to the Company's Wi-Fi network footprint. Other sources of revenue include professional services, iPass Network Intelligence big data analytics, software license and support. The Company applies the following five steps to recognize revenue:

- 1. Identify the contract with a customer:** The terms and conditions of the Company's contracts are considered to identify contracts under Topic 606. The Company identifies a contract with a customer once the contract is approved, details each party's rights regarding the services to be transferred, specifies the payment terms for the services, the Company has determined the customer has the ability and intent to pay, and the contract has commercial substance. Typically, the terms of contracts with customers is twelve months. Payment terms less than 90 days are not considered a significant financing component.
- 2. Identify the performance obligations in the contract:** Performance obligations in contracts are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. The most significant performance obligations identified by the Company consist of 1) access to the Company's Wi-Fi network footprint via the iPass SmartConnect™ application (which forms a monthly series of performance obligations together with technical support and unspecified upgrades), 2) professional services, 3) iPass Network Intelligence big data analytics 4) software licenses and 5) support. As the Company's product offerings continue to evolve, the Company could identify further performance obligations based on the terms of the contract.
- 3. Determine the transaction price:** The transaction price is based on the consideration to which the Company expects to be entitled in exchange for transferring services to the customer. The Company concludes that because fees are consistently priced throughout the contract on a monthly basis, there is no need to allocate potential variable consideration. None of the Company's contracts contain a significant financing component. In certain situations the transaction price is constrained to avoid the risk of a potential material revenue reversal.
- 4. Allocate the transaction price to performance obligations in the contract:** If the contract contains a single performance obligation, the entire transaction price is allocated to that performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price ("SSP").
- 5. Recognize revenue when the performance obligation is satisfied:** Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised services to a customer. The Company recognizes revenue when the Company transfers control of the services to the customers for an amount that reflects the consideration that the Company expects to receive in exchange for those services. Typically, access to the Company's Wi-Fi network footprint and the Company providing support services is recognized over time, such as over a month or quarter, and at a point in time for when professional services, iPass Network Intelligence big data analytics, or software license obligations are satisfied.

For the nine months ended September 30, 2018 and 2017, the Company recognized \$3.2 million and \$2.4 million from amounts included in the deferred revenue beginning balance, respectively.

Costs to Obtain a Customer Contract

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The Company capitalizes sales commissions that are incremental to the acquisition of contracts with customers. These costs are recorded as other current assets and other assets on our condensed consolidated balance sheets. The Company determines whether costs should be deferred based on sales compensation plans and agreements when the costs are in fact incremental and would not have occurred absent the customer contract. The deferred commission amounts are deemed recoverable through future revenue streams and positive margins. Deferred commissions are amortized on a straight-line basis over the expected customer contract life and included in sales and marketing expense in the condensed consolidated statements of operations and comprehensive loss. As of September 30, 2018, the estimated customer contract life is deemed to approximate three years.

The Company periodically reviews these deferred costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred sales commissions. There were no material impairment losses for deferred sales commissions through September 30, 2018.

Note 2. Financial Instruments and Fair Value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers assumptions that market participants would use when pricing the asset or liability.

Fair Value Hierarchy

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value measurements of these financial assets (excluding cash) and liabilities and the related hierarchy level for the fair value measurement at September 30, 2018, and December 31, 2017 are as follows:

	As of September 30, 2018				As of December 31, 2017			
	Fair Value Measured Using			Total Balance	Fair Value Measured Using			Total Balance
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
(In thousands)								
Financial assets								
Money market funds ⁽¹⁾	\$ 4,622	\$ —	\$ —	\$ 4,622	\$ 4,175	\$ —	\$ —	\$ 4,175
Total financial assets	\$ 4,622	\$ —	\$ —	\$ 4,622	\$ 4,175	\$ —	\$ —	\$ 4,175
Financial liabilities								
Derivative liability ⁽²⁾	\$ —	\$ —	\$ 864	\$ 864	\$ —	\$ —	\$ —	\$ —
Total financial liabilities	\$ —	\$ —	\$ 864	\$ 864	\$ —	\$ —	\$ —	\$ —

(1) Held in cash and cash equivalents on the Company's condensed consolidated balance sheets.

(2) Recorded in other long-term liabilities on the Company's condensed consolidated balance sheets.

There were no transfers between Levels 1, 2, and 3 from December 31, 2017 through September 30, 2018. As of September 30, 2018 and December 31, 2017, the carrying amounts of accounts receivable, accounts payable, and accrued liabilities approximated fair value due to their short maturities.

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

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	Derivative Liability
Balance at December 31, 2017	\$ —
Initial fair value of derivative liability at June 30, 2018	685
Change in fair value at September 30, 2018	179
Balance at September 30, 2018	<u>\$ 864</u>

Note 3. Property and Equipment, net

Property and equipment, net, consisted of the following:

	September 30, 2018	December 31, 2017
	(In thousands)	
Equipment	\$ 10,884	\$ 10,698
Furniture and fixtures	246	246
Computer software	10,727	10,723
Construction in progress	—	36
Leasehold improvements	483	483
	<u>22,340</u>	<u>22,186</u>
Less: Accumulated depreciation and amortization	<u>(21,331)</u>	<u>(20,852)</u>
Property and equipment, net	<u>\$ 1,009</u>	<u>\$ 1,334</u>

Depreciation expense was approximately \$0.2 million and \$0.5 million for the three and nine months ended September 30, 2018, respectively, compared to approximately \$0.3 million and \$1.1 million for the three and nine months ended September 30, 2017, respectively.

During the three months ended September 30, 2018, the Company did not retire any property and equipment. During the nine months ended September 30, 2018, the Company retired less than \$0.1 million gross property and equipment. During the three and nine months ended September 30, 2017, the Company retired less than \$0.1 million in gross property and equipment.

Note 4. Other Assets

Other assets (non-current) consisted of the following:

	September 30, 2018	December 31, 2017
	(In thousands)	
Deposits	\$ 479	\$ 503
Long-term deferred tax asset, net	209	209
Long-term tax receivable	128	128
Deferred commissions, long-term	43	—
	<u>\$ 859</u>	<u>\$ 840</u>

[Table of Contents](#)**Note 5. Accrued Liabilities and Other Long-term Liabilities**

Accrued liabilities consisted of the following:

	September 30, 2018	December 31, 2017
	(In thousands)	
Accrued tax liabilities	\$ 862	\$ 886
Accrued bonus, commissions and other employee benefits	499	522
Amounts due to customers	820	962
Legal fee accruals	434	492
Sales tax liability	284	—
Other accrued liabilities	809	872
	<u>\$ 3,708</u>	<u>\$ 3,734</u>

Other long-term liabilities consisted of the following:

	September 30, 2018	December 31, 2017
	(In thousands)	
Other long-term liabilities	\$ 330	\$ 1,009
Derivative liability	864	—
	<u>\$ 1,194</u>	<u>\$ 1,009</u>

Note 6. Debt

On June 14, 2018, the Company entered into a loan and security agreement and related transaction documents (together forming the "Credit Agreement") with Fortress for an initial term loan of \$10.0 million. From June 14, 2018 through September 14, 2019, the Company may request an additional draw down in \$1.0 million increments not to exceed \$10.0 million in total (the "Delayed Draw Term Loan"). Each Delayed Draw Term Loan is made at Fortress's sole discretion.

The Credit Agreement bears an annual interest at a stated rate of 11.0% plus the greater of the following i) LIBO Rate or ii) 1.0%, with an effective interest rate of 38% after factoring in the issuance costs, debt discount from end of term fee, warrants, and embedded derivative liability. If the non-cash expenses associated with the warrants and the derivative liability are excluded, the adjusted effective interest rate is 22%. Payments are due at the beginning of each month and the first 18 payments are interest-only. The Company may elect that up to 5.5% of interest to be paid in-kind by capitalizing and adding such interest to the unpaid principal amount. Starting in December 2019, the Company shall make thirty monthly principal payments, plus any accrued and unpaid interest, to fully payoff the Credit Agreement. At the end of the term the Company will pay a fee equal to 5.0% of the principal amount.

The Company may prepay the Credit Agreement in whole or in part but any prepayment made before the first anniversary of the Credit Agreement is subject to a 5.0% fee of the principal balance being prepaid. Prepayments made between the first and second anniversary of the Credit Agreement are subject to a 2.0% fee, and prepayments made between the second and third anniversary are subject to a 1.0% fee.

The Company's obligations under the Credit Agreement are secured by a first-priority security interest in all of the assets of the Company, including the Company's intellectual property assets ("IP"). The Credit Agreement calls for the creation of a special-purpose entity ("SPE") to hold the Company's IP. The Company owns 99.8% of the entity and Fortress owns the remaining 0.2%. The Company holds voting control and manages the day-to-day activities of the SPE with Fortress granted certain protective rights to provide it assurance over the collateral and Fortress's interest. The transfer of IP to the SPE has no material impact on the Company or its operations as it can continue to license and engage in revenue generating activities. The Company considered the guidance under ASC 810, *Consolidation*, and concludes the SPE is a variable interest entity ("VIE"). Because the Company has power over the VIE and its activities and has the economic risk and rewards related to the VIE, the Company is considered to be the primary beneficiary of the VIE, and it is consolidated within the Company's financial statements. Because the book value of the IP is zero, there is no accounting impact and any potential non-controlling interest is considered immaterial.

