Virgin Mobile USA, Inc.
Form DEF 14A
April 07, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

VIRGIN MOBILE USA, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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1) Amount Previously Paid:

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Virgin Mobile USA, Inc.

10 Independence Boulevard

Warren, New Jersey 07059

April 7, 2009

Dear Stockholder,

You are invited to attend the 2009 Annual Meeting of Stockholders of Virgin Mobile USA, Inc., to be held at 9:00 a.m., local time on Wednesday, May 20th, at the Courtyard by Marriott Basking Ridge, 595 Martinsville Road, Basking Ridge, New Jersey 07920.

The annual meeting will begin with a report on our operations, followed by discussion and voting on the matters set forth in the accompanying notice of annual meeting and proxy statement and discussion on other business matters properly brought before the meeting.

Whether or not you plan to attend, I encourage you to ensure that your shares are represented at the meeting by promptly voting and submitting your proxy.

Respectfully,

Thomas O. Ryder

Chairman of the Board of Directors

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Notice of 2009 Annual Meeting of Stockholders

May 20, 2009

The Courtyard by Marriott Basking Ridge

595 Martinsville Road

Basking Ridge, New Jersey 07920

April 7, 2009

To the Stockholders:

The 2009 Annual Meeting of Stockholders of Virgin Mobile USA, Inc. (the Company) will be held at the Courtyard by Marriott Basking Ridge, 595 Martinsville Road, Basking Ridge, New Jersey on May 20, 2009, at 9:00 a.m. local time, to address all matters that may properly come before the meeting. Following a report on Virgin Mobile USA s business operations, stockholders will vote on:

(a) the election of directors to serve for the ensuing year; and

(b) the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2009.

Stockholders of record at the close of business on April 1, 2009 will be entitled to vote at the meeting and any adjournments. This proxy statement and the enclosed form of proxy will be mailed to stockholders on or about April 8, 2009.

Peter Lurie

General Counsel and Corporate Secretary

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Virgin Mobile USA, Inc.

10 Independence Boulevard

Warren, New Jersey 07059

This proxy statement is furnished in connection with the solicitation of proxies by Virgin Mobile USA, Inc. (the Company) on behalf of the board of directors for the 2009 Annual Meeting of Stockholders. Distribution of this proxy statement and a form of proxy to stockholders is scheduled to begin on or about April 7, 2009.

You can ensure that your shares are voted at the meeting by visiting http://www.proxyvote.com, providing the control number included in your notice of the annual meeting and following the instructions posted on that website. You may also vote by mail by requesting a paper copy of the voting materials, which will include a voting instruction form. To request a paper copy of the voting materials, please follow the instructions included in your notice of the annual meeting. Submitting your instructions or proxy by any of these methods will not affect your right to attend the meeting and vote. A stockholder who gives a proxy may revoke it at any time before it is exercised by notifying the inspectors of election in writing of such revocation or by attending and voting at the annual meeting.

QUESTIONS AND ANSWERS ABOUT THIS PROXY

What is a proxy?

A proxy is another person whom you legally designate to vote your stock. If you designate someone as your proxy in a written document, that document also is called a proxy, a proxy card.

What is a proxy statement?

It is a document that SEC regulations require that we give to you when we ask you to give a proxy to vote your stock at the annual meeting.

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the notice of meeting, including the election of directors and the ratification of the selection of the Company s independent registered public accounting firm. Also, management will report on the state of the Company and respond to questions from stockholders.

What is the record date and what does it mean?

The record date for the annual meeting is April 1, 2009. Holders of Virgin Mobile USA, Inc. common stock at the close of business on the record date are entitled to receive notice of the meeting and to vote at the meeting and any adjournments or postponements of the meeting.

Who is entitled to vote at the annual meeting?

Holders of Class A common stock, Class B common stock and Class C common stock at the close of business on the record date may vote at the meeting, as may holders of Series A Preferred Stock.

What are the voting rights of the holders of Virgin Mobile USA, Inc. stock?

On April 1, 2009, 65,019,312 shares of Class A common stock were outstanding and eligible to be voted at the annual meeting. Each outstanding share of Class A common stock will be entitled to one vote on each matter to be voted upon.

There are two shares of Class B common stock outstanding, one held by an affiliate of Sprint Nextel and one held by EarthLink, Inc. Each share of Class B common stock entitles its holder to a number of votes that is

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equal to the total number of shares of Class A common stock for which the partnership units that such holder holds in Virgin Mobile USA, L.P. (the Operating Partnership) are exchangeable into shares of our Class A common stock as of the record date. Based on the number of shares of Class A common stock for which the partnership units held by such holders on April 1, 2009, the two shares of Class B common stock are together entitled to a vote equivalent to 13,865,885 shares of Class A common stock on each matter to be voted upon.

As of April 1, 2009, 115,062 shares of Class C common stock were outstanding, all of which were held by affiliates of the Virgin Group. Each outstanding share of Class C common stock will be entitled to one vote on each matter to be voted upon.

Under the Company s Amended and Restated Certificate of Incorporation, all shares of common stock (including shares of Class A, Class B and Class C common stock) generally vote together as a single class on all matters, subject to certain specified exceptions.

On April 1, 2009, 51,500 shares of our Series A Preferred Stock were outstanding and eligible to be voted at the annual meeting. Each holder of the Series A Preferred Stock has the right to one vote for each share of the Class A common stock into which such share of Series A Preferred Stock is convertible, and with respect to such vote, each such holder has full voting rights and powers equal to the voting rights and powers of the holders of Class A common stock and is entitled to vote together as a single class with holders of Class A common stock. Based on the number of shares of Class A common stock for which the shares of Series A Preferred Stock were convertible as of April 1, 2009, the holders of Series A Preferred Stock were together entitled to a vote equivalent to 6,058,822 shares of Class A common stock on each matter to be voted upon. Each of SK Telecom and the Virgin Group holds 50% of the outstanding shares of our Series A Preferred Stock.

What is the difference between a stockholder of record and a street name holder?

If your shares are registered directly in your name with Mellon Investor Services LLC, the Company s stock transfer agent, you are considered the stockholder of record with respect to those shares.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of these shares, and your shares are held in street name.

How do I vote my shares?

If you are the beneficial owner of our stock, you can give a proxy to be voted at the meeting:

- electronically, using the Internet (by visiting http://www.proxyvote.com, providing the control number included in your notice of the annual meeting and following the instructions posted on that website); or

- by mail, by requesting a paper copy of the materials, which will include a voting instruction form. To request a paper copy of the materials, please follow the instructions included in your notice of the annual meeting.

The Internet voting procedure has been set up for your convenience and has been designed to authenticate your identity, to allow you to give voting instructions and to confirm that those instructions have been recorded properly.

Are votes confidential? Who counts the votes?

The votes of all stockholders will be held in confidence from directors, officers and employees of the Company except: (a) as necessary to meet applicable legal requirements and to assert or defend claims for or

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against the Company; (b) in case of a contested proxy solicitation; (c) if a stockholder submits a written comment or otherwise communicates his or her vote to management; or (d) to allow the independent inspectors of election to certify the results of the vote. We will also retain an independent tabulator to receive and tabulate the proxies and independent inspectors of election to certify the results.

Can I vote my shares in person at the annual meeting?

Yes. If you are a stockholder of record, you may vote your shares at the meeting by completing a ballot at the meeting.

However, if you are a street name holder, you may vote your shares in person only if you obtain a signed proxy from your broker or nominee giving you the right to vote the shares.

Even if you currently plan to attend the meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the meeting.

What are my choices when voting?

In the election of directors, you may vote for all ten of the nominees, or you may vote for one or more nominees and against the remainder, or you may withhold authority to vote for any nominee. The proposal related to the election of directors is described in this proxy statement beginning on page 5.

