

BOINGO WIRELESS INC  
Form 10-K  
March 17, 2014

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

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

Commission File Number: 001-35155

**BOINGO WIRELESS, INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State of other jurisdiction of  
incorporation or organization)

**95-4856877**

(I.R.S. Employer  
Identification Number)

**10960 Wilshire Blvd., Suite 800**

**Los Angeles, California 90024**

(Address of principal executive offices, Zip Code)

**(310) 586-5180**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

**Common Stock, \$0.0001 par value**

(Title of each class)

**The NASDAQ Stock Market LLC**

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting Company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a  
smaller reporting  
company)

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

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant as of the last day of the Registrant's most recently completed second fiscal quarter was \$178,983,000 based on the last reported sale price of \$6.21 per share on the NASDAQ Global Market on June 28, 2013, the last trading day of the most recently completed second fiscal quarter.

As of March 3, 2014, 35,303,944 shares of Common Stock were outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be filed within 120 days of the Company's year ended December 31, 2013 are incorporated by reference into Part III of this Form 10-K where indicated.

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ANNUAL REPORT ON FORM 10-K FOR  
THE YEAR ENDED DECEMBER 31, 2013**

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**Forward-Looking Statements**

*We have made forward-looking statements in this Annual Report on Form 10-K that are subject to risks and uncertainties. Forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, are subject to the "safe harbor" created by those sections. The forward-looking statements in this report are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "anticipates," "aspires," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "projects," "seeks," "should," "will" or "would" or the negative of these terms and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this document in greater detail under the heading "Risk Factors." We believe it is important to communicate our expectations to our investors. However, there may be events in the future that we are not able to predict accurately or over which we have no control. The risks described in "Risk Factors" included in this report, as well as any other cautionary language in this report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in "Risk Factors" and elsewhere in this report could harm our business.*

*Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this document completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

*Unless the context otherwise requires, we use the terms "Boingo," "company," "we," "us" and "our" in this Annual Report on Form 10-K to refer to Boingo Wireless, Inc. and, where appropriate, its subsidiaries.*

**PART I**

**Item 1. Business**

**Company Overview**

Boingo helps the world stay connected.

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

Our small cell networks include DAS and Wi-Fi networks that we manage and operate ourselves, which we refer to as our "managed and operated" locations, as well as Wi-Fi networks managed and

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operated by third-parties with whom we contract for access, which we refer to as our "roaming" networks. Our managed and operated locations are typically located in large venues with big audiences, such as airports, stadiums, arenas, universities, convention centers, shopping malls, and military bases where we install a wireless network infrastructure and generally have exclusive multi-year agreements. Our roaming networks comprise more than 800,000 commercial Wi-Fi hotspots in over 100 countries around the world. We also sell advertising and sponsorships on other Wi-Fi networks that are not part of our network on behalf of the network owner.

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

We generate wholesale revenue from telecom operators that pay us build-out fees and recurring access fees so that their cellular customers may use our DAS networks at locations where we manage and operate the wireless network. In addition, our partners pay us usage-based Wi-Fi network access and software licensing fees to allow their customers' access to our footprint worldwide. Wholesale revenue accounts for approximately 47% of our revenue.

Individual users provide approximately 42% of our revenue by purchasing month-to-month retail subscription plans that automatically renew, hotspot specific single-use access to our network, or residential broadband and Internet Protocol television ("IPTV") services in military barracks. As of December 31, 2013, we have grown our subscriber base to approximately 310,000, an increase of approximately 9.2% over the prior year.

We also generate revenue from advertisers that seek to reach our users with sponsored access, promotional programs and online display advertising at locations where we manage and operate the Wi-Fi network and locations where we solely provide authorized access to a partner's Wi-Fi network through sponsored access and promotional programs. Advertising and other revenue accounts for approximately 11% of our revenue.

We were incorporated in the State of Delaware in April 2001 under the name Project Mammoth, Inc. and changed our name to Boingo Wireless, Inc. in October 2001. Our principal executive offices are located in Los Angeles, California. Our website address is [www.boingo.com](http://www.boingo.com). The information on, or that can be accessed through, our website is not part of this Annual Report on Form 10-K.

### **Industry Overview**

Popular business and consumer applications such as streaming media, online games, social networking, cloud storage, software-as-a-service and video calling require high-speed, high-bandwidth Internet access. These data-intensive applications are driving an escalation in Internet data traffic. With the proliferation of smartphones, tablet computers, laptops, and other Wi-Fi enabled devices, users expect to be able to access the same content and information while on-the-go. Global mobile data traffic is expected to increase by 11 times from 2013 to 2018 as projected by Cisco's Visual Networking Index ("CVNI").

The adoption, growth and advancement of smartphones are key catalysts for the acceleration of high-speed and high-bandwidth mobile Internet usage. The improved computing power, rich graphical

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user interfaces and Internet capabilities of these devices enable mobile users to make video calls or stream full-length movies, contributing to the vast expansion of the wireless consumption of data. For example, the average smartphone user generated 29 times the amount of data traffic generated by the average non-smartphone user in 2013, according to CVNI. Mobile video traffic was 53% of traffic by the end of 2013, according to CVNI. Widely-used mobile applications allow individuals to access the same content and services on their smartphones and other mobile devices that they use at their homes or offices. By the end of 2014, the number of mobile-connected devices will exceed the number of people on earth, and by 2018 there will be nearly 1.4 mobile devices per capita according to CVNI. In addition, 45% of total mobile data traffic was offloaded through Wi-Fi or other small cells in 2013 and without offload, mobile data traffic would have grown 98% rather than 81% in 2013, according to CVNI.

To cope with the significant increase in expected global mobile Internet data traffic, network operators are rapidly expanding their capacity and investing in technologies such as 3G and 4G cellular networks. According to CVNI, a 4G connection generated 14.5 times more traffic on average than a non-4G connection and although 4G connections represent only 2.9% of mobile connections today, they already account for 30% of mobile data traffic. These investments, while necessary, are only a short-term solution not capable of meeting the long-term demand for data usage. To ease the strain of cellular networks by off-loading data, network operators have also been investing in Wi-Fi and cellular DAS that recycle spectrum in large venues to increase overall capacity. According to ABI Research, the market for in-building wireless equipment and deployments is expected to grow to over \$8 billion in 2019, up from a forecast of \$4.4 billion for 2014 representing a 14% compound annual growth rate.

Wi-Fi provides higher speed and higher bandwidth per user in high density locations, and is simpler and less expensive to deploy than additional cellular network capacity. The benefits of and consumer demand for Wi-Fi have led hardware manufacturers to include Wi-Fi as a standard feature on laptops and tablet computers, and increasingly, smartphones, digital cameras and handheld media devices. Wi-Fi has become the standard protocol for residential and office wireless networks and is increasingly prevalent in public venues, such as airports, hotels, coffee shops, shopping malls, arenas, stadiums, campuses and quick service restaurants.

### **Challenges Facing Our Industry**

The mobile Internet is a complex and constantly evolving ecosystem comprised of over a billion mobile Internet-enabled devices from dozens of manufacturers, which are powered by many different operating systems. Devices use different network technologies and must be configured with the appropriate software to detect and optimize a connection to the mobile Internet. This complexity is amplified as new device models and operating systems are released, new categories of devices become Internet-enabled, and new network technologies emerge. The increasing number of mobile Internet-enabled devices in this ecosystem is causing an even more rapid increase in data consumption on capacity-strained networks.

### **Our Strategy**

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

*Expand our footprint of managed and operated and aggregated networks.* We intend to continue to grow our global network of managed and operated DAS and Wi-Fi networks by pursuing new opportunities at large venues such as airports, arenas, stadiums, campuses and universities. We also plan to enter into new roaming agreements with other network and hotspot operators to maximize the reach of our aggregated network, which creates a more attractive offering for our retail customers and wholesale partners.

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*Leverage our neutral-host business model to accelerate wholesale roaming and carrier offload partnerships.* Our neutral-host model enables us to partner with venue operators because we allow their customers to access a venue's network regardless of the customers' Wi-Fi provider. We also partner with telecom operators that are attracted to us because we do not compete for cellular subscribers. We intend to expand our neutral-host managed and operated network by partnering with additional venues, network operators, telecom operators and technology companies.

*Maximize advertising and sponsorship sell-through for our inventory of advertising-enabled networks.* We will seek to leverage our expanded ad sales team to engage leading brands and advertising agencies acting on their behalf to maximize sell-through for our expanding inventory of advertising-supplemented managed and operated networks and contracted advertising-enabled partner networks. These networks represent high-traffic, high-demand locations with broad appeal. We also expect to enhance existing ad products and develop new ones to provide appealing options to advertisers looking for innovative ways to engage potential customers.

*Increase our brand awareness.* We will continue to seek new ways to promote our brand through our managed and operated hotspots. We intend to enhance our brand through low-cost co-marketing arrangements with our partners and through periodic promotional and sponsorship activities and by continuing to leverage the reach of social media to interact with our customers.

**Services**

Our solution makes it easy, convenient and cost effective for individuals to find and gain access to the mobile Internet.

*Wholesale.* Our integrated hardware and software platform allows us to provide a range of value-added services to telecom operators, network operators, device manufacturers, technology companies, enterprise software and services companies, and venue operators.