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The Credit Agreement contains certain events of default that, if triggered, grants Fortress the unilateral right to manage any potential disposition of the IP owned by the SPE. All of the proceeds are allocated to Fortress until the outstanding loan principal is fully covered and then the remaining proceeds are allocated between Fortress and the Company based on terms stipulated in the Credit Agreement. Until such event of default happens, control over the operations of the SPE remains with the Company. At the time of potential default, the VIE conclusion would be reconsidered and could change from the Company being the primary beneficiary.

The Credit Agreement contains customary representations, warranties and indemnification provisions. The Credit Agreement also contains affirmative and negative covenants with respect to operations of the business and properties of the Company as well as financial performance, including requirements to maintain a minimum of \$1.5 million of unrestricted cash; limits on network access cost, operating expenses and gross revenue levels on a trailing four-quarter basis to be within a stated percentage of budgeted amounts; changes in senior management not otherwise approved by Fortress; limits on undisputed trade payables to 90 days or less; prohibitions on incurring additional indebtedness or making guarantees, making investments, loans and acquisitions; prohibitions on consolidating or merging, altering the business of the Company; requirements for a December 31, 2018 audit report without a going concern emphasis of a matter paragraph; and prohibitions on paying dividends or making distributions. The Credit Agreement further provides customary events of default and cure periods for certain specified events of default, and in the event of uncured default, the acceleration of the maturity date, an increase in the applicable interest rate with respect to amounts outstanding, and an additional fee based on the outstanding principal balance. The Company is in compliance with all required covenants and representations.

The Company analyzed Fortress's option to require full repayment and charge an additional fee based on the outstanding principal balance and concludes this to be a put option that is an embedded derivative under ASC 815, *Derivatives and Hedging*. This embedded derivative should be bifurcated and measured at fair value at each reporting period. The Company assessed the fair value of the embedded derivative using a probability assessment on the event of default. As of September 30, 2018, the fair value of the embedded derivative was deemed to be \$0.9 million, an increase of \$0.2 million from initial assessment. The change in fair value of the derivative was recorded in other expense in the consolidated statements of operations and comprehensive loss.

The Company incurred transaction costs of \$1.6 million which included fees from the Company's general counsel, financial advisers, a 3.0% structuring fee paid to Fortress, and the reimbursement to Fortress of certain expenses related to the execution of the Credit Agreement.

Concurrently with the execution of the Credit Agreement, the Company issued to entities related to Fortress 278,493 common stock warrants at a per share exercise price of \$3.022 with a seven year life (after adjusted for the reverse stock split effected on August 23, 2018). The Company considered the guidance in ASC 480, *Distinguishing Liabilities from Equity*, and ASC 815, *Derivatives and Hedging*, and concluded the warrants should be classified as equity. Factors that support this conclusion include the ability to settle in a fixed number of unregistered shares and cashless exercise. The fair value of \$0.8 million was calculated using the Black-Scholes model.

A reconciliation of the proceeds from the Credit Agreement to its carrying value is as follows:

		(In thousands)
Principal	\$	10,000
End of term fee		500
Total debt		10,500
Debt discount		(3,402)
Debt, short-term		—
Debt, long-term	\$	7,098

The debt discount is presented net of amortization and includes the following:

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	(In thousands)
Issuance Costs	\$ 1,628
Debt discount from end of term fee	500
Warrants - equity	843
Derivative - liability	685
Debt discount	3,656
Accumulated amortization	(254)
Debt discount, net of amortization	\$ 3,402

The debt discount is amortized to interest expense over the life of the loan using the effective interest method. Amortization during the quarter ended September 30, 2018 was approximately \$0.3 million.

The expected timing of principal payments are as follows as of September 30, 2018:

Year ended December 31,	(In thousands)
Remainder of 2018 (three months)	\$ —
2019	333
2020	4,000
2021	4,000
2022	2,167
Future principal payments	\$ 10,500

Note 7. Commitments and Contingencies

Lease and Purchase Commitments

The Company leases facilities under operating leases that expire at various dates through October 2020. Future minimum lease payments under these operating leases as of September 30, 2018, are as follows:

<u>Year</u>	<u>Operating Leases</u>
	(In thousands)
Remainder of 2018 (three months)	\$ 412
2019	1,216
2020	926
	\$ 2,554

The Company has contracts with certain network service and other infrastructure providers which have minimum purchase commitments that expire on various dates through December 2019. Future minimum purchase commitments under these agreements as of September 30, 2018, are as follows:

<u>Year</u>	<u>Minimum Purchase Commitments</u>
	(In thousands)
Remainder of 2018 (three months)	\$ 3,291
2019	1,672
	\$ 4,963

Unclaimed Property Compliance

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The Company has received notices from several states stating that they have appointed an agent to conduct an examination of the books and records of the Company to determine whether it has complied with state unclaimed property laws. In addition to seeking the turnover of unclaimed property subject to escheat laws, the states may seek interest, penalties, costs of examinations, and other relief. If the potential loss from any payment claim is considered probable and the amount or the range of the loss can be estimated, the Company accrues a liability for the estimated loss. While the Company is not able to estimate the possible payment, if any, it continues to work through this matter with the states and their appointed agents.

Legal Proceedings

The Company is involved in legal proceedings and claims arising in the ordinary course of business. While there can be no assurances as to the ultimate outcome of any litigation involving the Company, management does not believe any such pending legal proceeding or claim will result in a judgment or settlement that would have a material adverse effect on the Company's financial position, results of operations or cash flows.

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third-parties. Certain indemnification agreements may not be subject to maximum loss clauses. If the potential loss from any indemnification claim is considered probable and the amount or the range of the loss can be estimated, the Company accrues a liability for the estimated loss. To date, claims under such indemnification provisions have not been significant.

Note 8. Net Loss Per Share

Basic net loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding plus dilutive potential common shares as determined using the treasury stock method for outstanding stock options, restricted stock-based awards, shares issuable under the employee stock purchase plan, and warrants unless the result of adding such shares would be anti-dilutive.

The following weighted average potential shares of common stock have been excluded from the computation of diluted net loss per share because the effect of including these shares would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Options to purchase common stock	937,690	925,462	930,853	629,998
Warrants to purchase common stock	278,493	—	278,493	—
Restricted stock awards, including participating securities	32,094	20,250	19,905	21,583
Total	1,248,277	945,712	1,229,251	651,581

Note 9. Segment and Geographical Information

The Company has one reportable operating segment, Mobile Connectivity Services. The Company's cloud-based service gives the Company's customers and their users access to the Company's global Wi-Fi network and mobile connectivity solutions.

The following table presents total Company revenue by country or by geographical region:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
United States	54%	48%	51%	46%
Europe, Middle East and Africa	38%	44%	41%	44%
Asia Pacific	4%	4%	4%	6%
Rest of the World	4%	4%	4%	4%

No individual country, except for the United States, accounted for 10% or more of total revenue for the three months ended September 30, 2018. No individual country, except for the United States and Germany, accounted for 10% or

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more of total revenue for the nine months ended September 30, 2018. One customer represented 10% of total revenue for the three months ended September 30, 2018. No customers represented 10% or more of total revenue for the nine months ended September 30, 2018.

No individual country, except for the United States and Germany, accounted for 10% or more of total revenue for the three and nine months ended September 30, 2017. For those periods, revenue in Germany accounted for 16% and 15% of total revenue, respectively. One channel reseller represented 10% of total revenues for the three and nine months ended September 30, 2017.

Substantially all of the Company's long-lived assets are located in the United States.

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Note 10. Related Party Transactions

In the normal course of business, the Company entered into a service agreement with Tech Data, a related party due to a family relationship between executives of both companies which constituted a related party as defined by SEC rules. Tech Data provided services for approximately \$0.2 million and received payments of approximately \$0.2 million during the nine months ended September 30, 2018. Transactions involving related parties cannot be presumed to be carried out at arm's length.

Note 11. Subsequent Events

On November 12, 2018, the Company signed a definitive agreement to be acquired by Pareteum Corporation in an all-stock deal whereby shareholders of the Company will receive 1.17 shares of Pareteum common stock for each share of the Company's common stock.

Management has evaluated events subsequent to September 30, 2018, through the date the filing of this Form 10-Q for other transactions and events that may require adjustment of and/or disclosure in such financial statements and noted no additional significant subsequent events that require disclosure.

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

Management’s Discussion and Analysis of Financial Condition and Results of Operations (or “MD&A”) is provided in addition to the condensed consolidated financial statements and notes, included elsewhere in this report, to assist readers in understanding our results of operations, financial condition, and cash flows. The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report on Form 10-Q and with the Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017.