For the ratification of PricewaterhouseCoopers LLP as the Company s independent registered public account firm for 2009, you may vote for the proposal, against the proposal, or abstain from voting on the proposal. Proposal 2 is described in this proxy statement beginning on page 57.

Proposals 1 and 2 will be presented at the meeting by management.

What are the Board s recommendations?

The board of directors recommends a vote **FOR** all of the nominees for director (Proposal 1) and **FOR** ratifying the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2009 (Proposal 2).

What if I do not specify how I want my shares voted?

If you do not specify when giving your proxy how you want to vote your shares, we will vote them **FOR** all of the nominees for director (Proposal 1) and **FOR** ratifying the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2009 (Proposal 2).

Can I change my vote?

Yes. You can revoke your proxy at any time before it is exercised by submitting written notice of revocation to the Corporate Secretary of the Company or by voting in person at the meeting.

What constitutes a quorum for the Annual Meeting?

The holders of a majority of the voting power of the outstanding shares of common stock as of the close of business on the record date must be present, either in person or represented by proxy, to constitute a quorum necessary to conduct the Annual Meeting. Shares represented by proxies received but marked as abstentions or as withholding voting authority for any or all director nominees will be counted as present at the meeting for purposes of establishing a quorum, as will shares represented by proxies received but reflecting proxies submitted by brokers which do not indicate a vote for some or all of the proposals because the submitting brokers lack discretionary voting authority and have not received instructions as to how to vote on those proposals (so-called broker non-votes).

What percentage of the vote is required for a proposal to be approved?

A majority of the votes that could be cast by stockholders who are either present in person or represented by proxy at the meeting is required to ratify the appointment of PricewaterhouseCoopers LLP as our auditors. A plurality of the votes that could be cast by stockholders who are either present in person or represented by proxy at the meeting is required to elect each of the nominees for director. The votes are computed for each share as described above. The total number of votes that could be cast at the meeting is the number of votes actually cast plus the number of abstentions. Abstentions are counted as shares present at the meeting for purposes of determining whether a quorum exists and have the effect of a vote against any matter other than the election of directors as to which they are specified. Abstentions or withheld votes are inapplicable in the context of the election of directors, as directors may be elected by a plurality of votes.

Broker non-votes are not considered shares present and will not affect the outcome of the vote.

How can I attend the annual meeting?

If you are a stockholder of record and you plan to attend the annual meeting, please let us know when you vote your proxy. Please bring the notice of meeting which you received and bring it with you to the meeting. This notice will serve as your ticket.

If you are a street name stockholder, tell your broker or nominee that you re planning to attend the meeting and would like a legal proxy. Bring that form to the meeting and you will be provided a ticket at the door.

If you can t get a legal proxy in time, we can still give you a ticket at the door if you bring a copy of your brokerage account statement showing that you were our stockholder as of the record date, April 1, 2009.

Are there any rules regarding admission?

Each stockholder will be asked to present valid government-issued picture identification, such as a driver s license or passport, before being admitted to the meeting. Cameras, recording devices, and other electronic devices will not be permitted at the meeting and we encourage you to leave any such items at home. We will not be responsible for any items checked at the door.

Are there any other matters to be acted upon at the annual meeting?

We do not know of any other matters to be presented or acted upon at the meeting. Under our by-laws, no business besides that stated in the meeting notice may be transacted at any meeting of stockholders. If any other matter is presented at the meeting on which a vote may properly be taken, the shares represented by proxies will be voted in accordance with the judgment of the person or persons voting those shares.

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ELECTION OF DIRECTORS

(Proposal #1)

Ten directors will be elected at this year s annual meeting. Each director will serve until the next annual meeting or until he or she is succeeded by another qualified director who has been elected.

We will vote your shares as you specify when providing your proxy. If you do not specify how you want your shares voted when you provide your proxy, we will vote them *for the election of all of the nominees listed below*. If unforeseen circumstances (such as death or disability) make it necessary for the board of directors to substitute another person for any of the nominees, we will vote your shares for that other person.

Each of the nominees for director is now a member of the board of directors. Each of the nominees for director attended all of the combined board of directors and committee meetings to which they were invited during the periods served by such nominee in 2008. As set forth in our Corporate Governance Guidelines (which, along with our Code of Business Conduct, are available online at http://investorrelations.virginmobileusa.com/CorpGov.cfm), our directors are expected to attend all meetings of the board and of the committees on which they serve and to devote the time and effort necessary to fulfill their responsibilities. Information important to directors understanding of issues before the board or a committee will be provided sufficiently in advance of meetings to permit directors to inform themselves. Directors are expected to review these materials before meetings.

Directors are expected to attend the Annual Meeting of Stockholders, but the Company does not have a formal policy with respect to attendance. The following is a biographical summary of the experience of our director nominees.

Name	Age	Current Position
Daniel H. Schulman	51	Chief Executive Officer and Director
Thomas O. Ryder	64	Chairman of the Board of Directors
Richard H. Chin	45	Director
L. Kevin Cox	44	Director
Douglas B. Lynn	44	Director
Gordon D. McCallum	49	Director
Mark Poole	45	Director
Robert Samuelson	43	Director
Kenneth T. Stevens	57	Director
Sungwon Suh	44	Director

Daniel H. Schulman, Chief Executive Officer and Director. Dan Schulman joined us as chief executive officer in September 2001, bringing almost two decades of experience in the telecommunications industry. He has led the Company from its creation in 2001, through its national launch in 2002 and to its current position. Mr. Schulman has also served as the chief executive officer of Priceline.com, where he established one of the most popular and recognized brands on the Internet and was a primary architect in driving Priceline.com to profitability. Prior to joining Priceline, Mr. Schulman served more than 18 years at AT&T, rising to become the youngest member of the Company s senior executive team, the AT&T Operations Group, and president of the $22 billion core consumer long distance business. Mr. Schulman is a member of the board of directors of Symantec and the chair of its compensation committee. Mr. Schulman also serves on the board of trustees of Rutgers University. He holds an M.B.A. from New York University and a bachelor s degree from Middlebury College.

***Thomas O. Ryder*.** Mr. Ryder has served as the chairman of the board of directors since October 2007. Mr. Ryder is an investment professional. He retired as chairman of the board of directors of The Reader s Digest Association, Inc. on January 1, 2007. Prior to his retirement, Mr. Ryder served as the chairman of the board of directors of Reader s Digest Association, Inc. from January 1, 2006 and as chairman of the board of directors and

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chief executive officer from April 1998 through December 31, 2005. Mr. Ryder was president of American Express Travel Related Services International, a division of the American Express Company which provides travel, financial and network services, from October 1995 to April 1998. He is a director of Amazon.com, Inc. and Starwood Hotels and Resorts, Inc. Mr. Ryder holds a bachelor s degree from Louisiana State University.

Richard H. Chin. Mr. Chin has served on our board of directors since September 2008, when he was named to serve as one of SK Telecom s director designees. Mr. Chin has served as the president of SK Telecom Americas since January 2008. Prior to joining SK Telecom, Mr. Chin was the corporate vice president in charge of business ventures and development for Motorola, Inc. s mobile devices business from March 2006 to May 2007. From February 2005 to March 2006, Mr. Chin was Motorola Inc. s corporate vice president, global product marketing, where he was responsible for planning and managing the portfolio for Motorola s mobile devices business. Prior to serving as Motorola s corporate vice president, global product marketing, Mr. Chin served as chief executive officer of Appeal Telecom, a Motorola joint venture in Korea dedicated to the design, engineering, manufacturing, and sale of mobile devices. During this period, he also served as the president of Motorola Korea Mobile Devices. Mr. Chin is a graduate of John Marshall Law School and holds a bachelor s degree from The University of Chicago.