*DAS infrastructure.* We offer our telecom operator partners access to our DAS infrastructure at certain of our managed and operated hotspot locations. We deploy our DAS infrastructure within airports and other locations that require additional signal strength to improve the quality of cellular services.

*Roaming services.* We offer roaming services across our entire network of over 800,000 hotspot locations to our partners who can then provide mobile Internet services to their customers at these locations.

*Platform services.* We license our proprietary software and provide software integration and development services to our platform services partners. This enables them to integrate our mobile Internet solution with their product and service offerings, either as a bundled Boingo service or a private labeled offering. Our solution includes our proprietary, patented techniques for wireless signal detection, presentation and network aggregation.

*Turn-key solutions.* We offer our venue partners the ability to implement a turn-key Wi-Fi solution, with no initial investment, through a Wi-Fi network infrastructure that we install, manage and operate. Our turn-key solutions include a variety of service models that are supported through a mix of retail, wholesale and advertising revenue.

*Retail.* We enable individuals to purchase mobile Internet access at our managed and operated hotspots and select partner locations around the world. We offer a selection of month-to-month subscription and single-use access plans. Our most common plans are the \$9.95 month-to-month subscription, the \$7.95 month-to-month smartphone only subscription and the single-use Boingo AsYouGo at \$7.95 per day. Our single-use access plans provide unlimited access to a specific hotspot

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for a defined period of time, tolled from the time the user first logs on to the network. We will continue to launch other flexible plans to meet the evolving needs of our customers.

<b>Retail Plan</b>	<b>Device</b>	<b>Purchase Method</b>
<i>Subscription:</i>		
Boingo Unlimited	Laptop, Tablet, and Smartphone	Charge Card and PayPal
Boingo Mobile	Smartphone and Tablet	Charge Card and PayPal
Boingo Global	Laptop, Tablet and Smartphone	Charge Card and PayPal
Boingo UK and Ireland	Laptop, Tablet and Smartphone	Charge Card and PayPal
Boingo Europe Plus	Laptop, Tablet and Smartphone	Charge Card and PayPal
Boingo Asia Pacific	Laptop, Tablet and Smartphone	Charge Card and PayPal
<i>Single-use:</i>		
Boingo AsYouGo	Laptop, Tablet, and Smartphone	Charge Card and PayPal
Boingo Wi-Fi Credits	Apple iOS devices	Apple iTunes

We also provide residential broadband and IPTV services for troops stationed on U.S. military bases. Both IPTV and Internet service are available and include basic, standard and expanded service tiers, with discounted service options when both Internet and IPTV products are bundled in a combo package. Our most common plans are the \$29.95 one month subscription for standard services (Internet or IPTV) and the \$49.95 one month subscription for expanded services (Internet or IPTV). The standard combo package is \$54.95 per month and the expanded combo package is \$89.95 per month. Military personnel can also add premium channels and DVR options at additional cost to enhance their IPTV service. Plans are available on daily, weekly and monthly schedules, with different service options at each interval. These services are only available on the military bases.

*Advertising.* Our platform provides a valuable opportunity for advertisers to reach a targeted base of visitors to our landing pages with sponsored access, promotional programs and display advertising. We provide advertisers the opportunity to sponsor wireless Internet access to individuals at locations where we manage and operate the Wi-Fi network and locations where we solely provide authorized access to a partner's Wi-Fi network through sponsored access and promotional programs. We also offer display advertising based on impressions delivered by our platform. Our advertising solution is easily integrated into Wi-Fi networks not directly managed by Boingo, expanding the addressable market.

### **Our Network**

In 2006, we acquired Concourse Communications Group, LLC and its network of 12 managed and operated airports, which became our first managed and operated hotspots. In 2007, we acquired Sprint Spectrum's network of seven managed and operated airports and one non-exclusive airport. In 2008, we acquired Opti-Fi Networks, LLC which included Wi-Fi networks at 25 airports and the Washington State Ferries. In 2013, we acquired Electronic Media Systems, Inc. and Advanced Wireless Group, LLC and its network of 17 managed and operated networks (collectively, "AWG"). Through our managed and operated hotspots and our strategic partnership arrangements, users have access to over 800,000 hotspots worldwide in venues such as airports, hotels, coffee shops, shopping malls, arenas, stadiums and quick service restaurants. We design, build, monitor and maintain the Wi-Fi network at our managed and operated hotspot locations primarily located in the United States and Europe. Our strategic partnership arrangements with over 170 network operators allow us to extend our global network to over 100 countries worldwide.

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Boingo hotspot locations by region as of December 31, 2013 included:

Region	Airport	Café / Retail	Convention Center	Hotel	Other(1)	Total
North America	129	10,032	56	3,288	6,323	19,828
South America	83	1,792	4	74	634	2,587
Europe, Middle East and Africa	239	14,850	464	11,382	206,692	233,627
Asia	190	150,343	2,643	27,892	460,831	641,899
Total	641	177,017	3,167	42,636	674,480	897,941

- 
- (1) Includes schools and universities, offices, hospitals and public spaces.

### Marketing and Business Development

Our marketing and business development efforts are designed to cost effectively attract and retain new customers, expand our footprint of Wi-Fi hotspot, DAS and advertising locations and identify business partners that could leverage our network to provide mobile Internet services to their customers. We focus on efficient customer acquisition and brand building through our on-line presence, in-venue signage, public relations, market research and other promotional activities.

We seek to maximize customer lifetime value by managing subscriber acquisition cost, extending customer life and determining appropriate pricing. We use information about subscriber behavior to help us retain customers and determine premium offerings. Our segmentation is focused at the product level, so that we provide the right product, plan and price for each customer in each region of the world where we operate. Our consumer plans are available for essentially all Wi-Fi enabled devices and are priced on a month-to-month or per-use basis.

We issue regular press releases announcing important partnerships and product developments and continually update our website with information about our network and services. We leverage our blog and social media accounts to further promote Boingo's product availability and applicability for travelers, digital elite and consumers on-the-go.

### Development

Our development efforts are focused primarily on increasing the ease of use and functionality of our software client, integrating our software client with our wholesale partners, continuing to adapt our technology to new operating systems and platforms, and optimizing our networks and backend systems for roaming and carrier offload. Our development model is based on a structured development process that incorporates Agile development practices so any deviations can be promptly corrected to improve reliability in our network and enhance customer satisfaction. We typically deliver product releases and feature enhancements on a semi-annual basis. For the years ended December 31, 2013, 2012 and 2011, development and technology expenses were \$11.4 million, \$10.8 million and \$9.4 million, respectively.

### Technology

Over the past 13 years, we have developed proprietary systems that include the Boingo software client; authentication, authorization and tracking systems; mediation and billing systems; and a real-time operational support and software configuration and messaging infrastructure.

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*Boingo Software Client*

The Boingo software client is installed on Wi-Fi enabled devices such as smartphones, laptops and tablet computers to enable our customers to access our network. The key features of the Boingo software client include:

*Simple user interface.* The Boingo software client provides individuals with an uncomplicated, user-friendly interface designed to streamline the Wi-Fi network connection process. The software finds hotspots and monitors the availability of Wi-Fi hotspots in the Boingo network, presents a notification message of the hotspot identified and allows one-click user connections. In some devices, connection to a Boingo Wi-Fi hotspot occurs in the background, providing the user with a seamless, notification-free connectivity experience.

*Support for all major operating system platforms.* The Boingo software client supports the Android, iOS, Mac OS and Windows operating systems, which represents the majority of all devices connecting to our managed and operated venues.

*Automatic updates.* The Boingo software client automatically receives identification information for new hotspot locations as they are added to the Boingo network, including any information needed to automatically identify and login to the network. Location information, allowing a user to find Boingo hotspots from the client, is also automatically updated. On all but embedded platforms, software updates are also automatically offered to a user when available.

*Custom branding and flexible integration alternatives.* We offer wholesale customers the ability to integrate the Boingo software client into their products and services as a software development kit or SDK. Additionally, we offer wholesale customers the option to utilize a custom, rebranded reference design of the software client used in our retail customer offering.

*Authentication, Authorization and Tracking System*

Our proprietary authentication, authorization and tracking system enables the reliable, scalable and secure initiation and termination of user Wi-Fi sessions on our network. This system authenticates our network users across a wide variety of hotspots and network operators, through a normalized authentication protocol. Through the authorization process, custom business rules ensure user access based on specific service parameters such as location, type of device, service plan and account information. Our system also captures duration, data traffic, location, and type of device. We normalize and process this data from disparate providers for our use and for our wholesale partners. This system has been recently enhanced to include support for secure Next Generation Hotspot roaming, which leverages Passpoint-certified devices and network hardware to establish seamless secure connections for customers.

*Mediation and Billing System*

Our mediation and billing system records and analyzes individual usage sessions required to bill for Wi-Fi usage. Users are charged based on variables such as pricing plan, device type, location, time and amount of use. Our system consolidates usage session information, determines the user identity and applies the appropriate aggregation and flagging to ensure proper usage processing. Our system handles exceptions automatically. Exceptions that cannot be solved automatically are brought to the attention of the operations staff, who rectifies any discrepancies. The billing system provides billing based on roaming relationship, user type, device type and account type. Our retail customer mediation and billing is handled by the same infrastructure used for wholesale customer and billing, resulting in efficiencies of scale and operation.