This MD&A is organized as follows:

Overview	Discussion of our business Description of our business and strategy
Business Portfolio and Our Strategy	
Significant Trends and Events	Operating, financial and other material trends and events that affect our company and may reflect our performance
Key Operating Metrics	Discussion of key operating metrics that we use to evaluate our operating performance
Critical Accounting Policies and Estimates	Accounting policies and estimates that we believe are most important to understanding the assumptions and judgments incorporated in our reported financial results
Results of Operations	An analysis of our financial results comparing the three and nine months ended September 30, 2018 and September 30, 2017.
Liquidity and Capital Resources	An analysis of changes in our balance sheet and cash flows, and discussion of our financial condition, potential sources of liquidity and other required disclosures

The various sections of this MD&A contain forward-looking statements regarding future events and our future results that are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expect,” “will,” “anticipate,” “intend,” “believe,” “estimate,” variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements which refer to projections of our future financial performance, our anticipated trends in our business, and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Readers are directed to risks and uncertainties identified in “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q, for factors that may cause actual results to be different from those expressed in these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and, except as required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

Investors and others should note that we announce material financial information to our investors using our investor relations website, SEC filings, press releases, public conference calls and webcasts. We also use social media to communicate with our customers and the public about our company, our products and services and other matters relating to our business and market. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on the U.S. social media channels including the iPass Twitter Feed, the iPass LinkedIn Feed, the iPass Google+ Feed, the iPass Facebook Page, the iPass Blog and the iPass Instagram account. These social media channels may be updated from time to time.

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Overview

iPass Inc. (Nasdaq: IPAS) is a leading provider of global mobile connectivity, offering simple, secure, always-on Wi-Fi access on any mobile device. Built on a software-as-a-service ("SaaS") platform, the iPass cloud-based service keeps its customers connected by providing unlimited Wi-Fi connectivity on unlimited devices. iPass is the world's largest Wi-Fi network, with more than 65 million hotspots globally, at airports, hotels, train stations, convention centers, outdoor venues, inflight on more than 20 leading airlines, and more. Using patented technology, the iPass SmartConnect™ platform takes the guesswork out of Wi-Fi, automatically connecting customers to the best hotspot for their needs. Customers simply download the iPass application ("app") to experience UNLIMITED, EVERYWHERE and INVISIBLE Wi-Fi.

Business Highlights

Strategic iPass Assets

At iPass, we believe we have a unique set of global mobile connectivity assets that provide us with competitive advantages. We see our three core assets as follows:

Our Technology Platform: Our app is an intelligent, cloud-based service manager that securely connects users and devices to our global Wi-Fi footprint. The app is built on the backbone of years of iPass' intellectual property and is developed from our own Software Development Kit ("SDK") that allows partners and customers to integrate the same technological advancements into their own applications. Benefits of the technology include:

- iPass SmartConnect™ which is evolving mobile connectivity expectations from "best efforts" to a truly intelligent always-best-connected experience, solving for problems like false positives, network outages, and low connection success rates.
- Wi-Fi data offload from cellular networks, saving mobile virtual network operators and mobile network operators bandwidth and money.
- Last-Mile VPN security to protect user data, even at free, open Wi-Fi hotspots.
- iPass Network Intelligence big data aggregation and analysis intelligence (previously branded as Veri-Fi™) to rate hotspots on critical quality of service criteria, optimize network performance attributes, and provide intelligent data to a variety of partner use cases.
- Hotspot discovery and curation to keep our network growing both organically and commercially in the places most important to our users.

Our Back-end Infrastructure: We have a global authentication fabric of integrated servers, cloud-based virtualized assets, and software that is interconnected with major commercial networks around the globe. This infrastructure allows us to provide secure, highly-available and seamless four-party global authentication, clearing and settlement of Wi-Fi users for our partners and customers. This infrastructure makes the over 65 million hotspots we aggregate look and feel like iPass hotspots; there is no need to enter personal data, watch commercials, or spend any nonproductive time logging into these locations; the platform just connects. Between our physical colocation facilities and our growing virtualization of cloud-based infrastructure assets, we have the ability to process millions of data records per day to drive the performance of our aggregated network and the evolving use cases of our big data analyses. The architecture is built on a telecom-based transaction, reporting, and clearing back-end that would be time consuming and expensive to replicate.

Our Wi-Fi Network: We have a Wi-Fi network footprint and supply chain that consists of over 65 million hotspots globally, including major airports, convention centers, planes, trains, train stations, hotels, restaurants, retail, and small business locations. In addition, with our embedded curation feature, we continue to identify and provide access to millions more free access hotspots in virtually every country in the world, providing more connectivity options for our SmartConnect users.

The combination of the above assets allows us to drive three distinct but interconnected monetization streams in the future; technology integration through our SDK, big data intelligence, and our mobile connectivity solutions.

Business Portfolio and Go-to-Market Strategy

We have a single reportable operating segment, Mobile Connectivity Services. Our cloud-based service gives our customers and their users access to our global Wi-Fi network to stay connected to the people and information that matters most to them. We categorize our services in two broad go-to-market approaches:

Enterprise (Business to Business or B2B): Representing approximately 80% of total revenue, this go-to-market strategy focuses on providing mobile connectivity solutions to enterprises, from small to large. With an

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easy-to-download app, a user on a variety of platforms (Android, iOS, Windows) can quickly access our hosted service and connect to our over 65 million Wi-Fi hotspots around the globe. While we continue to have existing customers that use our services under a variety of pay-as-you-go ("PAYG") or flat rate pricing plans (together "Other Pricing Plans"), in 2015 we introduced our UNLIMITED pricing. Under UNLIMITED, for a set price per subscriber per month, our customers have access to our entire network of hotspots without the worries of throttling usage or running up large overage expenses. Starting in the second quarter of 2018, we began selling our technology to enterprise customers under a perpetual software license. Customers can embed our technology into their own offerings, realizing the power and benefits of iPass SmartConnect.

Strategic Partnerships (Business to Business to Consumer or B2B2C): At approximately 20% of total revenue, this strategy is executed through business development deals intended to open channel distributions for our product to reach the consumer market. While the channel customer may use a combination of our platform, technology infrastructure, or network, we negotiate each deal independently based on specific customer needs. Strategic Partnerships include global Original Equipment Manufacturers ("OEMs"), loyalty programs like credit card companies, promotional and marketing agencies, software product and service providers, and communication companies. With the advent of our SDK and big data generated from iPass SmartConnect, we envision additional monetization streams in the future with our strategic partners.

For a detailed discussion regarding our business, including our strategy and our service offerings, see "Item 1. Business" included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Significant Trends and Events

The following describes significant trends and events that impacted our financial condition, results of operations, and/or the direction of our business in the period ended September 30, 2018:

Customer Churn and Commoditization of Wi-Fi

While we believe our Unlimited offering provides significant value for those seeking mobile connectivity solutions, churn of existing customers, both via termination and account write-downs has adversely impacted revenue in 2018. Our goal is to transition customers from Other Pricing Plans and PAYG models to the Unlimited model, but we have experienced customer churn in that process. With the increase in unlimited data plans from mobile network operators and increasing amount of free Wi-Fi at cafes, hotels, and airports, driving a value proposition on our technology stack is key to mitigating customer churn and the lower cost of data connectivity

Going Concern and Financing

As our capital position has deteriorated and our revenue has declined during 2018, we believe some difficulties in increasing sales are due to customer perception of our long term viability. Over the past year we have worked hard to secure the financing required to meet operational needs, further product development, and address potential customers' concerns.

On August 31, 2017, we filed a shelf registration statement on Form S-3 with the SEC to enable us to offer up to \$20.0 million of securities as described in that prospectus. On March 20, 2018, we filed a prospectus supplement that stated that, pursuant to the General Instruction I.B.6 of Form S-3, in no event will we sell shares with a value of more than one-third of the aggregate market value of our common stock held by non-affiliates in any twelve month period, so long as the aggregate market value of our common stock held by non-affiliates is less than \$75.0 million.

On November 16, 2017, we entered into a Common Stock Purchase Agreement ("CSPA") with Aspire Capital Fund, LLC ("Aspire Capital") that allowed us to sell up to \$10.0 million worth of common stock to Aspire Capital over a 24 month period. Upon execution of the CSPA, Aspire Capital purchased from us 186,769 shares of common stock for a total purchase price of \$1.0 million. iPass also issued to Aspire Capital 84,046 commitment shares. Beyond the initial purchase, we, at our discretion, had the right to direct Aspire Capital to purchase additional shares. The total number of shares available to be issued to Aspire Capital was 1,334,175 shares without stockholder approval. By the end of the second quarter 2018, iPass issued a total of 1,334,175 shares to Aspire Capital for \$5.1 million and therefore cannot sell any additional shares under the current agreement.

On June 14, 2018, we entered into a loan and security agreement ("Credit Agreement") with Fortress Credit Corp ("Fortress") for an initial term loan of \$10.0 million. From June 14, 2018 through September 14, 2019, we may request an additional draw down in \$1.0 million increments not to exceed \$10.0 million in total (the "Delayed Draw Term Loan"). Each Delayed Draw Term Loan is made at Fortress's sole discretion. The Credit Agreement bears an annual interest at a stated rate of 11.0% plus the greater of the following i) LIBO Rate or ii) 1.0%. Payments are due at the beginning of each month and the first 18 payments are interest-only. Starting in December 2019, we shall make thirty monthly principal payments, plus any accrued

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and unpaid interest, to fully payoff the Credit Agreement. At the end of the term we will pay a fee equal to 5.0% of the principal amount.