L. Kevin Cox**.** Mr. Cox has served on our board of directors since October 2007. Mr. Cox has served as the executive vice president of human resources at the American Express Company since 2005. Prior to joining American Express, Mr. Cox held several positions at The Pepsi Bottling Group, Inc. since 1999, most recently that of executive vice president. From 1989 to 1999, Mr. Cox held various human resources positions at PepsiCo Inc. and its subsidiary, The Pepsi-Cola Bottling Company, playing a key role in that entity s initial public offering. Mr. Cox holds a masters degree in labor and industrial relations from Michigan State University and a bachelor s degree from Marshall University.

Douglas B. Lynn. Mr. Lynn has served on our board of directors since August 2007. Mr. Lynn is currently vice president of corporate development for Sprint Nextel, a position he has held since August 2005. Mr. Lynn joined the Sprint Corporation (predecessor to Sprint Nextel) in 1994 and has held various positions in accounting and finance, including assistant corporate controller from 1997 to 2000. Prior to joining Sprint Nextel, Mr. Lynn spent six years in the savings and loan industry. Mr. Lynn began his career in public accounting and spent three years with Touche Ross and Co. in Kansas City. Mr. Lynn holds a bachelor s degree from Missouri State University.

Gordon D. McCallum. Mr. McCallum has served on our board of directors since December 2008, when the Virgin Group designated him as replacement for Frances Brandon-Farrow following Ms. Brandon-Farrow s resignation. Mr. McCallum has been chief executive officer of Virgin Management Limited, a U.K.-based management services company, since September 2005. Mr. McCallum joined Virgin Management Limited as group strategy director in January 1998, after working for the company for two years as a freelance consultant. Prior to working for the Virgin Group, Mr. McCallum worked as a consultant at McKinsey & Co. for five years and as an investment banker with Baring Brothers for four years. He holds a master s degree from Oxford University and an MBA from The Wharton School at the University of Pennsylvania.

Mark Poole. Mr. Poole has served on our board of directors since June 2007. Mr. Poole joined the Virgin Group in 1991 as a tax consultant and was subsequently appointed Group Tax Director. After five years in this position, he was appointed the Virgin Group chief financial officer in 2000 and the deputy group chief executive officer in September 2005. Mr. Poole is a member of the Virgin Group Investment advisory committee and holds a number of non-executive directorships in the Virgin Group including Virgin Group Holdings Limited (group holding company), Virgin Atlantic Limited (for which he chairs the audit committee), SN Airholdings, Virgin Retail Limited. Virgin Hotels Group Limited and Virgin Active Group Limited amongst numerous others. Mr. Poole graduated from Bristol University in 1983 with a degree in Civil Engineering (Bachelor of Science). He qualified as a Chartered Accountant (Association of Chartered Accountants) with Binder Hamlyn in London in 1989.

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Robert W. Samuelson. Mr. Samuelson has served on our board of directors since June 2007. Mr. Samuelson joined Virgin Management Limited in July 2000 as director of corporate development and was subsequently promoted to executive director, telecoms and media, overseeing Virgin s telecoms and media interests worldwide. He was part of the team responsible for the creation of Virgin Mobile USA, LLC in 2001 and has been involved closely with the business ever since. Mr. Samuelson is a member of the Virgin Group s Investment Advisory Committee, the body that recommends all new investments and corporate transactions for the Virgin Group. In addition to his role with Virgin Mobile USA, Inc., he also serves on the boards of Virgin Mobile Canada, Virgin Mobile France and Virgin Mobile South Africa. Prior to joining Virgin, Mr. Samuelson was a director of Arthur D. Little, a management consulting firm, where he led the corporate finance advisory services practice. He holds an MBA from Cranfield University in the United Kingdom and a masters degree in natural sciences from Cambridge University.

Kenneth T. Stevens. Mr. Stevens has served on our board of directors since October 2007. From 2006 through 2008, Mr. Stevens was the president, chief operating officer and secretary of Tween Brands, Inc., a publicly traded retailer with 785 locations in the U.S. From 2002 through 2006, Mr. Stevens worked at Limited Brands, Inc., where he held various positions, most recently that of executive vice president and chief financial officer. Prior to working at Limited Brands, Inc., Mr. Stevens worked at several private and public companies, including Bank One Retail Group, PepsiCo, Inc. and General Mills, Inc. From 1983 to 1991, Mr. Stevens was a partner at McKinsey & Company, Inc. Mr. Stevens currently serves on the boards of Cost Plus World Market and Spartan Stores, Inc. Mr. Stevens holds an MBA from the University of Southern California and a bachelor s degree from the University of Redlands.

Sungwon Suh. Mr. Suh has served on our board of directors since September 2008, when he was named to serve as one of SK Telecom s director designees. Mr. Suh has served as SK Telecom s senior executive vice president of strategy and planning since 2008, in which capacity he is responsible for the strategy and planning of convergence & Internet and global businesses. From 2004 to 2007, Mr. Suh was SK Telecom s executive vice president, corporate development, prior to which he had served as senior vice president of the SK Group s strategic planning office. Mr. Suh holds an MBA from the Northwestern University Kellogg School of Management and a bachelor s degree from Yonsei University.

There are no family relationships among any of our directors or executive officers.

The board of directors recommends a vote FOR the election of the nominees set forth above.

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COMPOSITION OF THE BOARD OF DIRECTORS

As per the terms of our bylaws, our board of directors consists of such number of directors as our board of directors may determine from time to time, subject to the rights of Sprint Nextel, SK Telecom and the Virgin Group under the amended and restated stockholders agreement, as discussed below. Our board of directors currently consists of ten directors. Sprint Nextel has designated Mr. Lynn to serve on our board of directors. SK Telecom has designated Messrs. Chin and Suh to serve on our board of directors. The Virgin Group has designated Messrs. McCallum, Poole and Samuelson to serve on our board of directors. In addition, subject to the terms of the amended and restated stockholders agreement, Sprint Nextel presently has the right to designate one additional director. Our board of directors has determined that Messrs. Cox, Ryder and Stevens are independent under the independence standards promulgated by the New York Stock Exchange (the NYSE) and our Corporate Governance Guidelines, which are available on our website at http://investorrelations.virginmobileusa.com/CorpGov.cfm.

Together, Sprint Nextel, SK Telecom and the Virgin Group hold equity interests representing a majority (approximately 61%) of our outstanding voting power. So long as they maintain such a majority, we will be a controlled company within the meaning of the corporate governance standards of the NYSE. Under those standards, a company of which more than 50% of the voting power is held by another company or group is a controlled company and need not comply with certain requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that there be a nominating and corporate governance committee composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities, (3) the requirement that there be a compensation committee composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities and (4) the requirement of an annual performance evaluation of the nominating/corporate governance and compensation committees. We intend to elect to avail ourselves of the controlled company exemption as long as we are eligible to do so. As a result, we do not have a majority of independent directors on our board of directors, we do not have a nominating and corporate governance committee and our compensation committee does not consist entirely of independent directors. If we are no longer eligible to rely on the controlled company exception, we intend to comply with all applicable corporate governance requirements, subject to the applicable phase-in periods.