*Software Configuration and Messaging System*

Our software configuration system provides real-time network configuration updates for approximately 2,320 networks and 87 detection and login methodologies used by the Boingo software client to access our network. Our software configuration system automatically registers new network definitions and login methodologies to allow individuals to connect to our hotspot locations. All supported platforms use a single configuration, providing a high level of operational and test efficiency. Our messaging system enables real-time customer notification and system interaction at login, based on location, network, user, account type, device and usage. This approach enables us and our partners to deliver custom marketing or service messages.

**Operations**

We provide significant operational support for our managed and operated Wi-Fi hotspots and other hotspots in our network. For our managed and operated Wi-Fi hotspots, we design, build, monitor and maintain the network. For roaming partners, we monitor hotspot uptime and report outages so that they can be quickly remedied. We have service level agreements with our roaming partners specifying minimum network uptime requirements.

Our Wi-Fi deployments are based on the IEEE 802.11a, b, g, n and ac standards and operate in the 2.4 GHz and 5 GHz unlicensed spectrum bands. Our deployments may also include DAS within venues requiring enhanced cellular coverage.

**Customers**

We generate revenue primarily from our retail customers and wholesale partners. Our retail customers purchase either month-to-month subscription plans that automatically renew, or single-use access to our network. We acquire our retail customers primarily from mobile Internet users passing through our managed and operated locations, where we generally have exclusive multi-year agreements. Some of our wholesale partners license our software and pay usage-based network access fees to allow their customers access to our global Wi-Fi network. Other wholesale partners that are telecom operators pay us one-time build-out fees and recurring access fees for our DAS network, enabling their cellular customers to access these networks. Some of our wholesale partners pay us to provide Wi-Fi services in their venue locations under a service provider arrangement. Our wholesale partner relationships are generally governed by multi-year contracts. We acquire our wholesale partners through our business development efforts. We also generate revenue from advertisers that seek to reach visitors to the landing pages at our managed and operated network locations with online advertising, promotional and sponsored programs. For the year ended December 31, 2013, two groups of entities affiliated with Verizon Communications, Inc and AT&T Inc. each accounted for 14% of total revenue. For the year ended December 31, 2012, those same two groups of affiliated entities accounted for 17% and 15% of total revenue, respectively. For the year ended December 31, 2011, one group of entities affiliated with Verizon Communications, Inc. accounted for 18% of total revenue. The loss of these groups and the customers could have a material adverse impact on our consolidated statements of operations.

## Key Business Metrics

In addition to monitoring traditional financial measures, we also monitor our operating performance using the following key performance indicators:

	Year Ended December 31,		
	2013	2012	2011
	(in thousands, except churn data)		
Subscribers	310	284	257
Monthly churn	10.1%	9.7%	9.2%
Connects	50,830	24,490	12,314
DAS nodes	6.3	5.6	4.6

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

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

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

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

## Retail Customer Support Services

We provide support services to our retail customers 24 hours per day, 7 days per week, 365 days per year, by phone, chat or email. Our website also contains a comprehensive list of responses to frequently asked questions, and we monitor and respond to social media communications regarding our services. We provide support services through our internal customer care department and we rely on a third-party provider for most of our standard customer support.

## Competition

The market for mobile Internet services and solutions is fragmented and competitive. We believe the principal competitive factors in our industry include the following:

price;

ease of access and use;

quality of service;

geographic reach;

bundled service offerings;

venue exclusivity;

brand name recognition; and

flexible pricing plans.

We believe we face no material direct competitors to our service offerings. Indirect competitors include telecom operators, WiMAX operators, cable companies, self-managed venue networks and smaller wireless Internet service providers. Some of these competitors have substantially greater resources, larger customer bases, longer operating histories and greater name recognition than we have. Others offer bundled data services with primary service offerings that we do not offer such as landline and cellular telephone service, and cable or satellite television. Many of our indirect competitors are also partners from whom we receive revenue when their customers access our network. We believe that we compete favorably based on geographic coverage, network reliability, quality of service, ease of use and cost.

### **Intellectual Property**

Our ongoing success will depend in part upon our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including trade secrets, patents, copyrights and trademarks, as well as contractual restrictions.

We have two issued U.S. patents which expire in 2022 and six patent applications pending in the U.S. Foreign counterparts of two of the pending U.S. patent applications are pending in Canada, Europe and Korea. Foreign counterparts of another one of the pending U.S. patent applications are pending in Canada, China, Europe, Japan, and Korea. We have two issued Japanese patents and two Chinese patents, each of which has a maximum term which expires in 2027. We intend to pursue corresponding patent coverage in additional countries to the extent we believe such coverage is appropriate and cost effective.

Our registered trademarks in the United States and the European Union include "Boingo", "Boingo Wi-Finder", and "Don't just go. Boingo.", and in the United States, "Cloud 9 Media". We own additional registrations and have filed other trademark applications in the United States and other countries.

In addition to the foregoing protections, we control access to, and use of, our proprietary software and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers and partners. Our software is protected by United States and international copyright laws.

### **Employees**

As of December 31, 2013, we had 204 employees, including 60 in development and technology, 100 in operations, 23 in business development and marketing and 21 in general and administrative. All of our employees are full-time employees. None of our employees are represented by a labor union except for one international employee who is covered by a collective bargaining agreement. We have never experienced any employment related work stoppages and consider relations with our employees to be good. As of December 31, 2013, we also had arrangements with a third party call center provider in New York that provided us with approximately 35 full-time equivalent contractors for retail customer support.

Ms. Ingram, 71, has been a Director of Regions since November 2006 and of AmSouth since 1999. She has been the Chairman of the Board of Ingram Industries Inc., a privately held company with diversified businesses in marine transportation, book distributing and insurance, since 1995. Ms. Ingram serves on the board of directors of Ingram Micro, Inc. and Weyerhaeuser, Inc.

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***Jorge M. Perez***

Mr. Perez, 57, has been a Director of Union Planters/Regions since 2001. Since 1979 he has served as President of The Related Group of Florida, a real estate development company. Mr. Perez is a director of Florida East Coast Industries, Inc.

***Spence L. Wilson***

Mr. Wilson, 64, has been a Director of Union Planters/Regions since 1996. He is the President of Kemmons Wilson, Inc., a hotel development and management, resort time-sharing, home building, subdivision development, and private investment company, a position he has held since 1970.

***Harry W. Witt***

Mr. Witt, 67, has been a Director of former Regions/Regions since 2002. He is retired from Deloitte & Touche, a certified public accounting firm.

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**DIRECTORS WHOSE TERMS EXPIRE IN 2009 (CLASS II DIRECTORS)**

***George W. Bryan***

Mr. Bryan, 62, has been a Director of Union Planters/Regions since 1986. He is retired from Sara Lee Corporation, Food Division (food processing and packaging) where he served as Senior Vice President from 1983 to 2000. Mr. Bryan has been the Chief Executive Officer, Old Waverly Investments, LLC (real estate) since 2001. He is a member of the board of directors of Buckeye Technologies Inc.

***Don DeFosset***

Mr. DeFosset, 58, has been a Director of Regions since November 2006 and of AmSouth since 2005. He is the former Chairman, President and Chief Executive Officer of Walter Industries, Inc., a diversified company with businesses in water infrastructure, flow control, water transmission products, metallurgical coal and natural gas, and affordable homebuilding. He served as Chairman from March 2002 to September 2005, and as President and Chief Executive Officer from November 2000 to September 2005. He is also a director of Terex Corporation and James Hardie Industries, N.V.

***James R. Malone***

Mr. Malone, 64, has been a Director of Regions since November 2006 and of AmSouth since 1994. He is the Founding and Managing Partner of Qorval LLC, a financial and business restructuring and consulting firm. Currently he serves as Chairman, President and Chief Executive Officer, Brown Jordan International, Inc., a manufacturer of retail and contract furnishings. He was Vice Chairman of Brown Jordan International, Inc. from 2004-2006. He served as Chairman of the Board (1996-2004) and Chief Executive Officer (1997-2004) of HMI Industries, Inc., a producer of cleaners for residential and commercial use and other industrial manufactured products. Mr. Malone also serves on the boards of Ametek, Inc., Brown Jordan International, Inc. and O'Sullivan Industries Holdings, Inc.

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***Charles D. McCrary***

Mr. McCrary, 55, has been a Director of Regions since November 2006 and of AmSouth since 2001. He has served as the President and Chief Executive Officer of Alabama Power Company, a public utility, since 2001. He is a member of the board of directors of Alabama Power Company and Protective Life Corporation.

***Claude B. Nielsen***

Mr. Nielsen, 56, has been a Director of Regions since November 2006 and of AmSouth since 1993. He has been the Chief Executive Officer of Coca-Cola Bottling Company United, Inc., a soft drink bottler, since 1991 and its Chairman since May 2003. Mr. Nielsen also serves on the board of Colonial Properties Trust.

***C. Dowd Ritter***

Mr. Ritter, 59, has been a Director of Regions since November 2006 and of AmSouth since 1993. Since November 2006 he has served as President and Chief Executive Officer of Regions and Regions Bank. From 1996 to November 2006 he was President and Chief Executive Officer of AmSouth Bancorporation and AmSouth Bank and was Chairman of AmSouth Bancorporation and AmSouth Bank from September 1996 to October 1999 and January 2001 to November 2006. Mr. Ritter also serves on the board of directors of Alabama Power Company and Protective Life Corporation.