Despite the financing described above, we continue to believe our customers have concern about our ability to continue as a going concern. In addition, unless we are able to significantly increase sales, raise a substantial amount of equity or debt financing, or further reduce expenses, we will not have adequate resources available to us to continue operations over a meaningful period of time. Therefore, we conclude there is reasonable doubt about our ability to continue as a going concern for the next twelve months.

Key Operating Metrics

The following are several key metrics iPass tracks to evaluate operating performance. Together they provide insights into our sales efforts, network acquisition costs, margins, consumption of network, and active users of our services.

	For the Quarter Ended				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
<i>(in thousands except percentages and TB)</i>					
ACV⁽¹⁾:					
Gross ACV	\$ 535	\$ 3,462	\$ 1,663	\$ 1,564	\$ 933
ACV reversals	(224)	—	(40)	(381)	—
Net ACV	\$ 311	\$ 3,462	\$ 1,623	\$ 1,183	\$ 933
Short-term and long-term deferred revenue	\$ 3,566	\$ 4,853	\$ 3,062	\$ 3,825	\$ 2,822
NAC:					
Committed purchase capacity ⁽²⁾	55%	54%	63%	88%	84%
Total purchased capacity (TB) ⁽³⁾	73	75	79	90	89
Capacity consumed ⁽⁴⁾	31%	32%	35%	36%	40%
Gross Margin⁽⁵⁾	24.4%	26.7%	28.0%	20.9%	10.9%
Network Hours Consumed⁽⁶⁾:					
Unlimited and strategic partnerships	332	328	371	500	645
Other pricing plans	148	194	208	270	298
Total Network Hours Consumed	480	522	579	770	943
Wi-Fi Network Users⁽⁷⁾:					
Enterprise	62	87	88	94	91
Strategic partnerships	55	48	62	71	83
Total Wi-Fi Network Users	117	135	150	165	174

- (1) ACV, or Annual Contract Value, represents the annualized sales value committed under contract for newly acquired customers or significant upsell. ACV is not an alternative measure for GAAP revenue but only an operational metric we believe to be a leading indicator of future revenue. ACV has not met all five steps to recognize revenue. For example, while we may have identified a contract with a customer, performance obligations may not yet have been satisfied. When a previously reported ACV customer fails to perform under the contract, such remaining calculated ACV will be reversed in the current period.
- (2) Committed purchase capacity is the percentage of total quarterly NAC related to committed Wi-Fi capacity deals (versus pay-as-you-go deals).
- (3) Total purchased capacity is the average monthly Wi-Fi network usage capacity in a given quarter, shown in terabytes.
- (4) Capacity consumed is shown as a percentage of total purchased capacity consumed in a given quarter.
- (5) Gross margin represents total revenue less network access costs less network operations costs divided by total revenue.
- (6) Network Hours Consumed represents the average monthly number of hours used by our customers on our commercial footprint in a given quarter.
- (7) Wi-Fi Network Users, categorized by our go-to-market revenue streams, is the unique count of users each month in each quarter that connected to the iPass network. Starting this quarter, the iPass network includes both commercial footprint and open access footprint, curated via iPass SmartConnect (restated for all prior quarters).

[Table of Contents](#)**Critical Accounting Policies and Estimates**

There have been no significant changes to our critical accounting policies and estimates during the three and nine months ended September 30, 2018, compared with those contained in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our Annual Report on Form 10-K for the year ended December 31, 2017, except that we updated our revenue recognition policies pursuant to the adoption of Topic 606 and added new estimates and judgments related to derivative liabilities and warrants (see Note 1 "Basis of Presentation and Summary of Significant Accounting Policies" included in Part I, Item 1, of this report).

Recent Accounting Pronouncements

See Note 1 "Basis of Presentation and Summary of Significant Accounting Policies" included in Part I, Item 1, of this report for information regarding recent accounting pronouncements.

Results of Operations**Sources of Revenue**

We differentiate and analyze our revenue generation streams as follows:

Enterprise revenues consist of Wi-Fi, platform, software license, and other fees charged to enterprise customers of the iPass service. Revenues are generated by customers that purchase our service on a per user per month subscription basis ("Unlimited Customers") or under a variety of other pricing models which may include PAYG usage, flat rate pricing per active user, separate platform fees, legacy offerings, and other ancillary services such as consulting or platform customization ("Other Pricing Plan Customers").

Strategic Partnership revenues consist of Wi-Fi, platform, technology, iPass Network Intelligence, and other fees charged to our strategic partnership customers. In contrast to Enterprise revenue, pricing on these deals is negotiated specific to the customer needs and can include per device charges, platform only charges (including SDK), cost-plus or PAYG arrangements on Wi-Fi usage, and various other pricing mechanisms.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Mobile Connectivity Services	\$ 9,275	\$ 13,399	\$ 31,237	\$ 41,159
Enterprise	7,036	10,136	24,612	33,007
<i>Unlimited Customers</i>	<i>2,400</i>	<i>2,729</i>	<i>7,619</i>	<i>7,113</i>
<i>Other Pricing Plan Customers</i>	<i>4,636</i>	<i>7,407</i>	<i>16,993</i>	<i>25,894</i>
Strategic Partnerships	2,239	3,263	6,625	8,152

For the three months ended September 30, 2018, revenue decreased \$4.1 million or 31% as compared to the same period in 2017. This was largely due to lower Enterprise revenue of \$3.1 million, with the largest decrease coming from Other Pricing Plan Customers of \$2.8 million due to declines in usage by PAYG customers and customer churn. Revenue from Strategic Partnerships decreased \$1.0 million largely due to the churn of a strategic partner and overall declining usage, offset in part by revenue from the sale of our first software license.

For the nine months ended September 30, 2018, revenue decreased \$9.9 million or 24% as compared to the same period in 2017. This was largely due to lower Enterprise revenue of \$8.4 million. While Unlimited Customers have increased \$0.5 million, this was offset by a decrease from Other Pricing Plan Customers of \$8.9 million. Revenue from Strategic Partnerships declined \$1.5 million largely due to customer churn, declining usage, and declining shipments of iPass enabled devices for one strategic partner offset in part by revenue from the sale of our first software license.

Cost of Revenue and Operating Expenses*Network Access Costs (NAC)*

NAC consist of charges for network access which we pay to our network service providers and other direct cost of sales.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Network access costs	\$ 5,720	\$ 10,312	\$ 18,903	\$ 29,469
As a percentage of total revenue	61.7%	77.0%	60.5%	71.6%

For the three months ended September 30, 2018, NAC as a percentage of total revenue decreased fifteen percentage points as compared to the same period in 2017. The decline in NAC was primarily related to the renegotiation of the majority of our annual commitment contracts during the fourth quarter 2017 and first quarter 2018. Also contributing to lower NAC was a decline in usage of 49% from approximately 2.8 million hours in the third quarter 2017 to 1.4 million hours for the same period in 2018.

For the nine months ended September 30, 2018, NAC as a percentage of total revenue decreased eleven percentage points as compared to the same period in 2017, also largely due to the renegotiation of annual commitment contracts plus a decline in usage. The renegotiation efforts saved us \$5.3 million on premium inflight Wi-Fi network charges.

Network Operations

Network operations expenses consist of compensation and benefits for our network engineering, customer support and network access quality personnel, outside consultants, co-location center fees, network equipment depreciation, inventory costs, and allocated overhead costs.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Network operations costs	\$ 1,294	\$ 1,629	\$ 4,057	\$ 4,835
As a percentage of total revenue	14.0%	12.2%	13.0%	11.7%

For the three months ended September 30, 2018, network operations costs decreased approximately \$0.3 million, or 21%, compared to the same period in 2017 due to savings on maintenance and support for our database and infrastructure.

For the nine months ended September 30, 2018, network operations costs decreased approximately \$0.8 million, or 16%, compared to the same period in 2017 due to savings on maintenance and support for our database and infrastructure.

Research and Development

Research and development expenses consist of compensation and benefits for our research and development personnel, software, consulting, and allocated overhead costs.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Research and development expense	\$ 1,825	\$ 1,948	\$ 5,745	\$ 6,059
As a percentage of total revenue	19.7%	14.5%	18.4%	14.7%

For the three months ended September 30, 2018, research and development expense decreased by approximately \$0.1 million, or 6%, compared to the same period in 2017 due to decreases in salary and related payroll expenses. This is due to a slight reduction in headcount in the United States and Europe.

For the nine months ended September 30, 2018, research and development expense decreased by approximately \$0.3 million, or 5%, compared to the same period in 2017 due to decreases in salary and related payroll expenses. This is due to a slight reduction in headcount in the United States and Europe.

Sales and Marketing

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Sales and marketing expenses consist of compensation, benefits, advertising and lead generation costs, and allocated overhead costs.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Sales and marketing expense	\$ 2,760	\$ 2,520	\$ 7,668	\$ 7,588
As a percentage of total revenue	29.8%	18.8%	24.5%	18.4%

For the three months ended September 30, 2018, sales and marketing expense increased by approximately \$0.2 million, or 10%, compared to the same period in 2017 primarily due to an increase in severance expense of \$0.3 million.