Pursuant to our stockholder s agreement with Sprint Nextel, SK Telecom and the Virgin Group, each of those parties has the right to designate up to three individuals to our board of directors if its ownership interest in us exceeds 25%. If Sprint Nextel, SK Telecom or the Virgin Group s respective ownership interest is below 25% but at least 10%, it will be entitled to designate two directors to our board of directors. If such ownership interests are below 10%, but at least 5%, it will be entitled to designate one director to our board. In addition, (1) if Sprint Nextel is not entitled to appoint any director pursuant to the immediately preceding sentence, so long as our PCS services agreement with Sprint Nextel remains effective, Sprint Nextel will have the right to appoint one director to our board of directors, irrespective of its ownership interest in us and (2) if the Virgin Group is not entitled to appoint any director pursuant to the immediately preceding sentence, so long as our trademark license agreement with Virgin remains effective, the Virgin Group will have the right to appoint one director to our board of directors, irrespective of its ownership interest in us. Each of Sprint Nextel, SK Telecom and the Virgin Group has the right to remove and replace its director-designee(s) at any time and for any reason, and to fill any vacancies otherwise resulting in such director positions. Sprint Nextel has nominated Doug Lynn to serve as its designated director. SK Telecom has nominated Richard Chin and Sungwon Suh as its designated directors. The Virgin Group has nominated Gordon McCallum, Mark Poole and Robert Samuelson as its designated directors.

The board of directors met 15 times in 2008. The board of directors meets regularly in executive sessions which only non-employee directors may attend. As set forth in our Corporate Governance Guidelines, Mr. Ryder presides over such executive sessions in his capacity as chairman of the board.

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Committees of the Board of Directors

Audit Committee. Our audit committee consists of Messrs. Cox, Ryder and Stevens. Mr. Ryder serves as its chair. All the members of our audit committee qualify as independent in accordance with the rules promulgated by the NYSE. The board of directors has determined that each member of our audit committee also satisfies the criteria for independence under special standards established by the SEC for members of audit committees. In addition, Mr. Ryder meets the qualifications of an audit committee financial expert in accordance with the SEC rules, as determined by our board of directors.

The audit committee has a written charter that complies with federal and NYSE rules relating to corporate governance matters. The audit committee charter is available on the Company s website at http://investorrelations.virginmobileusa.com/CorpGov.cfm and is also available in print upon request by writing to our Director of Investor Relations, Virgin Mobile USA, 10 Independence Boulevard, Warren, New Jersey 07059.

As set forth in its charter, the audit committee is responsible, among other things, for (1) recommending the hiring or termination of independent auditors and approving any non-audit work performed by such auditor; (2) recommending the overall scope of the audit; (3) assisting the board in monitoring the integrity of our financial statements, the independent auditors qualifications and independence, the performance of the independent auditors and our internal audit function and our compliance with legal and regulatory requirements; (4) annually reviewing an independent auditors report describing the auditing firms internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm; (5) discussing the annual audited financial and quarterly statements with management and the independent auditor; (6) discussing earnings press releases, as well as financial information and guidance, if any, provided to analysts and rating agencies; (7) discussing policies with respect to risk assessment and risk management; (8) meeting separately and periodically with management, internal auditors and the independent auditor; (9) reviewing with the independent auditor any audit problems or difficulties and managements response; (10) setting clear hiring policies for employees or former employees of the independent auditors; (11) annually reviewing the adequacy of the audit committee s written charter; (12) handling such other matters that are specifically delegated to the audit committee by the board of directors from time to time; (13) reporting regularly to the full board of directors; and (14) evaluating the board of directors performance.

The audit committee met eight times in 2008.

Compensation Committee. While we are not required to have a compensation committee because we qualify as a controlled company under the rules of the NYSE, we nonetheless maintain a compensation committee with a written charter. Our compensation committee consists of Messrs. Cox, Samuelson and Stevens. Mr. Stevens serves as its chair. Pursuant to the amended and restated stockholders agreement, if the Virgin Group or Sprint Nextel has the right to appoint at least one director, such stockholder may also cause the compensation committee to include one of its appointed directors, provided that such director is eligible for membership on the compensation committee under applicable law. The compensation committee charter is available on the Company s website at http://investorrelations.virginmobileusa.com/CorpGov.cfm and is also available in print upon request by writing to our Director of Investor Relations, Virgin Mobile USA, 10 Independence Boulevard, Warren, New Jersey 07059.

We intend to utilize the controlled company exception under the NYSE rules, which eliminates the requirement that our compensation committee be composed entirely of independent directors as long as we remain eligible to do so.

As set forth in its charter, the compensation committee is responsible, among other things, for (1) reviewing key employee compensation policies, plans and programs; (2) reviewing and approving the compensation of our chief executive officer and other executive officers; (3) developing and recommending to the board of directors

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compensation for board members; (4) reviewing and approving employment contracts and other similar arrangements between us and our executive officers; (5) reviewing and consulting with the chief executive officer on the selection of officers and evaluation of executive performance and other related matters; (6) administering of stock plans and other incentive compensation plans; (7) overseeing compliance with any applicable compensation reporting requirements of the SEC; (8) approving the appointment and removal of trustees and investment managers for pension fund assets; (9) retaining consultants to advise the committee on executive compensation practices and policies; (10) handling such other matters that are specifically delegated to the compensation committee by the board of directors from time to time; and (11) reviewing and consulting with the chief executive officer on succession plans for all executive officers and other key employees. A full discussion of the role of the compensation committee is included in the Compensation Disclosure and Analysis section of this proxy statement.

The compensation committee met five times in 2008.

Compensation Committee Interlocks and Insider Participation

There are no interlocking relationships between any member of our compensation committee and any of our executive officers that would require disclosure under the applicable rules promulgated under federal securities laws.

Nominating and Governance Committee. We are not required to have a nominating committee because we qualify as a controlled company under the rules of the NYSE. Therefore, we do not have such a committee, nor do we have a specific policy regarding shareholder nominations of potential directors to the board of directors, other than through the process described under Shareholder Proposals for 2009 below. Possible nominees to the board of directors may be suggested by any director and given to the chairman of our board of directors. Additionally, although we are not required to have a nominating and governance committee because we are a controlled company under the rules of the NYSE, in certain circumstances, the audit committee may function as the nominating and governance committee, and in such capacity has a separate written charter. The nominating and governance committee charter is available on the Company s website at http://investorrelations.virginmobileusa.com/CorpGov.cfm and is also available in print upon request by writing to our Director of Investor Relations, Virgin Mobile USA, 10 Independence Boulevard, Warren, New Jersey 07059. Vacancies on the board of directors, other than those resulting from removal by shareholders, may be filled by action of the board of directors after recommendation by the chairman of the board of directors.

As set forth in the nominating and governance committee charter, when acting in such capacity, the audit committee is responsible, among other things, for (1) establishing criteria for the selection of new directors to serve on the board of directors, (2) identifying individuals believed to be qualified as candidates to serve on the board of directors and select, or recommend that the board of directors select, the candidates for all directorships to be filled by the board of directors or by the shareholders at an annual or special meeting, (3) considering matters relating to the re-election retirement of members of the board of directors, including term limits or age caps, (4) conducting all necessary and appropriate inquiries into the backgrounds and qualifications of possible candidates, (5) considering questions of independence and possible conflicts of interest of members of the board of directors and executive officers, (6) reviewing and making recommendations, as the committee deems appropriate, regarding the composition and size of the board of directors in order to ensure the board of directors has the requisite expertise and its membership consists of persons with sufficiently diverse and independent backgrounds, and (7) overseeing evaluation of the board of directors and management, as circumstances dictate.

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DIRECTOR COMPENSATION

This section provides information regarding the compensation policies for non-employee directors, including a summary of the cash and equity awards provided to these directors in 2008. In October 2008, the compensation committee reviewed data from Towers Perrin, compensation consultant to the committee, showing the median level of cash and equity awards for directors from companies with annual revenues between $1 billion and $3 billion. This data is derived from a general industry peer group that was selected to reflect our recruiting of directors from a wide range of industries in order to ensure a board of directors with a broad perspective. Although there was a moderate increase in median pay levels compared to 2007, the committee decided to maintain the same cash fee structure and targeted equity value in place in 2007.