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### **The Board of Directors**

The full Board of Directors met eight times during 2006. To assist it in carrying out its work, the Board of Directors has the following standing committees: Audit, Nominating and Corporate Governance, Compensation, and Risk. Regions' Corporate Governance Principles, Code of Business Conduct & Ethics, Code of Ethics for Senior Financial Officers and the charters for each of Regions' standing Board committees are available on Regions' website at [www.regions.com](http://www.regions.com) in the Corporate Governance section of Investor Relations. Also, each of these items is available in print to any stockholder who requests it.

Regions' four Board committees meet regularly and as needed. Information about each committee follows.

#### ***Audit Committee***

The Audit Committee, which held 12 meetings in 2006, presently consists of Harry W. Witt, chair, Don DeFosset, Ronald L. Kuehn, Jr., Charles D. McCrary, John R. Roberts, and Lee J. Styslinger III. Committee members satisfy the applicable independence requirements of the New York Stock Exchange listing standards, rules of the SEC and Regions' Audit Committee Charter.

The principal duties of the Committee include engaging and monitoring the performance of Regions' independent registered public accounting firm, reviewing with Regions' independent public accounting firm the planning and results of the auditing engagement, reviewing the activities and recommendations of Regions' internal auditors, reviewing the adequacy of internal accounting and financial reporting controls, reviewing Regions' audited and unaudited financial reports and related public disclosures, and monitoring Regions' compliance with legal and regulatory requirements. Members of the Audit Committee are not professionally engaged in the practice of auditing or accounting.

#### ***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee, which held seven meetings during 2006, presently consists of Robert R. Waller, chair, David J. Cooper, Sr., Ronald L. Kuehn, Jr., Charles D. McCrary, Jorge M. Perez, and Malcolm Portera.

The role of the Committee is to propose nominees for the Regions' Board of Directors including the current nominees for election at the annual meeting. The Committee also is responsible for reviewing, revising and maintaining the corporate governance policies and procedures of Regions, and for coordinating and overseeing the annual self-evaluation process of the Board and each committee. The members of the Committee are independent in accordance with the applicable director independence requirements of the New York Stock Exchange listing standards.

#### ***Risk Committee***

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The Risk Committee, which held four meetings during 2006, presently consists of Earnest W. Deavenport, Jr., chair, Samuel W. Bartholomew, Jr., James W. Malone and Spence L. Wilson.

The role of the Committee is to assist the Board in overseeing, and receiving information regarding, Regions' policies, procedures and practices relating to asset and liability management, and credit, market, and operational risk.

### *Compensation Committee*

The Compensation Committee, which held 13 meetings during 2006, presently consists of Claude B. Nielsen, chair, George W. Bryan, Earnest W. Deavenport, Jr., Martha R. Ingram, Susan W. Matlock, and Lee J. Styslinger III. The members of the Committee are independent in accordance with the applicable director independence requirements of the New York Stock Exchange listing standards.

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For a description of the organization and operation of the Compensation Committee, see the Compensation Discussion and Analysis section of this proxy statement.

### ***Audit Committee Financial Experts***

The Board of Directors believes that the following members of the Audit Committee qualify as Audit Committee Financial Experts within the meaning of the rules of the SEC and have accounting or related financial management expertise under the rules of the New York Stock Exchange: Messrs. DeFosset, McCrary, Roberts and Witt. In addition, all Audit Committee members are financially literate, as required by New York Stock Exchange listing standards.

### ***Accounting or Audit-Related Complaints***

The Audit Committee has established procedures for the receipt, retention, and evaluation of complaints and submissions concerning accounting and audit related matters, the features of which include insulation from management, safeguards for protecting anonymity and confidentiality of employee submissions, alternative methods for submissions, dedication of resources for investigations, and the recording and preservation of findings. The procedures are administered by the Audit Committee and a limited number of individuals in Regions corporate security, risk, legal, and internal audit areas. Regions has effectively notified its employees that the procedures are in place and how to direct a complaint or submission. Any interested party may communicate concerns regarding accounting, internal accounting controls, or auditing matters directly to the attention of the Audit Committee as follows:

Regions Financial Corporation

Attention: Audit Committee Chairman

c/o Office of General Counsel

P.O. Box 11007

Birmingham, Alabama 35288

### **Director Nomination Process**

The Nominating and Corporate Governance Committee is charged with identifying and reviewing individuals believed to be qualified to become board members for recommendation to the Board. The Committee will consider and assess candidates consistent with criteria established by the Board and set forth in Regions declaration of corporate governance principles. The Committee will consider all pertinent issues and factors bearing on the qualifications of candidates in light of such criteria.

Regions Corporate Governance Principles affirm that the Board seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of

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responsibility, be leaders in the companies or institutions with which they are affiliated, and be selected based upon contributions they can make to the Board and management regardless of gender or race.

**Regions** By-laws provide that a stockholder may nominate a candidate for Director and establish the procedures and requirements for such a nomination. In general, a stockholder must submit to Regions' corporate secretary a notice of the nomination not less than 120 days prior to the anniversary date of the previous year's annual meeting. The notice must be accompanied by all information relating to each nominee that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act and Rule 14a-11 thereunder, including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected.

It is the current policy and practice of the Committee to evaluate any qualified candidate for Director under the applicable criteria without regard to the source of the recommendation of the candidate. A stockholder who desires to recommend a candidate for Director should follow the procedure set forth in Regions' By-laws as described above.

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All of the nominees for Directors being voted upon at the annual meeting are Directors standing for re-election.

### **Director Attendance**

In 2006, all incumbent Directors attended at least 75% of the aggregate of the meetings held by the Board and by Committees of which they were members.

### **Director Attendance at the Annual Meeting**

It is Regions' policy that Directors attend the annual meeting of stockholders. All Directors except two former Directors, Messrs. James E. Harwood and Michael S. Starnes, attended Regions' 2006 annual meeting.

### **Meetings of Nonmanagement Directors**

Regions' nonmanagement Directors met eight times in 2006 in executive session without any management Directors present. The chair of the Nominating and Corporate Governance Committee, Robert R. Waller, presided over these executive sessions, and he presides over periodic meetings of the independent Directors in executive session.

### **Director Independence**

The Board has established categorical standards of director independence to assist it in making the determination whether a Director is independent and in assessing the materiality of the Director's relationship with Regions. These standards will be periodically reviewed and may be amended from time to time. The current categorical standards are set forth in Appendix A to this proxy statement.

The Board of Directors has reviewed the relationships between Directors and Regions in light of the applicable independence standards of the New York Stock Exchange and the categorical standards. The purpose of the review was to determine whether any Director, either directly or indirectly, has a material relationship with Regions that would preclude the Director from being independent. As a result of the review, the Board has affirmatively determined that each Director is an independent director, other than Jackson W. Moore, Allen B. Morgan, Jr. and C. Dowd Ritter, who are executive officers or former executive officers of Regions and/or its subsidiaries; Spence L. Wilson, who is the brother-in-law of Jackson W. Moore; and Samuel W. Bartholomew, Jr., who is a partner in the law firm of Adams and Reese/Stokes Bartholomew LLP, which Regions engages for the performance of legal services and proposes to engage in the future.

The Directors named as follows have been determined by the Board of Directors to be independent.

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George W. Bryan

David J. Cooper, Sr.

Earnest W. Deavenport, Jr.

Don DeFossett

Martha R. Ingram

Ronald L. Kuehn, Jr.

James R. Malone

Susan W. Matlock

Charles D. McCrary

Claude B. Nielsen

Jorge M. Perez

Malcolm Portera

John R. Roberts

Lee J. Styslinger III

Robert R. Waller

Harry W. Witt

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In the process of evaluating the independence of these Directors, the Board considered all relevant factors, facts and circumstances. Specifically, the Board considered the following:

All of the Directors, either individually or through an affiliated entity, have a customer relationship with Regions in the ordinary course of business, on terms and conditions not more favorable than those afforded by Regions to other similarly situated customers.

Directors Bryan, Cooper, Deavenport, Ingram, Kuehn, Malone, Matlock, McCrary, Nielsen, Perez, Roberts, and Styslinger, either individually or through an affiliated entity, have a borrower relationship with Regions on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans by Regions to unrelated persons, and involving no more than the normal risk of collectibility and no other unfavorable features.

Directors Ingram, Malone, Matlock, McCrary, Nielsen, Perez, Portera, Roberts, Styslinger, Waller and Witt serve in a leadership position with a charitable organization to which Regions made charitable contributions of less than the greater of \$1,000,000 or 2% of such organization's consolidated gross revenues in any of 2004, 2005 or 2006.

Mr. Cooper's nephew serves on Regions' local advisory board in Mobile, Alabama and his son-in-law is a nonexecutive employee of Morgan Keegan & Company, Inc.

Until May 2006, Ms. Matlock served on Regions' local advisory board in Birmingham, Alabama.

Mr. Nielsen's son is a nonexecutive employee of Regions Bank.

Until May 2005, a former executive officer of Regions was a member of the board of directors of Altec, Inc., while Mr. Styslinger was (and remains) Altec's chief executive officer.

In each case the Board concluded, in light of the applicable independence standards of the New York Stock Exchange and the categorical standards, that the transaction or relationship does not rise to the level such that it could reasonably be deemed to impair the Director's exercise of independent judgment and autonomy in carrying out the duties and responsibilities of a Director.