For the nine months ended September 30, 2018, sales and marketing expense increased by approximately \$0.1 million, or 1%, compared to the same period in 2017 due to an increase in consulting expense of \$0.2 million and severance expense of \$0.3 million, offset by less marketing and traveling expenditures of \$0.3 million.

General and Administrative

General and administrative expenses consist primarily of compensation and benefits for general and administrative personnel, facilities, legal and accounting expenses.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
General and administrative expense	\$ 2,426	\$ 3,427	\$ 7,995	\$ 8,746
As a percentage of total revenue	26.2%	25.6%	25.6%	21.2%

For the three months ended September 30, 2018, general and administrative expense decreased by \$1.0 million or 29%, as compared to the same period in 2017. This was primarily due to the decrease of \$0.5 million in legal expenses related to legal fees incurred in the third quarter of 2017 in connection with an investigation of a claim by a former employee, \$0.2 million of depreciation expenses, and decrease in salary and related payroll expenses due to a decline in headcount.

For the nine months ended September 30, 2018, general and administrative expense decreased by \$0.8 million, or 9%, compared to the same period in 2017, primarily due to a decrease of \$0.5 million in depreciation expense and a decrease of \$0.3 million in salary and related payroll expenses due to a decline in headcount.

Other Income and Expenses

Other income and expense is made up of interest income and expense, foreign exchange gain or loss, and other expenses and was a \$0.8 million expense for the three months ended September 30, 2018 as compared to \$0.2 million expense for the three months ended September 30, 2017. The increase is primarily related to \$0.6 million of interest expense and amortization of debt discounts from the June 2018 Fortress debt, as well as a \$0.2 million expense from the change in fair value of a derivative liability related to the Fortress debt. This was offset in part by a \$0.1 million decrease in foreign exchange loss.

Other income and expense was a \$0.9 million expense for the nine months ended September 30, 2018 as compared to \$0.3 million expense for the nine months ended September 30, 2017. The increase in expense is similar to the above explanations related to the June 2018 Fortress debt.

Through September 30, 2018, we did not enter into any hedging contracts.

Provision for Income Taxes

Income tax expense for each of the three and nine months ended September 30, 2018 was less than \$0.1 million and approximately \$0.2 million, respectively, and is primarily related to foreign income taxes on our cost-plus entities. Income tax expense for each of the three and nine months ended September 30, 2017 was approximately \$0.1 million and \$0.4 million, respectively.

Liquidity and Capital Resources

We had cash and cash equivalents of \$4.9 million at September 30, 2018, compared to \$5.2 million at December 31, 2017.

	Nine months ended September 30,	
	2018	2017
	(In thousands)	
Cash Flows		
Net cash used in operating activities	\$ (12,280)	\$ (8,542)
Net cash used in investing activities	(192)	(737)
Net cash provided by financing activities	12,225	264
Net decrease in cash and cash equivalents	<u>\$ (247)</u>	<u>\$ (9,015)</u>

Operating Activities

Net cash used in operating activities increased by approximately \$3.7 million for the nine months ended September 30, 2018 compared to the same period in 2017. There are several factors, but this increase in cash used was primarily due to the pay down of our accounts payable balance in the nine months ended September 30, 2018, offset by collections of accounts receivable and a reduction in net loss after adjustments for non-cash items.

Investing Activities

Net cash used in investing activities decreased by \$0.5 million from the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2018. This decrease is due to a decrease in purchases of property and equipment in the nine months ended September 30, 2018.

Financing Activities

Net cash provided by financing activities increased by \$11.9 million from the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2018. This significant increase is due to the \$10.0 million of debt signed in the second quarter 2018 offset in part by \$1.6 million in transaction costs paid, plus \$3.9 million raised from the issuance of common stock to Aspire Capital under the CSPA.

Sources of Cash and Future Cash Requirements

We have historically relied on existing cash and cash equivalents, issuance of equity securities, and debt for our liquidity needs.

In November 2017, we entered into a CSPA with Aspire Capital. By the end of the second quarter 2018, we had issued a total of 1,334,175 shares to Aspire Capital for \$5.1 million. Under the terms of the original agreement, there are no additional shares available to sell to Aspire Capital.

On June 14, 2018, we entered into a Credit Agreement Fortress for an initial term loan of \$10.0 million. From June 14, 2018 through September 14, 2019, we may request an additional draw down in \$1.0 million increments not to exceed \$10.0 million in total (the "Delayed Draw Term Loan"). Each Delayed Draw Term Loan is made at Fortress's sole discretion. The Credit Agreement bears an annual interest at a stated rate of 11.0% plus the greater of the following i) LIBO Rate or ii) 1.0%. Payments are due at the beginning of each month and the first 18 payments are interest-only. Starting in December 2019, we shall make thirty monthly principal payments, plus any accrued and unpaid interest, to fully payoff the Credit Agreement. At the end of the term we will pay a fee equal to 5.0% of the principal amount.

We believe that based on our current revenue prospects, anticipated cash flows from operations, and the remaining debt available to us under the Delayed Draw Term Loan (the issuance of which is at Fortress's discretion), our existing cash balances will still not be sufficient to meet our working capital and operating resource expenditure requirements for at least the next twelve months, even when factoring in significant changes to operations or potential financing. Without a meaningful increase in revenue in the near term, achievement of our business objectives will require obtaining additional capital or cost reductions. However, there is no assurance that we will be able to achieve these objectives; therefore, there is substantial doubt about our ability to continue as a going concern.

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The amount of cash and cash equivalents held by our foreign subsidiaries as of September 30, 2018 and December 31, 2017 was \$0.3 million. We currently do not intend to distribute any of our cumulative earnings by our foreign subsidiaries to the parent company in the U.S.

Primary Uses of Cash

Our principal use of cash during the three and nine months periods ended September 30, 2018, was for network access, payroll related expenses, acquisition of debt financing, interest expense, and general operating expenses including office rent.

Contractual Obligations

The following are our contractual obligations as of September 30, 2018:

	Total	Less Than 1 Year	1-3 Years	3-5 Years
	(In thousands)			
Operating lease obligations	\$ 2,554	\$ 1,342	\$ 1,212	\$ —
Other purchase commitments	4,963	4,498	465	—
Total contractual obligations ⁽¹⁾	<u>\$ 7,517</u>	<u>\$ 5,840</u>	<u>\$ 1,677</u>	<u>\$ —</u>

(1) See Note 7 "Commitments and Contingencies"

This compares to \$15.6 million of contractual obligations as of December 31, 2017.

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third-parties. In addition, we have entered into indemnification agreements with our directors and certain of our officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and certain of our officers and employees, in certain circumstances. iPass' product agreements typically include a limited indemnification provision for claims from third parties relating to breach of agreements and iPass' intellectual property. Certain indemnification agreements may not be subject to maximum loss clauses. If the potential loss from any indemnification claim is considered probable and the amount or the range of the loss can be estimated, we accrue a liability for the estimated loss. To date, claims under such indemnification provisions have not been significant.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements at September 30, 2018 and December 31, 2017, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Exchange Rate Risk

We are exposed to foreign currency exchange rate risk inherent in conducting business globally in numerous currencies, of which the most significant to our operations for the nine months ended September 30, 2018, were the euro, the British pound, and the Indian rupee. We are primarily exposed to foreign currency fluctuations related to network access costs and other operating expenses denominated in currencies other than the U.S. dollar. Currently, we do not enter into currency forward exchange or option contracts to hedge foreign currency exposures. The impact of foreign currency fluctuations is also discussed in “Foreign Exchange Gains and Losses” under Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, management of iPass conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level, as of the end of the period covered by this report, to ensure that information required to be disclosed was recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and to provide reasonable assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2018, there have been no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Disclosure Control and Procedures and Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within iPass have been detected.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common and capital stock. There have been no material changes to our risk factors or newly identified risk factors since our Annual Report on Form 10-K for the year ended December 31, 2017, except the following which have been added or updated:

We have outstanding debt secured by all of the assets of the company, including our intellectual property, and failure by us or our intellectual property holding subsidiary to fulfill our obligations under the applicable loan transaction agreements may cause the repayment obligations to accelerate and result in our loss of control over our assets, including our intellectual property.

In June 2018, through a newly formed special purpose entity ("SPE") that is consolidated within our financial statements, we entered into a credit arrangement with Fortress Credit Corp ("Fortress") pursuant to which we initially borrowed \$10 million and may request additional \$1 million installments up to an additional aggregate of \$10 million, each such subsequent installment subject to Fortress's consent. We assigned to the SPE our current and future intellectual property as first-priority security for the payment of all outstanding principal and interest. The credit agreement provides for principal payment beginning December 2019, and requires us to meet and maintain within specified levels and thresholds certain specific financial and operational covenants; require a December 31, 2018 audit report without a going concern emphasis of a matter paragraph; satisfy key employee retention requirements; maintain our current business and operations; satisfy certain working capital and debt limitations; and not undertake certain actions and transactions such as paying dividends or entering into a change of control transaction, without Fortress consent. Failure to meet and maintain any of these covenants and requirements, to repay principal and interest in a timely manner or to undertake any of the prohibited actions or transactions would result in an event of default and allow Fortress to accelerate and require mandatory prepayment of all outstanding principal and interest, including fees. There can be no assurance that we will be able to perform the obligations under the credit agreement, including the timely repayment of the amounts outstanding under the credit agreement, and upon the occurrence of an event of default under the credit agreement, if we are not able to perform our obligations and repay all outstanding amounts required when due, we would lose control over our assets, including our intellectual property, which would seriously harm our business and operations.