Accordingly, during 2008, cash fees earned by non-employee directors were as follows:

- Annual retainer of $50,000 for each non-employee director;
- Additional annual retainer fee of $30,000 for Mr. Ryder for his services as non-executive chairman of the board of directors;
- Additional annual retainer fee of $10,000 for Mr. Ryder as the chair of the audit committee;
- Additional annual retainer fee of $5,000 for Messrs. Cox and Stevens as members of the audit committee; and
- Additional annual retainer fee of $5,000 for Mr. Stevens as chair of the compensation committee.

Each non-employee director is eligible for an annual award of restricted stock units, or RSUs, based upon our Class A common stock. Since 2007, such grants have been made within the fourth quarter of the fiscal year at a targeted value of $80,000 for each non-employee director, with an additional grant with a targeted value of $40,000 provided to Mr. Ryder for his services as non-executive chairman of the board of directors. In December 2008, the compensation committee reviewed the targeted value of the grants for directors based on market data provided by Towers Perrin and agreed that $80,000 continued to be an appropriate value. In light of recent market volatility and the recent range of trading prices of our Class A common stock, the committee concluded that such an approach could potentially provide long-term value above the targeted level. After reviewing the Company s share price over the preceding six months, the committee assumed a trading price of $2.50 per share of Class A common stock (versus a trading price at the time of approximately $1.00 per share) when determining annual grant amounts for directors.

Accordingly, each non-employee director except for Mr. Ryder received a grant of 32,000 RSUs (representing a targeted value of $80,000), with Mr. Ryder receiving a grant of 48,000 RSUs (representing a targeted value of $120,000) for his services as the non-executive chairman of the board of directors. Ms. Brandon-Farrow was not eligible for a grant due to her resignation from the board of directors effective December 12, 2008. The committee also decided to shorten the vesting cycle from 25% per year over four years to $33^1/_3$% per year over three years to align the vesting schedule with that of named executive officers of the Company and to compensate in part for the discrepancy between the share price used to calculate the grants and the actual share price on the date of grant. These grants, approved by the committee in December 2008, were formally awarded on February 23, 2009, the date that underlying shares of Class A common stock under the Company s stockholder-approved incentive compensation plan (the Omnibus Incentive Plan) were approved by shareholder vote. The RSUs subject to the grant will vest in one-third increments on November 1, 2009, November 1, 2010 and November 1, 2011.

On January 11, 2008, in conjunction with the approval of Mr. Ryder as the non-executive chairman of the board of directors and in recognition of his assumption of additional responsibilities, Mr. Ryder was awarded an additional grant of 2,667 shares of Class A common stock.

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As in 2007, Mr. Lynn waived his right to receive any cash or equity compensation for his services in 2008.

Name	Fees earned or paid in cash	Stock Awards(8)	Total
Frances Brandon-Farrow	$ 50,000(1)	$ 15,505	$ 65,505
Richard H. Chin	$ 12,500(2)	$	$ 12,500
L. Kevin Cox	$ 55,000(3)	$ 20,040	$ 75,040
Douglas B. Lynn	$ (4)	$	$
Gordon D. McCallum	$ (5)	$	$
Mark Poole	$ 50,000(1)	$ 20,040	$ 70,040
Thomas O. Ryder	$ 97,500(6)	$ 26,243	$ 123,743
Robert W. Samuelson	$ 50,000(1)	$ 20,040	$ 70,040
Kenneth T. Stevens	$ 60,000(7)	$ 20,040	$ 80,040
Sungwon Suh	$ 12,500(2)	$	$ 12,500

1) Represents payment of annual retainer fees ($50,000). Ms. Brandon-Farrow resigned from the board on December 12, 2008.

2) Represents payment of one quarter of annual retainer fees ($50,000) for service on the board since September 2008.

3) Represents payment of annual retainer fees ($50,000) and annual audit committee fees ($5,000).

4) Mr. Lynn waived his right to receive any compensation for his services as director.

5) Mr. McCallum joined the board on December 12, 2008 upon Ms. Brandon-Farrow s resignation and did not receive compensation from us in 2008. The compensation committee approved an award of 32,000 RSUs to each of the non-employee directors, including Mr. McCallum, in December 2008.

6) Represents payment of annual retainer fees ($50,000), annual non-executive chair fees ($30,000), annual audit committee chair fees ($10,000) and retroactive non-executive chair fees for 2007 ($7,500).

7) Represents payment of annual retainer fees ($50,000), annual compensation committee chair fees ($5,000) and annual audit committee fees ($5,000).

8) The amounts reflect the dollar amount recognized for financial statement reporting purposes for 2008, in accordance with Statement of Financial Accounting Standards Board *Share Based Payment* 123(R), or FAS 123(R), of RSU awards issued pursuant to the Omnibus Incentive Plan. For restricted stock unit awards, the fair value is calculated using the closing price on the grant date. The amounts shown disregard forfeitures related to the service-based vesting conditions. These amounts reflect our accounting expense for these awards and do not correspond to the actual value that may be recognized by directors. The unvested portion of Ms. Brandon-Farrow s RSUs were forfeited as of December 12, 2008, and the expense was adjusted in accordance with FAS 123(R). The grant date for the 2008 annual grants for directors was February 23, 2009, and accordingly there was no expense recorded for these grants in 2008.

Each of the non-employee directors held the following number of unvested RSUs as of March 1, 2009:

Name	Number of Shares Unvested and Outstanding
Chin, Richard H.	32,000
Cox, L. Kevin	36,000

McCallum, Gordon	32,000
Poole, Mark	36,000
Ryder, Thomas O.	54,001
Samuelson, Robert W.	36,000
Stevens, Kenneth T.	36,000
Sungwon Suh	32,000

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We reimburse all non-employee directors for reasonable expenses incurred to attend meetings of our board of directors or committees but do not intend to pay directors meeting attendance fees. Other than as described above, we do not expect to provide any of our directors with any other compensation or perquisites.

In addition to the payments described above, we allow voluntary deferral by our non-employee directors of up to 100% of the cash retainer and committee fees to a future date elected by the director. The deferred retainer and fees will be deemed invested in an investment fund based upon our Class A common stock or another investment vehicle such as an interest-bearing cash account. No director elected to defer compensation in 2008.

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EXECUTIVE OFFICERS

The following table sets forth the names, ages and positions of our executive officers, as of April 1, 2008.

Name	Age	Position
Daniel H. Schulman	51	Chief Executive Officer and Director
John D. Feehan, Jr.	44	Chief Financial Officer
Jonathan H. Marchbank	44	Chief Operating Officer
Peter Lurie	42	General Counsel and Corporate Secretary
David R.J. Messenger	44	Chief Administrative and Corporate Development Officer

The following is a biographical summary of the experience of our executive officers who do not serve as directors.

John D. Feehan, Jr., Chief Financial Officer. Mr. Feehan joined us in January 2002 as vice president of finance and was promoted to chief financial officer in August 2006. He is responsible for the Company s overall financial activities and planning. Prior to joining us, he served as chief financial officer of SAGE BioPharma. Mr. Feehan previously worked for Faro Pharmaceuticals as vice president for financial and operational planning and for Stadtlander Drug Distribution Co. as director of finance. Mr. Feehan began his career at Price Waterhouse in Philadelphia after earning a bachelor s degree in accounting from St. Joseph s University.

Jonathan H. Marchbank, Chief Operating Officer. Mr. Marchbank joined us in March 2006, as chief operating officer. He is currently responsible for all market-facing activities of the Company, including Sales, Marketing and Product Management. Prior to joining us, Mr. Marchbank worked for the Virgin Group, serving as chief executive officer for Virgin Mobile in Asia and in Australia. Prior to joining the Virgin Group in 2002, Mr. Marchbank held senior executive roles with Nokia, Philips Electronics and Telstra Corporation. Mr. Marchbank holds a diploma in business studies, majoring in marketing, from Newcastle Business School in the United Kingdom.