Of the former directors who served during part of 2006, the following named Directors were deemed independent: James S.M. French, Margaret H. Greene, James E. Harwood, Parnell S. Lewis, Jr., Michael S. Starnes, W. Woodrow Stewart, Richard A. Trippeer, Jr., and John H. Watson. In early 2006, the Board of Directors found them to be independent based on the then current categorical standards of director independence, New York Stock Exchange listing standards, and consideration of the relevant circumstances.

## **Review, Approval or Ratification of Transactions with Related Persons**

In December 2006, the Board of Directors adopted a written related persons transactions policy. This policy, which is in process of being implemented, provides a mechanism for the identification, evaluation, and approval or disapproval of significant transactions involving Regions and persons related to Regions.

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For purposes of the policy, a related person transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which Regions was, is or will be a participant and the amount involved exceeds \$120,000, and in which any related person had, has or will have a direct or indirect material interest. The category of related persons consists generally of Regions' Directors and executive officers, their immediate family members, and entities in which any of the foregoing persons is a partner, principal, or 5% or greater beneficial owner. Certain types of transactions are excluded from the category of related persons transactions and are not subject to the policy. For example, a related person transaction does not include any transaction that involves services of a public utility at rates or charges fixed in conformity with law or governmental authority.

Each Director and executive officer will provide to the corporate secretary and periodically update the identification of his or her immediate family members and additional information elicited for administration of the policy. The corporate secretary will maintain a master list of related persons, and distribute it to the heads of various units within Regions and to the areas of accounts payable and accounts receivable, who will use the information to identify potential related person transactions and to effectuate the policy.

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Any related person transaction will be subject to either advance notification procedures (if identified in advance) or ratification procedures. In either case, the related person must provide to the corporate secretary notice of the facts and circumstances of the transaction, including (1) the related person's relationship to Regions and the person's interest in the transaction; (2) the significant facts of the potential transaction, including the proposed aggregate value of the transaction; (3) the benefits to Regions of the potential transaction; (4) if applicable, the availability of other sources of comparable products or services; (5) an assessment of whether the potential transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally; and (6) an assessment of whether the potential related person transaction is consistent with the code of business conduct.

The corporate secretary and general counsel will assess whether the transaction is subject to the policy. If it is determined that the transaction is a related person transaction, it will be submitted to the Nominating and Corporate Governance Committee for consideration at the next Committee meeting or, if it is not practicable to wait until the next Committee meeting, to the Committee's chairman for prompt consideration.

The Committee or the chairman will consider the relevant facts and circumstances of the related party transaction, including but not limited to: (1) the benefits to Regions; (2) the impact on a Director's independence in the event the related person is a Director, an immediate family member of a Director or an entity in which a Director is a partner, stockholder or executive officer; (3) the availability of other sources for comparable products or services; (4) the terms of the transaction; (5) the terms available to unrelated third parties or to employees generally; and (6) whether the potential related person transaction is consistent with the code of business conduct.

The Committee, or the chairman, is authorized to approve or ratify those related person transactions that are in, or are not inconsistent with, the best interests of Regions and its stockholders, and that are consistent with the code of business conduct, as the Committee or the chairman determines in good faith. Other related person transactions should be disapproved by the Committee, or the chairman, and should not be entered into or continued by Regions.

The Committee or chairman will report the decision to the corporate secretary, who will report the decision to the appropriate Regions personnel.

The policy also grants the Committee the authority to address situations in which a related person transaction subject to the policy is initiated and is disapproved.

## **Communications Between Stockholders and Other Interested Parties and the Board of Directors**

The Board of Directors has adopted Corporate Governance Principles that address key governance matters of importance, such as director qualifications and responsibilities, Board committees, Board operations and Director compensation. The Corporate Governance Principles include a mechanism for stockholders or other interested parties to communicate with the Directors. In particular, any interested party who desires to communicate with nonmanagement Directors of Regions may do so by directing the communication to Regions at the following address:

Regions Financial Corporation

Director Communication

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c/o Office of General Counsel

P.O. Box 11007

Birmingham, Alabama 35288

If confidential treatment is desired, the envelope should be marked Confidential Non-management Director Communication.

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### **Code of Ethics for Senior Financial Officers**

The Board of Directors has adopted a Code of Ethics for Senior Financial Officers that applies to Regions' chief executive officer, chief financial officer, principal accounting officer and controller. It may be found on Regions' website ([www.regions.com](http://www.regions.com)) in the Corporate Governance section of Investor Relations. Regions intends to disclose any amendments or waivers with respect to its Code of Ethics for Senior Financial Officers on its website.

### **Compensation Committee Interlocks and Insider Participation**

Directors who served on Regions' Compensation Committee at any time during 2006 were:

Former members:

James S.M. French

Michael S. Starnes

Current members:

Claude B. Nielsen, chairman

George W. Bryan

Earnest W. Deavenport, Jr.

Martha R. Ingram

Susan W. Matlock

Lee J. Styslinger III

There are no relationships that would create a compensation committee interlock as defined under applicable SEC regulations.

### **Other Transactions**

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Directors and officers of Regions and their associates were customers of, and had transactions with, Regions in the ordinary course of business during 2006; additional transactions may be expected to take place in the ordinary course of business. Included in such transactions are outstanding loans and commitments from Regions Bank, all of which were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectibility or present other unfavorable features.

Regions retained during 2006, and proposes to retain in the future, the law firm of Adams and Reese/Stokes Bartholomew LLP, of which Director Samuel W. Bartholomew, Jr. is a partner. During 2006, Regions or its subsidiaries paid legal fees to such firm in the approximate amount of \$3,290,000. The dollar value of Mr. Bartholomew's interest in the transaction was approximately \$27,000.

Director James R. Malone is and has been a principal of financial and business restructuring and consulting firms. Through his association with these firms, Mr. Malone has occasionally served as an executive officer of companies that retain the firm to assist in their financial restructuring, and as part of the restructuring strategy some of these companies file for bankruptcy. Regions does not believe that Mr. Malone's service as an executive officer with such companies, which arises solely because of his affiliation with the consulting firms, is material to an evaluation of the ability or integrity of Mr. Malone to serve as a Director of Regions.

William D. Ritter, son of President and Chief Executive Officer C. Dowd Ritter, has been employed by Regions since June 1993. He is currently a corporate banking sales manager with compensation in 2006 greater than \$120,000.

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**AUDIT COMMITTEE REPORT**

Regions' audited financial statements at and for the three year period ended December 31, 2006, are included in Regions' Annual Report on Form 10-K for the 2006 fiscal year. Regions, acting through its management and Board of Directors, has the primary responsibility for the financial statements and the reporting process, including the systems of internal accounting controls. Ernst & Young LLP, independent auditors engaged by Regions, are responsible for planning and conducting the annual audit, for expressing an opinion on the conformity of Regions' audited financial statements with U.S. generally accepted accounting principles, and for annually auditing the effectiveness of Regions' internal control over financial reporting and management's assessment of the effectiveness of internal control over financial reporting.

The Audit Committee oversees Regions' financial reporting process on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Committee has reviewed and discussed the audited financial statements with Regions' management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, the clarity of disclosures in the financial statements, and the effectiveness of internal controls over financial reporting.

The Audit Committee has reviewed with Ernst & Young LLP their judgments as to the quality, not just the acceptability, of Regions' accounting principles and such other matters as are required to be discussed with the Committee under auditing standards generally accepted in the United States, including the matters required to be discussed by Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 90, Audit Committee Communications.

The Audit Committee has discussed with Ernst & Young LLP their independence in relation to Regions and Regions' management, including the matters addressed in the written disclosures and letter provided to Regions by Ernst & Young, as required by Standard No. 1, Independence Discussions with Audit Committees, of the Independence Standards Board, the standard-setting body governing the independence of auditors in relation to their public company clients.

The Audit Committee has discussed with Regions' internal auditors and Ernst & Young LLP the overall scope and plans for their respective audits. The Committee regularly meets with Regions' internal auditors and Ernst & Young, with and without management present, to discuss the results of their examinations, their evaluations of Regions' internal accounting and financial reporting controls, and the overall quality of Regions' financial reporting.

In reliance on the reviews and discussions referred to above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee Charter, the Committee approved including the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee:

Harry W. Witt, Chairman

Don DeFosset

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Ronald L. Kuehn, Jr.

Charles D. McCrary

John R. Roberts

Lee J. Styslinger III

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**EXECUTIVE AND DIRECTOR COMPENSATION DISCLOSURE**

**[To be included in definitive proxy materials]**

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**PROPOSAL 2 RATIFICATION OF SELECTION OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**General**

The Audit Committee has selected Ernst & Young LLP as Regions' independent auditors for the 2007 fiscal year. The Board of Directors recommends that the stockholders ratify the selection of Ernst & Young. Ernst & Young (or its predecessor) has served as Regions' independent auditors since 1971. In the event the selection is not ratified by a majority of votes represented at the annual meeting in person or by proxy, it is anticipated that no change in auditors would be made for the current year because of the difficulty and expense of making any change in the middle of the current year, but the vote would be considered in connection with the engagement of independent auditors for 2008.