There is substantial doubt about our ability to continue as a going concern. We require additional capital to support our business growth, and such capital may not be available.

Our existing cash balances will not be sufficient to meet our working capital and operating resource expenditure requirements for the next twelve months. We intend to continue to make investments to support our business and require additional funds to respond to business challenges, which include the need to develop new solutions and partnerships or enhance existing solutions and partnerships, and enhance our operating infrastructure. Accordingly, we need additional equity or debt financing to secure funds. Equity and debt financing, however, is not readily available and, if becomes available, might not be available on terms satisfactory to us. If we raise additional funds through equity financing, our stockholders will experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt, as is the case with our credit arrangement with Fortress. If we are unable to obtain adequate financing or financing on terms satisfactory to us, our ability to continue to support our business and to respond to business challenges will be significantly limited and we will have to delay, reduce the scope of or eliminate initiatives, as well as significantly reduce operating expenses, which would harm our operating results. However, there is no assurance that we will be able to achieve these objectives; therefore, there is substantial doubt about our ability to continue as a going concern.

Trading of our common stock has been suspended from the Nasdaq Capital Market and Nasdaq may complete the delisting process by filing a Form 25 with the SEC.

On November 5, 2018, we received a notice from The Nasdaq Stock Market LLC ("Nasdaq") indicating that the Nasdaq Hearings Panel (the "Panel") has determined to delist our securities from the Nasdaq Capital Market based upon the Company's non-compliance with the minimum \$35 million market value of listed securities requirement. Nasdaq suspended trading of the Company's shares effective November 7, 2018, and Nasdaq intends to complete the delisting process by filing a Form 25 "Notification of Delisting" with the Securities and Exchange Commission ("SEC") after the applicable review periods have expired. In accordance with the Nasdaq Listing Rules, we may request that the Panel reconsider its decision or appeal the delisting determination to the Nasdaq Listing and Hearing Review Council, but we must do so within 7 or 15 days of the notice

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date, respectively. We filed a request for reconsideration on November 12, 2018, and are awaiting a response from Nasdaq. In the meantime, our shares are eligible to trade “over-the-counter” in the OTC Markets system under the current symbol “IPAS.” We may also file an application to have our shares quoted on the OTCQB® Market tier (“OTCQB”), which is operated by OTC Market Groups Inc.

If we are unable to close the acquisition of our company by Pareteum Corporation, it could create unforeseen, adverse effects on our business operations.

On November 12, 2018, we entered into a definitive agreement to be acquired by Pareteum Corporation. However, the closing of the transaction is subject to closing conditions which, if not met or waived, could cause the transaction not to close. In addition, acquisitions expose us to litigation from our shareholders which could be costly to defend, serve as a distraction to management, and potentially cause the transaction not to close. If the acquisition of iPass by Pareteum does not close, there is substantial doubt about our ability to continue as a going concern beyond the targeted close date in the first fiscal quarter of 2019 due to our current financial condition and the resources and attention required through the acquisition process. Even if the transaction does close, holders of our common stock will hold Pareteum common stock and there is no guarantee that Pareteum common stock will do well due to the risk factors disclosed in Pareteum's filings with the SEC. Furthermore, Pareteum may not realize the desired benefits from the acquisition such as lower costs, increased revenues, synergies, and growth opportunities. Many factors could have adverse effects on the combined companies, including, but not limited to, the combination of potentially different company cultures, maintaining employee morale throughout the process, retaining key customers and employees, navigating the complexities of integrating two companies, and complying with applicable laws, rules, and regulations in multiple jurisdictions.

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Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation. (Filed as Exhibit 3.1 to our Form 10-Q (SEC File No. 000-50327), filed on November 13, 2003, and incorporated by reference herein.)
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation. (Filed as Exhibit 3.2 to our Form 10-Q (SEC File No. 000-50327), filed on August 7, 2009, and incorporated by reference herein.)
3.3	Certificate of Change of Registered Agent and Registered Office to Amended and Restated Certificate of Incorporation. (Filed as Exhibit 3.1 to our Form 8-K (SEC File No. 000-50327), filed on February 3, 2010, and incorporated by reference herein.)
3.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation of iPass, Inc. (Filed as Exhibit 3.1 to our Form 8-K (SEC File No. 000-50327), filed on August 21, 2018, and incorporated by reference herein)
3.45	Amended and Restated By-Laws. (Filed as Exhibit 3.4 to our Form 10-Q (SEC File No. 000-50327), filed on November 7, 2013, and incorporated by reference herein.)
4.1	Reference is made to Exhibits 3.1 , 3.2 , 3.3 , 3.4 and 3.45
4.2	Specimen stock certificate. (Filed as Exhibit 4.2 to our Registration Statement on Form S-1/A (SEC File No. 333-102715), filed on July 1, 2003, and incorporated by reference herein.)
4.3	Form of Warrants issued to entities related to Fortress Capital Corp. (Filed as Exhibit 4.1 to our Form 8-K (SEC File No. 000-50327), filed on June 19, 2018, and incorporated by reference herein.)
10.1	iPass Inc. 2003 Employee Stock Purchase Plan
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Confidential Treatment has been requested for certain portions of this Exhibit

SIGNATURE

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.

Date: November 13, 2018

iPass Inc.

/s/ Darin R. Vickery

Darin R. Vickery

Chief Financial Officer

(Duly Authorized Officer and Principal Financial and
Accounting Officer)

IPASS INC.

2003 EQUITY INCENTIVE PLAN

ADOPTED: JANUARY 15, 2003

APPROVED BY STOCKHOLDERS: MARCH 17, 2003

AMENDED: JUNE 24, 2009

AMENDMENT APPROVED BY STOCKHOLDERS: AUGUST 18, 2009

AMENDED BY THE BOARD OF DIRECTORS: JULY 6, 2016

TERMINATION DATE: JANUARY 14, 2023

1. PURPOSES.

(a) **Eligible Stock Award Recipients.** The persons eligible to receive Stock Awards are Employees, Directors and Consultants.

(b) **Available Stock Awards.** The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Options, (ii) Restricted Stock Awards, (iii) Stock Appreciation Rights, (iv) Phantom Stock and (v) Other Stock Awards.

(c) **General Purpose.** The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) **“Affiliate”** means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) **“Board”** means the Board of Directors of the Company.

(c) **“Capitalization Adjustment”** has the meaning ascribed to that term in Section 11(a).

(d) **“Change In Control”** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly, or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding securities other than by virtue of a merger, consolidation or similar

transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) on account of the acquisition of securities of the Company by an institutional investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions that are primarily a private financing transaction for the Company or (B) solely because the level of Ownership held by any Exchange Act Person (the "Subject Person") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company if, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction;

(iii) the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company shall otherwise occur;

(iv) there is consummated a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportion as their Ownership of the Company immediately prior to such sale, lease, license or other disposition; or

(v) individuals who, on the date this Plan is adopted by the Board, are members of the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the members of the Board; (provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board).

The term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

Notwithstanding the foregoing or any other provision of this Plan, the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any

Affiliate and the Participant shall supersede the foregoing definition with respect to Stock Awards subject to such agreement (it being understood, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition shall apply).

(e) “*Code*” means the Internal Revenue Code of 1986, as amended.

(f) “*Committee*” means a committee of one or more members of the Board appointed by the Board in accordance with Section 3(c).

(g) “*Common Stock*” means the common stock of the Company.

(h) “*Company*” means iPass Inc., a Delaware corporation.

(i) “*Consultant*” means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) serving as a member of the Board of Directors of an Affiliate and who is compensated for such services. However, the term “Consultant” shall not include Directors who are not compensated by the Company for their services as Directors, and the payment of a director’s fee by the Company for services as a Director shall not cause a Director to be considered a “Consultant” for purposes of the Plan.

(j) “*Continuous Service*” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, shall not terminate a Participant’s Continuous Service. For example, a change in status from an employee of the Company to a consultant to an Affiliate or to a Director shall not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company’s leave of absence policy or in the written terms of the Participant’s leave of absence.

(k) “*Corporate Transaction*” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board in its discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(l) “**Covered Employee**” means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(m) “**Director**” means a member of the Board.

(n) “**Disability**” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(o) “**Employee**” means any person employed by the Company or an Affiliate. Service as a Director or payment of a director’s fee by the Company for such service or for service as a member of the Board of Directors of an Affiliate shall not be sufficient to constitute “employment” by the Company or an Affiliate.

(p) “**Entity**” means a corporation, partnership or other entity.