Peter Lurie, General Counsel and Corporate Secretary. Mr. Lurie joined us in May 2000, prior to the formation of VMU, and was a key player in the formation and launch of the Company. Previously, Mr. Lurie served as principal of a private equity group affiliated with Commerzbank Capital Markets Corp., which offered the first public offering of a private equity fund in Europe. Prior to that, he worked on M&A and private equity transactions at Simpson Thacher & Bartlett LLP. Mr. Lurie is a graduate of Dartmouth College and The University of Chicago Law School, where he was an editor of the University of Chicago Law Review.

David R.J. Messenger, Chief Administrative and Corporate Development Officer. Mr. Messenger joined us in July 2005 and, as chief administrative and corporate development officer, is responsible for corporate development and strategy, information technology, customer care, human resources and facilities. Prior to joining us, Mr. Messenger served as senior vice president of human resources for Take-Two Interactive Inc. in New York City. Mr. Messenger also worked at Towers Perrin as a principal and practice leader, responsible for the change management practice in the east and central regions, and at PricewaterhouseCoopers as a principal consultant. He was educated at the University of Wales College Cardiff.

There are no family relationships among any of our directors or executive officers.

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REPORT OF THE AUDIT COMMITTEE

The audit committee is composed of three directors, all of whom meet the independence standards contained in the NYSE Listed Company rules, Securities and Exchange Commission (SEC) rules and our Corporate Governance Guidelines, and operates under a written charter adopted by the board of directors. The audit committee also selects, subject to stockholder ratification, the Company s independent registered public accounting firm.

Our management is responsible for the Company s internal controls and the financial reporting process. The independent registered public accounting firm, PricewaterhouseCoopers LLP (PricewaterhouseCoopers), is responsible for performing an independent audit of our consolidated financial statements and internal control over financial reporting. The purpose of the audit committee is to assist the board of directors in its general oversight of our financial reporting, internal controls and audit functions.

Auditor Independence and Other Communications

During the last year, the audit committee met and held discussions with management and PricewaterhouseCoopers. The audit committee reviewed and discussed with management and PricewaterhouseCoopers the financial statements for the annual period ended December 31, 2008 and the quarterly periods ended March 31, 2008, June 30, 2008 and September 30, 2008. The audit committee also discussed with PricewaterhouseCoopers the matters required to be discussed by Statement on Auditing Standards Nos. 61 and 90 (Communications with audit committees), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, as well as by SEC regulations.

The audit committee has also reviewed the written disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight Board (PCAOB) regarding the independent accountant s communications with the audit committee concerning independence. The audit committee discussed with PricewaterhouseCoopers such firm s independence from the Company.

The audit committee also considered whether the provision of other non-audit services by PricewaterhouseCoopers to the Company is compatible with maintaining the independence of PricewaterhouseCoopers and concluded that the independence of PricewaterhouseCoopers is not compromised by the provision of such services.

In addition, the audit committee has adopted strict guidelines and procedures on the use of PricewaterhouseCoopers to provide any services, including advance audit committee approval of certain services. All non-audit work will not be contracted with PricewaterhouseCoopers other than specific audit-related, tax, and due diligence services that have been approved in advance by the audit committee or which the audit committee has preapproved by means of its preapproval policy, adopted in February 2009. All engagements with PricewaterhouseCoopers are approved at regularly scheduled meetings of the committee or pursuant to the preapproval policy. The Chair of the committee may approve any engagement request outside of the regular approval process, with confirmation by the full committee at its next scheduled meeting.

Based on the review and discussion referred to above, the audit committee recommended to the board of directors of the Company, and the board-approved, that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008, for filing with the SEC.

Audit Committee

Thomas O. Ryder, *Chairman*

L. Kevin Cox

Kenneth T. Stevens

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AUDIT FEES AND APPROVAL PROCESS

Audit Fees

PricewaterhouseCoopers has served as the Company s independent registered public accounting firm since its inception in 2007. The Company was billed and expects to be billed by PricewaterhouseCoopers approximately $1.7 million and $2.8 million for audit services for the years ended December 31, 2008 and December 31, 2007, respectively. Such fees included fees rendered in connection with the annual audit of the Company s consolidated financial statements as of and for the fiscal years ended December 31, 2008 and 2007; the audit of the effectiveness of the Company s internal control over financial reporting as of December 31, 2008 (as required by Section 404 of the Sarbanes-Oxley Act of 2002, as amended); reviews of the Company s unaudited condensed consolidated interim financial statements included in the Company s statutory and regulatory filings; and other services normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings.

Audit-Related Fees

The Company was billed and expects to be billed by PricewaterhouseCoopers approximately $62,000 for audit-related services for the year ended December 31, 2008 and $306,000 for the year ended December 31, 2007. Such fees were incurred for services related to financial due diligence related to mergers and acquisitions, financial reporting not required by statute or legislation, agreed-upon procedures reports provided to a regulatory authority, and consultations concerning financial accounting and reporting standards.

Tax Fees

The Company was billed and expects to be billed by PricewaterhouseCoopers approximately $631,000 and $221,000 for tax-related services for the years ended December 31, 2008 and December 31, 2007, respectively. In the year ended December 31, 2007, tax-related services included $51,650 relating to the initial public offering and $169,000 relating to income tax compliance for the Company s various legal entities. In the year ended December 31, 2008, tax-related services included $125,000 relating to an IRC Section 382 ownership change study and $506,000 relating to income tax compliance for the Company s various legal entities.

All Other Fees

The Company was billed by PricewaterhouseCoopers approximately $4,500 in fees in each of the years ended December 31, 2008 and 2007, respectively for licensing of a database that provides publicly available technical accounting information.

Total Fees

For the years ended December 31, 2008 and 2007, the Company was billed and expects to be billed by PricewaterhouseCoopers a total of approximately $2.4 million and $3.3 million, respectively.

Audit and Non-Audit Services Pre-Approval Policy

The audit committee has also established procedures for the pre-approval of audit and non-audit services provided by an independent registered public accounting firm. The Company s 2009 Audit Committee Pre-Approval Policy and Procedures (Pre-Approval Policy) was reviewed and approved by the audit committee at its meeting held on February 24, 2009. All audit and non-audit services performed by PricewaterhouseCoopers prior to the adoption of the Pre-Approval Policy were approved by the audit committee on a case-by-case basis.

As set forth in the Pre-Approval Policy, audit services require specific approval by the audit committee, except for certain services that have received general pre-approval by the audit committee. In accordance with

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the Pre-Approval Policy, the audit committee annually reviews and pre-approves the services that may be provided by the independent registered public accounting firm. The audit committee determined that the pre-approved services were permitted and did not impair PricewaterhouseCoopers independence as independent auditors. Additionally, prior to establishing the list of pre-approved services, the audit committee determined that the Company s independent registered public accounting firm is an effective provider of services. The audit committee may revise the list of pre-approved services from time to time, based on subsequent determinations. For fiscal year 2009, there are four categories of services that have received pre-approval by the audit committee: Audit, Audit-Related, Tax and All Other Services.

The audit committee may delegate to one or more of its members the authority to approve in advance all significant audit or permitted non-audit services to be provided by the independent registered public accounting firm, so long as decisions are presented to the full audit committee at its next scheduled meeting.

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COMPENSATION DISCUSSION AND ANALYSIS

This discussion describes and analyzes our compensation programs for the named executive officers, including our chief executive officer, chief financial officer and the three most highly compensated executive officers in 2008. This section describes our compensation philosophy and objectives and the process according to which we make compensation decisions for executive officers. In addition, this section describes all of the compensation plans and specific individual decisions for executive officers in 2008.