Ernst & Young LLP has been engaged to provide auditing services and also to provide tax services and general accounting advice. In making this selection, the Audit Committee considered whether the engagement by Regions of Ernst & Young for services other than audit services is compatible with Ernst & Young's independence.

Ernst & Young LLP served as Regions' independent auditors for the year ended December 31, 2006, and a representative of the firm will be present at the stockholders' meeting to make a statement if he or she so desires and to respond to appropriate questions from stockholders.

**Fees**

The aggregate fees paid to Ernst & Young LLP by Regions during 2006 and 2005 are set forth in the following table:

	<b>2006</b>	<b>2005</b>
Audit fees(1)	\$ 3,720,250	\$ 2,440,000
Audit related fees(2)	1,054,500	789,000
Tax fees(3)	903,950	1,099,000
All other fees(4)	136,000	396,000
<b>Total fees</b>	<b>\$ 5,814,700</b>	<b>\$ 4,724,000</b>

- (1) Audit fees included fees associated with the annual audit of Regions' consolidated financial statements and internal control over financial reporting, reviews of Regions' quarterly reports on Form 10-Q, SEC regulatory filings, and statutory audits of certain of Regions' subsidiaries.
- (2) Audit related fees primarily included accounting consultation, assistance with securitizations or other accounting transactions, SAS 70 internal control reports, and audits of employee benefit plans and funds.

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- (3) Tax fees included tax compliance services and tax advice and planning assistance.
- (4) All other fees included primarily assistance with cash management services and human resources services. No financial information systems implementation and design services were rendered by Ernst & Young during 2006 or 2005.

In accordance with the Audit Committee Charter, the Audit Committee must preapprove any engagement of Ernst & Young LLP for audit or nonaudit services. The Audit Committee has delegated to its chairperson the authority to preapprove permissible nonaudit services, provided the anticipated fee for such service does not exceed \$50,000. Any such approval of nonaudit services pursuant to this delegation of the full Audit Committee's authority must be presented to the Audit Committee at its next regular meeting.

**The Board recommends you vote FOR proposal number 2. Proxies solicited by the Board will be voted FOR this proposal unless otherwise instructed on the proxy card.**

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**PROPOSAL 3 AMEND REGIONS AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS**

The Board of Directors recommends approval of an amendment to Regions' Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") that would provide for the phased elimination of Regions' classified Board of Directors (the "Declassification Amendment"). Currently, Directors of Regions are elected for staggered terms of three years. If the Declassification Amendment is approved, commencing with the Board's Class I Directors standing for election at the 2008 annual meeting, Directors will stand for election for one year terms, expiring at the next succeeding annual meeting of stockholders. The Board's Class II Directors and the Class III Directors (who are standing for election at this year's annual meeting) will continue to hold office until the end of the terms for which they are elected and will stand for election for one year terms thereafter. Accordingly, Class II Directors will continue to serve for the term expiring at the annual meeting of stockholders in 2009 and Class III Directors, upon election, will serve for the term expiring at the annual meeting of stockholders to be held in 2010. Commencing in 2010, all Directors will be elected on an annual basis. In all cases, each Director will hold office until his or her successor has been elected and qualified or until the Director's earlier resignation or removal, and vacancies that occur during the year will be filled by the Board of Directors to serve until the next annual meeting, regardless of the term of such Director's predecessor.

**Background**

Regions' current classified board structure, in which Directors are divided into three classes serving staggered three-year terms, was included in the Certificate of Incorporation approved by stockholders in connection with the combination of Regions and Union Planters in 2004. The classified board structure was again approved by stockholders in connection with Regions' merger with AmSouth Bancorporation in 2006. At the 2006 annual meeting of stockholders, a stockholder of Regions, Gerald R. Armstrong, submitted a stockholder proposal requesting the Board take steps to declassify the election of Directors, provided that such declassification is phased in so that it does not affect the unexpired terms of the previously elected Directors (the "Armstrong Proposal"). The Armstrong Proposal received support from a majority of the votes cast at the 2006 annual meeting.

In light of stockholder support for the Armstrong Proposal and current investor expectations regarding corporate governance, the Board and its Nominating and Corporate Governance Committee have reconsidered the merits of retaining a classified board. In conducting its evaluation, the Board considered that the general purposes of the classified board are to promote stability and continuity in the work of the Board and provide the Board with a greater opportunity to protect the interests of stockholders in the event of an unsolicited takeover offer. The Board also considered the corporate governance trend towards annual election of directors, as well as the view of many corporate governance experts and institutional stockholders that a classified board has the effect of insulating directors from a corporation's stockholders. The Board of Directors, after careful consideration, and upon the recommendation of the Nominating and Corporate Governance Committee, has determined that it is appropriate to propose declassifying the Board over a phase in period, commencing with the 2008 annual meeting.

**The Declassification Amendment and Ancillary Changes**

If the Declassification Amendment is approved, Regions' Certificate of Incorporation will be amended to eliminate the classification of the Board in the manner noted above and to make certain ancillary changes to the Certificate of Incorporation, as well as the By-laws, to reflect the absence of a classified Board, as follows:

The present Certificate of Incorporation contains supermajority stockholder voting requirements providing that the affirmative vote of at least 75% of the outstanding shares entitled to vote generally in the election of directors is required to amend the provisions of the Certificate of

Incorporation establishing the classified board

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structure. The Declassification Amendment would remove the supermajority voting requirements applicable to the classification of the Board in order that, if stockholders in the future wish to reestablish a classified Board, such reestablishment would need the affirmative vote of only a majority of the outstanding shares. The Board would adopt corresponding amendments to Regions By-laws and Corporate Governance Principles.

Currently, Regions Certificate of Incorporation permits the removal of Directors only for cause (as contemplated by Delaware law for corporations with classified boards) and generally requires the affirmative vote of at least 75% of the outstanding shares entitled to vote generally in the election of directors to effect such removal. Upon adoption of the Declassification Amendment, these requirements would continue to apply to all Directors serving terms to which they were elected at or prior to the 2007 annual meeting until the completion of their current terms and, consistent with Delaware law for corporations without classified boards, Directors elected at the annual meeting of stockholders in 2008 and thereafter will be removable with or without cause upon the affirmative vote of a majority of the outstanding shares entitled to vote generally in the election of directors.

Appendix C shows the proposed changes to the relevant sections of Article Seventh and Article Twelfth of the Certificate of Incorporation resulting from the proposed amendments, with deletions indicated by strike-outs and additions indicated by underlining.

## **Vote Required**

For the Declassification Amendment to become effective, it must receive the affirmative vote of at least 75% of the outstanding shares entitled to vote generally in the election of directors. The Board has already provisionally approved the corresponding amendments to Regions By-laws and Corporate Governance Principles discussed above, subject to stockholder approval of the Declassification Amendment.

If the Declassification Amendment is not approved by Regions stockholders, the present classification of the Board of Directors will continue, and the Class I Directors standing for election at the 2008 annual meeting will be elected to three-year terms expiring at the annual meeting of stockholders in 2011.

**The Board recommends you vote FOR proposal number 3. Proxies solicited by the Board will be voted FOR this proposal unless otherwise instructed on the proxy card.**

## **PROPOSALS OF STOCKHOLDERS**

Proposals by stockholders intended to be presented at Regions 2008 annual meeting of stockholders must be received by Regions not later than November 20, 2007, for consideration for possible inclusion in the proxy statement relating to that meeting.

The By-laws of Regions include provisions requiring advance notice of a stockholder's nomination of members of the Board of Directors. To be timely such notice must be received by Regions not less than 120 days before the date of the previous year's proxy statement, or November 20, 2007, in the case of the 2008 annual meeting of stockholders. If no annual meeting was held the previous year and in any year in which the date

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of the annual meeting is moved by more than 30 days from the date of the previous year's annual meeting, the notice will be considered timely if received not less than 120 days before the date of the annual meeting or by the 10th day following the day on which public disclosure of the annual meeting date was made. The Board of Directors of Regions is not required to nominate in the annual proxy statement any person so proposed.

The procedure for submitting a stockholder proposal is generally the same as for submitting stockholder nominations.

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**OTHER BUSINESS**

Regions does not know of any business to be presented for action at the meeting other than those items listed in the notice of the meeting and referred to herein. If any other matters properly come before the meeting or any adjournment thereof, it is intended that the proxies will be voted in respect thereof in accordance with the recommendations of the Board of Directors.

By Order of the Board of Directors

John D. Buchanan  
Corporate Secretary

Dated March 19, 2007

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**APPENDIX A**

**REGIONS FINANCIAL CORPORATION**

**CATEGORICAL STANDARDS OF DIRECTOR INDEPENDENCE**

In accordance with New York Stock Exchange ( NYSE ) listing standards, Regions will assure that a majority of its directors are independent. In assessing and disclosing director independence, Regions uses the concepts of independence embodied in the NYSE listing standards. The Board of Directors bears the ultimate responsibility for determining whether each member of Regions Board is independent. For a Director to be deemed independent, the Board must determine that the director has no direct or indirect material relationship with Regions apart from service as a director.

The Board has established categorical standards to assist it in making the determination whether a Director is independent and in assessing the materiality of the Director's relationships with Regions. These standards will be periodically reviewed and may be amended from time to time. The current categorical standards are set forth as follows. For purposes of the categorical standards and with respect to the look-back aspects of the standards, Regions refers to Regions Financial Corporation, its predecessor companies former Regions Financial Corporation, Union Planters Corporation, and AmSouth Bancorporation, and their respective subsidiaries.