(q) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(r) “**Exchange Act Person**” means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” shall not include (A) the Company or any Subsidiary of the Company, (B) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company.

(s) “**Fair Market Value**” means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(t) “**Non-Employee Director**” means a Director who either (i) is not currently an employee or officer of the Company or its parent or a subsidiary, does not receive compensation, either directly or indirectly, from the Company or its parent or a subsidiary, for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“Regulation S-K”)), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3.

(u) “**Officer**” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(v) “**Option**” means a nonstatutory stock option granted pursuant to the Plan that is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(w) “**Option Agreement**” means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(x) “**Optionholder**” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(y) “**Other Stock Award**” means an award based in whole or in part by reference to the Common Stock granted pursuant to the terms and conditions of Section 7(d).

(z) “**Outside Director**” means a Director who either (i) is not a current employee of the Company or an “affiliated corporation” (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an “affiliated corporation” who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an “affiliated corporation”, and does not receive remuneration from the Company or an “affiliated corporation,” either directly or indirectly, in any capacity other than as a Director or (ii) is otherwise considered an “outside director” for purposes of Section 162(m) of the Code.

(aa) “**Own,**” “**Owned,**” “**Owner,**” “**Ownership**” A person or Entity shall be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(bb) “**Participant**” means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(cc) “**Plan**” means this iPass Inc. 2003 Equity Incentive Plan.

(dd) “*Phantom Stock*” means the right to receive shares of Common Stock granted pursuant to the terms and conditions of Section 7(b).

(ee) “*Restricted Stock Award*” means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 7(a).

(ff) “*Rule 16b-3*” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(gg) “*Securities Act*” means the Securities Act of 1933, as amended.

(hh) “*Stock Appreciation Right*” means a right to receive the appreciation of Common Stock that may be granted pursuant to the terms and conditions of Section 7(c).

(ii) “*Stock Award*” means any right granted under the Plan, including an Option, a Restricted Stock Award, Phantom Stock, a Stock Appreciation Right and an Other Award.

(jj) “*Stock Award Agreement*” means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(kk) “*Subsidiary*” means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

3. ADMINISTRATION.

(a) **Administration by Board.** The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in Section 3(c).

(b) **Powers of Board.** The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock pursuant to a Stock Award; and the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award

Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To effect, at any time and from time to time, with the consent of any adversely affected Optionholder, (1) the reduction of the exercise price of any outstanding Option under the Plan, (2) the cancellation of any outstanding Option under the Plan and the grant in substitution thereof of (A) a new Option under the Plan or another equity plan of the Company covering the same or a different number of shares of Common Stock, (B) a Restricted Stock Award (including a stock bonus), (C) a Stock Appreciation Right, (D) Phantom Stock, (E) Other Stock Awards, (F) cash and/or (G) other valuable consideration (as determined by the Board, in its sole discretion), or (3) any other action that is treated as a repricing under generally accepted accounting principles.

(iv) To amend the Plan or a Stock Award as provided in Section 12.

(v) To terminate or suspend the Plan as provided in Section 13.

(vi) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan.

(c) Delegation to Committee.

(i) General. The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan.

(ii) Section 162(m) and Rule 16b-3 Compliance. In the discretion of the Board, the Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. In addition, the Board or the Committee may delegate to a committee of one or more members of the Board the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award, (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code, or (c) not then subject to Section 16 of the Exchange Act.

(d) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

(e) **Arbitration.** Any dispute or claim concerning any Stock Awards granted (or not granted) pursuant to the Plan or any disputes or claims relating to or arising out of the Plan shall be fully, finally and exclusively resolved by binding and confidential arbitration conducted pursuant to the rules of Judicial Arbitration and Mediation Services, Inc. (“JAMS”) in San Francisco. The Company shall pay all arbitration fees. In addition to any other relief, the arbitrator may award to the prevailing party recovery of its attorneys’ fees and costs. By accepting a Stock Award, Participants and the Company waive their respective rights to have any such disputes or claims tried by a judge or jury.

4. SHARES SUBJECT TO THE PLAN.

(a) **Share Reserve.** Subject to the provisions of Section 11(a) relating to Capitalization Adjustments, the shares of Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate (i) the number of shares issued pursuant to the Plan prior to June 29, 2016, and no longer subject to Stock Awards, plus (ii) 2,532,378 shares.

(b) **Reversion of Shares to the Share Reserve.** If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, or if any shares of Common Stock issued to a Participant pursuant to a Stock Award are forfeited back to or repurchased by the Company, including, but not limited to, any repurchase or forfeiture caused by the failure to meet a contingency or condition required for the vesting of such shares, then the shares of Common Stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan. If any shares from a Stock Award are not delivered to a Participant (because such shares are withheld for taxes, the Stock Award is net exercised or otherwise) the shares that are not delivered shall revert to and again become available for issuance under the Plan. If the exercise price of any Stock Award is satisfied by tendering shares of Common Stock held by the Participant (either by actual delivery or attestation), then the number of shares equal to such payment of Common Stock shall revert to and again become available for issuance under the Plan.

(c) **Source of Shares.** The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

(a) **Eligibility for Specific Stock Awards.** Stock Awards may be granted to Employees, Directors and Consultants.

(b) **Consultants.** A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act (“Form S-8”) is not available to register either the offer or the sale of the Company’s securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, because the Consultant is not a natural person, or because of any other rule governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (e.g., on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be designated nonstatutory stock options at the time of grant. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Exercise Price of An Option. The exercise price of each Option shall be determined by the Board, in its discretion. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(b) Consideration. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder (3) upon the “net exercise” of the Option or (4) in any other form of legal consideration that may be acceptable to the Board. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). At any time that the Company is incorporated in Delaware, payment of the Common Stock’s “par value,” as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid (1) the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement and (2) the treatment of the Option as a variable award for financial accounting purposes.

In the case of a “net exercise” of an Option, the Company will not require a payment from the Participant but will withhold from the shares exercised by the Participant whole shares with a Fair Market Value approximately equal to the aggregate exercise price. With respect to any fractional share required to be withheld for the net exercise, the Company may accept a cash payment for the value of the fractional share.

(c) Transferability of an Option. An Option shall be transferable to the extent provided in the Option Agreement. If the Option does not provide for transferability, then the Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company,

designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(d) Vesting Generally. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this Section 6(d) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(e) Termination of Continuous Service. In the event that an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(f) Extension of Termination Date. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in the Option Agreement or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(g) Disability of Optionholder. In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(h) Death of Optionholder. In the event that (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionholder's death pursuant to Section 6(c), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter

period specified in the Option Agreement or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(i) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate. The Company will not exercise its repurchase option until at least six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Option.

7. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) Restricted Stock Awards. Each Restricted Stock Award agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the Restricted Stock Award agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award agreements need not be identical, but each Restricted Stock Award agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Purchase Price. At the time of the grant of a Restricted Stock Award, the Board will determine the price to be paid by the Participant for each share subject to the Restricted Stock Award. To the extent required by law, the price to be paid by the Participant for each share of the Restricted Stock Award will not be less than the par value of a share of Company Stock. A Restricted Stock Award may be awarded as a stock bonus to the extent permissible under applicable law.

(ii) Consideration. The purchase price of Common Stock acquired pursuant to the Restricted Stock Award agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; (iii) by services rendered or to be rendered to the Company; or (iv) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment and must be made in a form of consideration legal under Delaware Corporation Law.

(iii) Vesting. Shares of Common Stock acquired under the Restricted Stock Award agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iv) Termination of Participant's Continuous Service. In the event that a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination under the terms of the Restricted Stock Award agreement. The Company will not exercise

its repurchase option until at least six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes) have elapsed following the purchase of the restricted stock unless otherwise provided in the Restricted Stock Award agreement.

(v) Transferability. Rights to acquire shares of Common Stock granted under the Restricted Stock Award agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award agreement, as the Board shall determine in its discretion, and so long as Common Stock awarded under the Restricted Stock Award agreement remains subject to the terms of the Restricted Stock Award agreement.

(b) Phantom Stock. Each Phantom Stock agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the Phantom Stock may change from time to time, and the terms and conditions of separate Phantom Stock agreements need not be identical, but each Phantom Stock agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Phantom Stock award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Phantom Stock. To the extent required by law, the consideration to be paid by the Participant for each share of the Phantom Stock will not be less than the par value of a share of Company Stock. The consideration may be paid in any form permitted under applicable laws.

(ii) Vesting. At the time of the grant of Phantom Stock, the Board may impose such restrictions or conditions to the vesting of the shares equivalents as it, in its absolute discretion, deems appropriate, to be contained in the Phantom Stock agreement.

(iii) Additional Restrictions. At the time of the grant of Phantom Stock, the Board may impose such restrictions or conditions that delay the delivery of the consideration after its vesting as it, in its absolute discretion, deems appropriate to be contained in the Phantom Stock agreement.