Executive Compensation Philosophy and Objectives

Our compensation programs aim to attract and retain talented and experienced executives and to offer performance-based incentives that promote stockholder value. These programs focus on short and long-term financial goals as well as our greater strategic objectives. Our compensation philosophy is characterized by the following principal objectives.

Pay for performance

We believe that the best way to motivate executives and sustain high levels of performance is by tying a substantial portion of their compensation to the achievement of corporate financial and strategic objectives, and rewarding executives to the extent these objectives are achieved. We believe that objectives should be clear and measurable, and focused on short and long-term goals aligned with stockholder expectations. Employees at higher levels in the organization will be subject to greater variation based on our overall performance.

Provide compensation programs that are competitive with market practice

We seek to establish compensation plans, levels and practices that are competitive with companies similar in size and performance to us, as well as with companies with which we compete for executive talent. Consistent with market practices, our program includes a mix of compensation elements, including base pay, annual incentives and long-term incentives. We believe that this pay structure enables us to attract and retain executives.

Align long-term interests of executives and stockholders

We believe that the interests of our stockholders and executives should be aligned by ensuring that a substantial portion of the executive officer s compensation is directly linked to the market price of our Class A common stock and earnings per share growth. To this end, we provide long-term incentives to executives to increase stockholder value and provide executives with an opportunity to share in the value they create. It is also important to maintain a level of unvested value in long-term incentives for each executive, for retention and motivation purposes.

Role of Compensation Consultants

In determining compensation for our named executive officers, the compensation committee reviews relevant market practices and competitive market data provided by its consultants. From January through August 2008, the compensation committee retained the services of Towers Perrin to provide guidance on incentive plan design and operation for our annual, mid-term and long-term incentive plans. Towers Perrin also provided market survey data relating to named executive officer compensation and other employee compensation, as requested by the compensation committee from time to time. In August 2008, the compensation committee conducted a regular review of its consulting arrangements and interviewed a number of firms to provide guidance on executive compensation matters. Following a review of its options, the compensation committee engaged Mercer as its lead compensation consultant, effective November 2008. Under the terms of its engagement, Mercer provides guidance as objective consultants to the compensation committee relating to short- and long-term incentive plan design, as well as advice on individual compensation targets for named executive officers. The compensation committee has continued using Towers Perrin for the purpose of providing market survey data and intends to continue its relationship with Mercer and Towers Perrin in 2009.

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Market Data and Peer Group

We annually benchmark compensation for each of our employees against market data, including the salaries of our executive officers. To this end, we compare each component of employee compensation, including base salary, total cash (which is the sum of base salary and annual bonus target) and long-term incentives, to comparable industry practice. Given our mobile virtual network operator (MVNO) business model, it is difficult to find a group of peer companies with comparable business models within the same industry to provide accurate benchmarks. Moreover, we compete for talented employees and executives across a number of industries, including the telecom, technology, entertainment and media sectors. We believe that an appropriate peer group for us should be composed of companies with similar growth to our own and whose business model is similar to ours, with objectives based on the development and execution of a business plan by management rather than the investment and management of financial assets. In October 2008, the compensation committee reviewed the process for selecting peer companies and recommended using the same approach as 2007, first identifying a mix of general industry and technology companies through market surveys and then identifying peer companies substantially similar to us in that they: (1) are publicly traded entities; (2) have annual revenues between $1 billion and $3 billion; (3) have EBITDA/employee ratios greater than $25,000; (4) have revenue/asset ratios greater than 25%; and (5) have reported 1, 3, and 5 year revenue growth (CAGR) exceeding 5%. The resulting 2008 peer group is comprised of 77 companies, with 39 general industry companies identified by Towers Perrin survey and 38 technology and telecommunications companies identified by a Radford survey. Approximately 60% of the companies in our 2008 peer group were included in the 2007 peer group.

Our 2008 peer group for executive compensation purposes is as follows:

Adobe Systems	J.M. Smucker
Advanced Medical Optics	John Wiley & Sons
Allergan	Juniper Networks
Alliance Data Systems	King Pharmaceuticals
Altera	Kla-Tencor
Amdocs	Lam Research
Ametek	Leap Wireless International
Applied Biosystems	Logitech
Autodesk	LSI
Biogen Idec	Marvell
Bio-Rad Laboratories	Maxim Integrated Products
Brady Corp	Mcafee
Brocade Communications Systems	McClatchy
Cadence Design Systems	Memc Electronic Materials
Callaway Golf	Millipore
Celgene	Nalco Holding
Citrix Systems	Netapp
Coach	Netflix
Covance	Novellus Systems
Curtiss-Wright	On Semiconductor
Cypress Semiconductor	Orbital Sciences
Dentsply International	Otter Tail
Drs Technologies	Phillips-Van Heusen
Endo Pharmaceuticals Holdings	Ralcorp Holdings
Equifax	Scientific Games
Expedia	Scotts Miracle-Gro
Exterran Holdings	Shire
Genzyme	Sigma-Aldrich
Greif	Smith & Nephew

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Harman International Industries	Snap-On
Hasbro	Tektronix
Hologic	Terra Industries
Hughes Network Systems	Thomas & Betts
IDEX	Trimble Navigation
Ims Health	United States Cellular
International Game Tech	Varian Medical Systems
Intuit	Varian Semiconductor Equipment
Iron Mountain	Watson Pharmaceuticals
Itron	

The compensation committee reviews data from this peer group when making compensation decisions with respect to our executive officers. The compensation committee also considers the role and experience of each executive officer compared to the benchmark position in order to weigh each executive officer s responsibilities against the market data. If an executive officer is determined to be playing a lesser or greater role than implied by the benchmark, that officer s compensation target is reduced or increased to reflect the officer s range of responsibilities. The compensation committee also reviews the individual performance of each executive officer against previously defined objectives and target leadership competencies. The compensation committee also takes position to market, relative weighing of role and individual performance into account before making any adjustment to an executive officer s base salary or annual incentive targets.

We generally target each executive s base pay and total cash compensation at the peer group median, and total direct compensation (including all cash compensation and long-term incentive awards), between the 50th and 75th percentile of peer group compensation. The compensation committee then reviews individual awards, considering such factors as the executive officer s expected role, experience, performance and leadership role.

Role of the Compensation Committee

The compensation committee is charged with assisting the board by using compensation and benefits to appropriately and effectively align the financial interests of Company executives with those of Company stockholders, in order to facilitate realization of the Company s objectives.

The general responsibilities of the compensation committee are oversight and approval of compensation for the CEO, the company s compensation (including perquisites, benefits and retirement plans) philosophy, incentive compensation plans and all equity-based compensation plans. In addition, the compensation committee is responsible for the review and approval of the evaluation process and compensation of the Company s executive officers. The compensation committee coordinates communication regarding these issues with the full board and, as appropriate, with stockholders and regulators.

The functions of the compensation committee are as follows:

- To review and approve the corporate goals and objectives relevant to CEO compensation (salary, bonus, equity-based grants, and any other long-term cash compensation) annually; evaluate the CEO s performance in light of those goals and objectives; and determine the CEO s compensation level based on this evaluation. The CEO may not be present during voting or deliberations of the compensation committee relating to CEO compensation.

- To assist the board in developing and evaluating potential candidates for executive positions, including the CEO, and to oversee the development of executive succession plans.

- To establish and regularly review a total compensation philosophy and policy which fairly rewards employees for performance and which effectively attracts and retains the talent necessary to successfully lead, manage and operate the Company.

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To review and approve the composition of the relevant peer group(s) of the Company for purposes of competitive analysis of compensation.

To review, amend (if needed) and approve the CEO s recommendations for salary and incentive compensation actions for executive officers and certain other executives as appropriate.