**Group I Relationships that preclude a director's independence**

Section 303A.02 (b) of the NYSE Listed Company Manual specifies circumstances that, if existing with respect to a director, preclude that director's independence. These independence standards are as follows:

The director is, or has been within the last three years, an employee of Regions, or an immediate family member is, or has been within the last three years, an executive officer, of Regions.

The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from Regions, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

The director or an immediate family member is a current partner of a firm that is the company's internal or external auditor; or the director is a current employee of such a firm; or the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Regions' audit within that time.

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of Regions' present executive officers at the same time serves or served on that company's compensation committee.

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The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, Regions for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

If any of the foregoing circumstances exists with respect to a director, the director is not independent. The foregoing criteria will be interpreted and applied in accordance with existing and any future commentary and guidance provided by NYSE in connection with section 303A of the Listed Company Manual.

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### **Group II Relationships deemed not material for purposes of director independence**

The relationships described as follows are considered not to be material so as to impair a director's independence:

The relationship is that of a customer of Regions in the ordinary course of business, on terms and conditions not more favorable than those afforded to other similarly situated customers. If such customer relationship is that of borrower from Regions Bank, the loan must comply with Regulation O promulgated by the Federal Reserve Board, that is, the loan must be made by the bank on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and must not involve more than the normal risk of collectibility or present other unfavorable features.

The relationship is that of doing business with Regions and the annual payments to or from Regions in any year do not exceed the greater of \$500,000 or 1% of the annual revenue of the other company for its most recently completed fiscal year. Payments of principal and interest on any loan that is subject to and complies with Regulation O, and payments made to a public utility at rates or charges fixed in conformity with law or governmental authority are not considered to create a material relationship and will not be included in calculating such materiality threshold.

The relationship is that of partner, member, officer such as a managing director occupying a comparable position, or executive officer of a services firm that provides accounting, consulting, legal, investment banking or financial advisory services to Regions and the annual payments to such firm from Regions do not exceed the greater of \$500,000 or 1% of the annual revenue of the firm for its most recently completed fiscal year.

The relationship is that of executive officer, director, or trustee of a tax-exempt organization and Regions' charitable contributions to the organization, if any, did not exceed the greater of \$1 million or 2% of the organization's consolidated gross revenues in any of the preceding three fiscal years. Contributions made to any such organization pursuant to a matching gift program maintained by Regions are not considered to be a material relationship and will not be included in calculating such materiality threshold.

A director whose independence is not precluded by the Group I standards is deemed to be independent if any and every relationship of the director with Regions satisfies the above criteria in Group II. In addition, any relationship that involves Regions and a member of the director's immediate family, or any entity with which the director is affiliated, and that satisfies the above Group II criteria is deemed not to be material so as to impair the director's independence.

### **Other relationships**

The board will separately consider the materiality of any direct or indirect relationship of a director with Regions that is not within the categories described in Group I and Group II. A director that has such a relationship will be considered independent only if the board affirmatively determines, on the basis of the particular facts and circumstances, that the relationship will not impair the director's exercise of independent judgment or compromise the oversight role that an independent director of Regions is expected to perform.

### **Audit committee member independence**

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Members of the Audit Committee of the Board are subject to heightened standards of independence, as provided for in the Securities Exchange Act of 1934, the rules promulgated by the SEC thereunder, the Sarbanes-Oxley Act of 2002, and the audit committee charter.

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**APPENDIX B**

**REGIONS FINANCIAL CORPORATION**

**AUDIT COMMITTEE CHARTER**

**Purpose**

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Regions Financial Corporation (the "Company") to assist and advise the Board in monitoring (a) the integrity of the Company's financial statements and the financial reporting process, including matters relating to internal accounting and financial controls, (b) the independent auditor's qualifications and independence, (c) the performance of the Company's internal audit function and independent auditors, and (d) the Company's compliance with legal and regulatory requirements. The Committee shall prepare the report required by the rules of the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement.

**Committee Membership**

1. The Committee shall consist of a minimum of three (3) outside members of the Board. Each Committee member shall (a) meet the independence requirements of the SEC, the New York Stock Exchange ("NYSE"), the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and other applicable laws, rules and regulations governing independence, as determined by the Board in its business judgment; (b) qualify as "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (c) satisfy the requirements as an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code; and (d) otherwise satisfy requirements as the Board determines appropriate. Determinations of independence shall be made by the Board as the Board interprets such qualifications in its business judgment and in accordance with applicable laws and regulations and SEC and NYSE rules and standards. Each member shall also be financially literate, as such qualification is interpreted by the Board in its business judgment. At least one member of the Committee shall be an "audit committee financial expert" as defined by the SEC. Committee members may not simultaneously serve on the audit committees of more than two other public companies.
2. The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee. Audit Committee members may be replaced by the Board.
3. The Board shall designate a Chairperson for the Committee. In the absence of the Chairperson at any meeting of the Committee, the members of the Committee may designate an acting chairperson by majority vote.

**Committee Meetings and Structure**

1. The Committee shall meet at least quarterly or more frequently if the Committee deems necessary. The Committee shall meet, at least quarterly, separately with management, the senior internal auditing executive and the independent auditor, and have such other

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direct and independent interaction with such persons (or such other persons) from time to time as the members of the Committee or any of such identified persons deem appropriate. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

2. To the extent permitted under applicable law and regulation, the Committee may form and delegate to one or more subcommittees all or a portion of the Committee's authority, duties and responsibilities. The Committee also may establish such rules as it determines necessary or appropriate for its business.

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### **Committee Authority and Responsibilities**

In furtherance of its purpose set forth above, the Committee shall have the following responsibilities:

1. The Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification). The independent auditor shall report directly to the Committee. The Committee shall be responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
2. The Committee shall pre-approve all auditing services, internal control-related services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Committee prior to the completion of the audit. The Chairperson may grant pre-approvals of audit and permitted non-audit services, provided that decisions of the Chairperson to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.
3. The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee, and for payment of ordinary administrative expenses of the Committee.
4. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall report regularly to the Board and review any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, effectiveness of internal controls, the performance and independence of the Company's independent auditor, or the performance of the internal audit function. The Committee shall annually review the Committee's own performance.
5. Notwithstanding the Board's allocation of oversight responsibilities of risks and risk management to the Risk Committee, the Audit Committee shall discuss in general the guidelines and policies by which risk assessment and risk management is undertaken with respect to the Company's major financial risk exposures.
6. Review and discuss financial statement and disclosure matters, including:
  - a. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
  - b. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements and disclosures made in management's discussion and analysis.
  - c. Discuss with management, the internal auditors and the independent auditor (1) significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles and (2) any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.

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- d. Review and discuss with management, the senior internal auditing executive and the independent auditor the Company's internal controls report and the independent auditor's attestation of the report prior to the filing of the Company's Form 10-K. Such reports include those required by Section 112 of FDICIA.
7. Review and discuss quarterly reports from the independent auditors, including:
  - a. All critical accounting policies and practices to be used.
  - b. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
  - c. Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
8. Discuss with management the Company's earnings press releases, including the use of pro forma or adjusted non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. This may be done generally, and the Committee does not have to discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.
9. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
10. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
11. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, as amended by SAS 90, relating to the conduct of the audit, including any problems or difficulties encountered in the course of the audit work, management's response to such problems or difficulties, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
12. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
13. Oversight of the Company's relationship with the Independent Auditor, including:
  - a. Review and evaluate annually the qualifications, performance and independence of the lead partner of the independent auditor team.
  - b. Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities (such as the Public Company Accounting Oversight Board) within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, (d) any material issues on which the national office of the independent

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auditor was consulted by the Company's audit team and (e) all relationships between the independent auditor and the Company, including the matters set forth in the letter provided by the independent auditor pursuant to Independence

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Standards Board Standard No. 1, to enable the Committee to assess the independent auditor's independence. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and internal auditors. The Committee shall present its conclusions with respect to the independent auditor to the Board.

- c. Ensure the rotation of the lead audit partners having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- d. Monitor compliance with the hiring policy with regard to the independent auditors. The policy is that the Company will not hire any employee or former employee of the independent auditors if such hiring would cause the independent auditors to cease being independent under applicable laws and regulations and SEC, FDICIA and NYSE rules and standards.
- e. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.
- f. Ensure that the Company's independent auditors share with the Committee all material written communications between the independent auditors and management.

### 14. Oversight of the Company's Internal Audit function, including:

- a. Review and approve management's appointment and replacement of the senior internal auditing executive. Discuss with management the performance and compensation of the senior internal auditing executive on an annual basis.
- b. Review the significant reports to management prepared by the internal auditing division and management's responses.
- c. Review the general scope of planned internal audit activities and changes therein and periodically determine that the planned activities are (i) in accordance with professional standards, (ii) sufficiently broad in scope and responsive to the Company's internal control needs, and (iii) executed in a timely manner.
- d. Review the internal audit division's responsibilities, independence, budget, and staffing.