(iv) Payment. Phantom Stock may be paid in Common Stock or in cash or any combination of the two, as determined by the Board and contained in the Phantom Stock agreement.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of shares of Phantom Stock. Such dividend equivalents will be converted into additional shares of Phantom Stock by dividing (1) the aggregate amount or value of the dividends paid with respect to that number of shares of Common Stock equal to the number of shares of Phantom Stock then credited by (2) the Fair Market Value per share of Common Stock on the payment date for such dividend. The additional shares of Phantom Stock credited by reason of such dividend equivalents will be subject to all the terms and conditions of the underlying Phantom Stock award to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Stock Award Agreement, shares of Phantom Stock that have not vested will be forfeited upon the Participant's termination of service for any reason.

(c) Stock Appreciation Rights. Each Stock Appreciation Rights Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the Stock Appreciation Rights Agreements may change from time to time, and the terms and conditions of separate Stock Appreciation Rights Agreements need not be identical, but each Stock Appreciation Rights agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Strike Price and Calculation of Appreciation. Each Stock Appreciation Right will be denominated in share equivalents. The appreciation distribution payable on the exercise of a Stock Appreciation Right will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the Stock Appreciation Right) of a number of shares of Common Stock equal to the number of share equivalents in which the Participant is vested under such Stock Appreciation Right, and with respect to which the Participant is exercising the Stock Appreciation Right on such date, over (B) an amount that will be determined by the committee at the time of grant of the Stock Appreciation Right.

(ii) Vesting. At the time of the grant of a Stock Appreciation Right, the Board may impose such restrictions or conditions to the vesting of such shares as it, in its absolute discretion, deems appropriate, to be contained in the Stock Appreciation Rights agreement.

(iii) Exercise. To exercise any outstanding Stock Appreciation Right, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Rights Agreement evidencing such right.

(iv) Payment. A Stock Appreciation Right may be paid in Common Stock or in cash or any combination of the two, as determined by the Board and contained in the Stock Appreciation Rights agreement evidencing such right.

(v) Termination of Continuous Service. In the event that a Participant's Continuous Service terminates, the Participant may exercise his or her Stock Appreciation Right (to the extent that the Participant was entitled to exercise such Stock Appreciation Right as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Participant's Continuous Service (or such longer or shorter period specified in the Stock Appreciation Rights agreement) or (ii) the expiration of the term of the Stock Appreciation Right as set forth in the Stock Appreciation Rights Agreement. If, after termination, the Participant does not exercise his or her Stock Appreciation Right within the time specified in the Stock Appreciation Rights Agreement, the Stock Appreciation Right shall terminate.

(d) Other Stock Award. Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Company Stock may be granted either alone or in addition to other Awards under the Plan. Subject to the provisions of the Plan, the Board shall have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other conditions of such Other Stock Awards.

8. COVENANTS OF THE COMPANY.

(a) Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

10. MISCELLANEOUS.

(a) Acceleration of Exercisability and Vesting. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Stockholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) No Employment or Other Service Rights. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of

evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(e) Withholding Obligations. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Stock Award; provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid variable award accounting); or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) Capitalization Adjustments. If any change is made in, or other event occurs with respect to, the Common Stock subject to the Plan or subject to any Stock Award without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, non-stock dividend other than an ordinary cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company (each a "Capitalization Adjustment"), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to Sections 4(a) and 4(b), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then all outstanding Options shall terminate immediately prior to the completion of such dissolution or liquidation, and shares of Common Stock subject to the Company's repurchase option may be

repurchased by the Company notwithstanding the fact that the holder of such stock is still in Continuous Service.

(c) Corporate Transaction. In the event of a Corporate Transaction, any surviving corporation or acquiring corporation may assume or continue any or all Stock Awards outstanding under the Plan or may substitute similar stock awards for Stock Awards outstanding under the Plan (it being understood that similar stock awards include, but are not limited to, awards to acquire the same consideration paid to the stockholders or the Company, as the case may be, pursuant to the Corporate Transaction), and any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Stock Awards may be assigned by the Company to the successor of the Company (or the successor's parent company), if any, in connection with such Corporate Transaction. In the event that any surviving corporation or acquiring corporation does not assume or continue any or all such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, then with respect to Stock Awards that have been not assumed, continued or substituted and that are held by Participants whose Continuous Service has not terminated prior to the effective time of the Corporate Transaction, the vesting of such Stock Awards (and, if applicable, the time at which such Stock Awards may be exercised) shall (contingent upon the effectiveness of the Corporate Transaction) be accelerated in full to a date prior to the effective time of such Corporate Transaction as the Board shall determine (or, if the Board shall not determine such a date, to the date that is five (5) days prior to the effective time of the Corporate Transaction), the Stock Awards shall terminate if not exercised (if applicable) at or prior to such effective time, and any reacquisition or repurchase rights held by the Company with respect to such Stock Awards held by Participants whose Continuous Service has not terminated shall (contingent upon the effectiveness of the Corporate Transaction) lapse. With respect to any other Stock Awards outstanding under the Plan that have not been assumed, continued or substituted, the vesting of such Stock Awards (and, if applicable, the time at which such Stock Award may be exercised) shall not be accelerated, unless otherwise provided in a written agreement between the Company or any Affiliate and the holder of such Stock Award, and such Stock Awards shall terminate if not exercised (if applicable) prior to the effective time of the Corporate Transaction.

(d) Change In Control. A Stock Award held by any Participant whose Continuous Service has not terminated prior to the effective time of a Change in Control may be subject to additional acceleration of vesting and exercisability upon or after such event as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration shall occur.

12. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11(a) relating to Capitalization Adjustments, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy applicable law or the rules of any stock exchange on which the Common Stock is listed.

(b) Stockholder Approval. The Board, in its sole discretion, may submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees.

(c) No Impairment of Rights. Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(d) Amendment of Stock Awards. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the twentieth (20th) anniversary of the last date the Plan is approved by the stockholders of the Company. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Stock Award shall be exercised (or, in the case of a stock bonus, shall be granted) unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

15. CHOICE OF LAW.

The law of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

IPASS INC.

2003 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT
(NONSTATUTORY STOCK OPTION)

Pursuant to your Stock Option Grant Notice (“*Grant Notice*”) and this Stock Option Agreement, iPass Inc. (the “*Company*”) has granted you an option under its 2003 Equity Incentive Plan (the “*Plan*”) to purchase the number of shares of the Company’s Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Stock Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. VESTING. Subject to the limitations contained herein, your option will vest as provided in your Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments.

3. EXERCISE PRIOR TO VESTING (“*Early Exercise*”). If permitted in your Grant Notice (i.e., the “*Exercise Schedule*” indicates that “*Early Exercise*” of your option is permitted) and subject to the provisions of your option, you may elect at any time that is both (i) during the period of your Continuous Service and (ii) during the term of your option, to exercise all or part of your option, including the nonvested portion of your option; provided, however, that:

(a) a partial exercise of your option shall be deemed to cover first vested shares of Common Stock and then the earliest vesting installment of unvested shares of Common Stock;

(b) any shares of Common Stock so purchased from installments that have not vested as of the date of exercise shall be subject to the purchase option in favor of the Company as described in the Company’s form of Early Exercise Stock Purchase Agreement; and

(c) you shall enter into the Company’s form of Early Exercise Stock Purchase Agreement with a vesting schedule that will result in the same vesting as if no early exercise had occurred.

that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

4. METHOD OF PAYMENT. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash or by

check or in any other manner permitted by your Grant Notice, which may include one or more of the following:

(a) In the Company's sole discretion at the time your option is exercised and provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in The Wall Street Journal, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(b) Provided that at the time of exercise the Common Stock is publicly traded and quoted regularly in The Wall Street Journal, by delivery of already-owned shares of Common Stock either that you have held for the period required to avoid a charge to the Company's reported earnings (generally six (6) months) or that you did not acquire, directly or indirectly from the Company, that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, shall include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

5. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

6. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option also must comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

7. TERM. You may not exercise your option before the commencement or after the expiration of its term. The term of your option commences on the Date of Grant and expires upon the earliest of the following:

(a) three (3) months after the termination of your Continuous Service for any reason other than your Disability or death, provided that if during any part of such three (3) month period your option is not exercisable solely because of the condition set forth in Section 6, your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service;

(b) twelve (12) months after the termination of your Continuous Service due to your Disability;

(c) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates;

(d) the Expiration Date indicated in your Grant Notice; or

(e) the day before the tenth (10th) anniversary of the Date of Grant.

8. EXERCISE.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if your Grant Notice so permits) during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of your option, (2) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (3) the disposition of shares of Common Stock acquired upon such exercise.

9. TRANSFERABILITY. Your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option.

10. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option shall obligate the Company or an Affiliate, their respective stockholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

11. WITHHOLDING OBLIGATIONS.

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "cashless exercise" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise of your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable legal conditions or restrictions, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid variable award accounting). If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein unless such obligations are satisfied.

12. NOTICES. Any notices provided for in your option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

13. GOVERNING PLAN DOCUMENT. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your option and those of the Plan, the provisions of the Plan shall control.

CERTIFICATION

I, Gary A. Griffiths, certify that:

1. I have reviewed this Form 10-Q of iPass Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2018

By:

/s/ Gary A. Griffiths

Gary A. Griffiths
President and Chief Executive Officer
(Principal Executive Officer)