### 15. Compliance Oversight responsibilities, including:

- a. Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act has not been implicated.
- b. Discuss with management, the Company's process for ensuring compliance with applicable laws, regulations, the Company's Code of Business Conduct and Ethics and the Code of Conduct for Senior Financial Officers. Discuss with management and the senior internal auditing executive whether there have been any violations of such laws, regulations and codes of conduct that could materially impact the Company's financial statements. Review controls over reports and disclosures of insider and affiliated party transactions.
- c. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

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- d. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
- e. Discuss with the Company's General Counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.

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### **Oversight Role of the Committee**

Although the Committee has the duties and responsibilities set forth herein, the function of the Committee is oversight. Management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements and for the effectiveness of internal controls over financial reporting. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies, as well as internal controls and procedures designed to provide reasonable assurance of compliance with accounting standards and related laws and regulations. The internal audit division is responsible for providing reliable and timely information to the Committee and senior management concerning the quality and effectiveness of, and the level of adherence to, the Company's control and compliance procedures and risk management systems. The independent auditor is responsible for planning and carrying out an audit in accordance with generally accepted auditing standards, reviewing the Company's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and attesting to management's assertion of the effectiveness of internal control over financial reporting.

In fulfilling their duties and responsibilities set forth herein, it is recognized that members of the Committee are not employees of the Company and can devote only a limited portion of their time to Committee duties, and even though one or more may be designated as an audit committee financial expert as defined in rules of the SEC, members of the Committee are not, and do not represent themselves to be, performing the functions of accountants or auditors, or providing expert or special assurance as to the Company's financial statements. Moreover, it is not the duty or responsibility of the Committee or its members to plan or conduct audits, to conduct field work or other types of auditing or accounting reviews and procedures, to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles, or to set auditor independence standards.

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**APPENDIX C**

**PROPOSED AMENDMENTS TO REGIONS AMENDED AND RESTATED**

**CERTIFICATE OF INCORPORATION REGARDING DECLASSIFICATION OF THE BOARD DIRECTORS**

Article Seventh paragraph (5) of the Certificate of Incorporation is hereby amended, to read in its entirety as set forth below:

(5) To fix the number of Directors which shall constitute the whole Board, subject to the following:

(a) The number of Directors constituting the entire Board shall be fixed from time to time by vote of a majority of the entire Board except as may be otherwise provided in the By-Laws of the corporation, provided, however, that the number of Directors shall not be reduced so as to shorten the term of any Director at the time in office.

~~(b) At the annual meeting of stockholders that is held in calendar year 2007, the successors of the directors whose terms expire at that meeting shall be elected for a term expiring at the annual meeting of stockholders that is held in calendar year 2010 and until such directors' successors shall have been elected and qualified. Commencing at the annual meeting of stockholders that is held in calendar year 2008, directors shall be elected annually for terms of one year, except that any director in office at the 2008 annual meeting whose term expires at the annual meeting of directors held in calendar year 2009 or 2010 (a Continuing Classified Director) shall continue to hold office until the end of the term for which such director was elected and until such director's successor shall have been elected and qualified. At each annual meeting of stockholders thereafter, all directors shall be elected for terms expiring at the next annual meeting of stockholders and until such directors' successors shall have been elected and qualified. The Board of Directors shall be divided into three classes, as nearly equal in numbers as the then total number of Directors constituting the entire Board permits with the term of office of one class expiring each year. Directors of the first class shall hold office for a term expiring at the 2005 annual meeting. Directors of the second class shall hold office for a term expiring at the 2006 annual meeting and Directors of the third class shall hold office for a term expiring at the 2007 annual meeting. Except as otherwise provided in the By-Laws of the corporation, any vacancies in the Board of Directors for any reason, and any created directorships resulting from any increase in the number of Directors may be filled by the Board of Directors, acting by a majority of Directors then in office, although less than a quorum. Any directors so chosen shall hold office until the end of the term to which such directors' predecessors were elected next succeeding election of the class for which such Directors shall have been chosen and until their successors shall be elected and qualified. No decrease in the number of Directors shall shorten the term of any incumbent Director. Subject to the foregoing, at each annual meeting of stockholders the successors to the class of Directors whose term shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting.~~

(c) Notwithstanding any other provisions of this certificate of incorporation or the By-Laws of the corporation (and notwithstanding the fact that some lesser percentage may be specified by law, this certificate of incorporation or the By-Laws of the corporation), any Director or the entire Board of Directors of the corporation may be removed at any time, ~~with or without cause but only for cause and~~ only by the affirmative vote of the holders of ~~a majority~~ 75% or more of the outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders called for that purpose; provided however, that Continuing Classified Directors may be removed at any time, but only for cause and only by the affirmative vote of the holders of 75% or more of the outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders called for that purpose.

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(d) In the event that the holders of any class or series of stock of the corporation shall be entitled, voting separately as a class, to elect any directors of the corporation, then the number of directors that may be elected by such holders shall be in addition to the number fixed pursuant to the By-Laws and, except as otherwise expressly

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provided in the terms of such class or series, the terms of the directors elected by such holders shall expire at the annual meeting of stockholders next succeeding their election ~~without regard to the classification of the remaining directors.~~

Article Twelfth of the Certificate of Incorporation is hereby amended, to read in its entirety as set forth below:

The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

As provided in Article Seventh, paragraph (1), the Board of Directors is expressly authorized to make, alter or repeal By-Laws of the corporation by a vote of a majority of the entire Board except as otherwise provided in the By-Laws; and the stockholders may make, alter or repeal any By-Laws whether or not adopted by them, provided however, that any such additional By-Laws, alterations or repeal by the stockholders may be adopted only by the affirmative vote of the holders of 75% or more of the outstanding shares of capital stock of the corporation entitled to vote generally in the election of Directors (considered for this purpose as one class) at a meeting of stockholders called for such purpose.

Notwithstanding any other provision of this certificate of incorporation or the By-Laws of the corporation (and in addition to any other vote that may be required by law, this certificate of incorporation or the By-Laws) the affirmative vote of the holders of at least 75% of the outstanding shares of the capital stock of the corporation entitled to vote generally in the election of Directors (considered for this purpose as one class) shall be required to amend, alter or repeal or adopt any provision inconsistent with Article Seventh paragraph (5), Article Seventh paragraph (5)(a), Article Seventh paragraph (5)(d), Article Seventh paragraph (6), Article Ninth, Article Tenth or Article Twelfth of the certificate of incorporation.

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***PROXY - REGIONS FINANCIAL CORPORATION***

***P.O. BOX 11007***

***BIRMINGHAM, AL 35288***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER**

**COMMUNICATIONS**

If you would like to reduce the costs incurred by Regions Financial Corporation in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Regions Financial Corporation, c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

RFCOR1

KEEP THIS PORTION FOR YOUR RECORDS

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DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**REGIONS FINANCIAL CORPORATION**

**The Board of Directors unanimously  
recommends a vote FOR Proposals 1, 2, and  
3.**

**DIRECTORS PROPOSALS -**

<b>DIRECTORS RECOMMEND A VOTE FOR</b>	↓	<b>DIRECTORS RECOMMEND A VOTE FOR</b>	↓	
<b>Election of Directors</b>				
Proposal 1. Nominees:	<b>For   Against   Abstain</b>		<b>For   Against   Abstain</b>	
1a. Samuel W. Bartholomew, Jr.	"   "   "	1f. Lee J. Styslinger III	"   "   "	
1b. Susan W. Matlock	"   "   "			
1c. Jackson W. Moore	"   "   "			
1d. Allen B. Morgan, Jr.	"   "   "			
1e. John R. Roberts	"   "   "			
				<b>BOARD OF DIRECTORS RECOMMENDS A VOTE FOR</b>
				↓
				<b>For   Against   Abstain</b>
		Proposal 2. Ratification of Selection of Independent Registered Public Accounting Firm	"   "   "	
For address changes and/or comments, please check this box and write them on the back where indicated.	<b>Yes   No</b>	Proposal 3. Declassification Amendment	"   "   "	
Please indicate if you plan to attend this meeting.	"   "			
Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date	

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**REGIONS FINANCIAL CORPORATION**

Annual Meeting of Stockholders

April 19, 2007

11:00 AM Central Time

Birmingham, Alabama

**PROXY CARD**

**REGIONS FINANCIAL CORPORATION**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints John D. Buchanan and Carl L. Gorday, and each of them, proxies with full power of substitution, to vote all of the shares of common stock of Regions Financial Corporation held of record by the undersigned at the Annual Meeting of Stockholders to be held on Thursday, April 19, 2007, and at any adjournments thereof. This card also provides voting instructions for shares held in the Regions Financial Corporation or the AmSouth Bancorporation 401(K) Plans, The Computer Share Investment Plan for Regions Financial Corporation and/or the Directors Stock Investment Plan and held of record by the trustees or agents of such plans. **If no directions are given, the proxies will vote for the election of all nominees and for Proposals 2 and 3. The proxies, in their discretion, are further authorized to vote (i) for the election of a person to the Board of Directors, if any nominee named herein becomes unable or unwilling to serve, and (ii) on any other matter that may properly come before the meeting.**

Please sign exactly as name or names appear(s) on this proxy. When signing as attorney, administrator, trustee, custodian, guardian or corporate officer, give full title. If more than one trustee, all should sign.

**Address Changes/Comments:** \_\_\_\_\_

\_\_\_\_\_

## Edgar Filing: BOINGO WIRELESS INC - Form 10-K

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

(continued, and to be signed, on other side)