To approve and administer cash incentive and deferred compensation plans for executives (including any modifications to such plans), and provide annual oversight of performance objectives and funding for the executive incentive plans.

To oversee and approve all compensation programs involving the use of Company equity (equity incentive compensation and other stock-based plans).

To set the appropriate design parameters within those allowed by the Omnibus Incentive Plan.

To the extent required by applicable regulations, to review and discuss with management the Company s compensation discussion and analysis (CD&A) and to recommend to the board that the CD&A be included in the Company s annual report and proxy statement.

To establish and periodically review any stock ownership guidelines for the directors and officers of the Company that the compensation committee determines to be appropriate.

To review and approve employment agreements, severance agreements, change-in-control agreements, and benefits and perquisites for executive officers.

To recommend to the board of directors the appropriate level and form of director compensation and directors and officers indemnification and insurance matters.

To have the authority to retain independent consultants, counsel and other advisors. The compensation committee has sole authority to approve related fees and retention terms for, and terminating the services of, such advisors.

These functions are the common recurring activities of the compensation committee in carrying out its responsibilities. These functions should serve as a guide, with the understanding that the compensation committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The compensation committee also carries out other responsibilities and duties as may be delegated to it by the board from time to time.

In discharging its oversight role, the compensation committee is empowered to study or investigate any matter of interest or concern that it deems appropriate. It has the sole authority to retain outside advisors, legal counsel or other experts for this purpose, including the authority to approve the fees payable to such advisors, legal counsel or experts and any other terms of retention. As described above, the compensation committee engages objective compensation consultants to assist it in its oversight role.

Elements of Compensation

The compensation committee reviews base salaries and annual incentive targets for executive officers on an annual basis. The committee primarily considers four factors when establishing or adjusting base salaries:

market survey data from our peer group companies;

the breadth and role of the named executive officer at the Company compared to benchmark responsibilities;

individual performance as measured against predetermined annual objectives; and

the compensation level of other executives at the Company, for the purpose of internal equity.

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The compensation committee s assessment of individual performance and value to the Company, including that of our executive officers, is based on:

- past performance by an employee in a particular role (as measured by business outcomes, achievement of targets, delivery of key metrics and accomplishment of critical goals);
- job-related knowledge (as demonstrated by technical proficiency grounded in a clear understanding of our business); and
- leadership (demonstrated by leading by example, accountability to customers and the Company, commitment, working seamlessly across functions and levels, innovation and an ability to motivate and inspire).

The compensation committee applies such analysis in determining all facets of employee compensation (including that of key executive officers), whether salary or incentive-related.

Each of the elements of compensation described in this section applies to our named executive officers. Within each section we will describe any specific compensation actions for executive officers including the CEO.

Base Salary. The range of an executive s responsibilities, performance, experience and market data from our peer companies are factors in determining the base salary and annual incentive targets for our executives. As with total compensation, we aim to pay our executives base salaries that are competitive with those of their peers with similar responsibilities at companies in our peer group. We believe that providing a competitive base salary and annual incentive target allows us to attract and retain talented executives. The compensation committee reviews the base salary and annual incentive targets for executives at least annually, adjusting them from time to time to reflect market levels as well as individual responsibilities, performance and experience.

Having completed a review of cash compensation for executive officers in December 2007 with adjustments effective January 1, 2008, the compensation committee did not make changes to base salary or annual incentive targets for any named executive officer in 2008. While the committee had approved an increase in base salary for Mr. Schulman from $600,000 to $750,000 effective January 1, 2008, on February 15, 2008 Mr. Schulman deferred this increase until January 1, 2009.

In February 2009, as part of the scheduled annual performance review cycle, the compensation committee reviewed the individual performance and cash compensation levels of each executive officer. The committee reviewed the updated market data from the Company s new peer group and determined that the total target cash compensation level for Company executive officers was within a reasonable range of the market median of our peer companies, with the sole exception of compensation for Mr. Messenger. The committee noted that Mr. Messenger s position and range of responsibilities had significantly expanded since the last annual performance review due to his July 2008 assumption of responsibility for customer care and information technology. In recognition of these changes and based on Mr. Messenger s performance in his expanded role, the committee, together with Mercer, recommended a 16% upward adjustment to Mr. Messenger s base salary, adjusting that salary from $345,000 to $400,000 effective February 1, 2009. The adjustment of Mr. Messenger s base salary places his base salary and total target cash compensation slightly below the market median of comparable executive officers at our peer companies. In recognition of the overall economic environment and noting that total targeted cash compensation was close to median levels for comparable executive officers at our peer companies, the remaining executive officers elected to waive their performance-based salary increases for 2009.

Variable Cash Compensation Plans

In 2008, all employees were eligible to receive variable cash compensation through either our Annual Incentive Plan or our Sales Incentive Plan. These plans offer employees incentives to work toward specific

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corporate performance targets. As discussed below, we base individual annual incentive targets under both incentive plans on the scope of an employee s responsibilities and experience. We also consider compensation paid to individuals employed in similar positions in the companies represented in our peer group. We believe that all employees should be rewarded for their contributions to our success.

Executive officers participate in the Annual Incentive Plan along with other employees but do not participate in the Sales Incentive Plan. Effective July 1, 2008, employees participating in the Sales Incentive Plan moved onto the Annual Incentive Plan. This change was made to align all employees with corporate performance objectives, and to specifically address department sales objectives within the structure of the Annual Incentive Plan.

2008 Annual Incentive Plan. The key objectives for the 2008 Annual Incentive Plan were to align annual incentive metrics with stockholder expectations, effectively demonstrate to employees how their contributions impact our business results and provide incentives for Company management to balance profitability and growth. Working with Towers Perrin, the compensation committee engaged in a comprehensive review of the Annual Incentive Plan design, and based on this review and the objectives described above agreed to the following 2008 Annual Incentive Plan design:

Performance Cycles. To ensure that financial targets under the Annual Incentive Plan are aligned to stockholder expectations, the compensation committee established two performance cycles for 2008: (1) January through June 2008, with payout in August 2008 and (2) July through December 2008, with payout in February 2009.

Company Metrics and Weighting. The compensation committee agreed that the Company should continue to focus on adjusted EBITDA, Net Service Revenue as well as the growth of customers for 2008. The committee assigned the following relative weighting for these metrics under the 2008 Annual Incentive Plan:

Adjusted EBITDA (as adjusted and defined in the 2008 Annual Incentive Plan) with a relative weighting of 50%. The 2008 maximum and threshold levels for adjusted EBITDA are set at plus or minus 25% of the targeted level for each performance period;

Net Service Revenue with a relative weighting of 25%. The 2008 maximum and threshold levels for Net Service Revenue are set at plus or minus 15% of the targeted level for each performance period; and

Net Additions, with a relative weighting of 25%. The 2008 maximum and threshold levels for Net Additions are set at plus or minus 10% of forecasted gross adds for the period.

The 2008 annual incentive payout for executive officers in each performance period will continue to be entirely based on Company performance against the metrics described above.

Individual Metrics and Weighting. To augment the connection between pay and performance, annual incentives for employees below the executive officer level include departmental and individual components. Each department and individual is evaluated against specific measurable financial objectives that align with the Company s overall financial targets.

2008 Annual Incentive Plan Results First-Half. Company targets were set for the first-half performance period based on the board-approved plan. The Company exceeded its adjusted EBITDA target, reaching $54.6 million versus a target of $53.0 million, or 106% payout. In line with prior practice under the Annual Incentive Plan, the committee approved two adjustments to the baseline adjusted EBITDA of $61.0 million: 1) a downward adjustment to adjusted EBITDA of $7.46 million equal to the lower costs due to fewer gross adds within the period, and 2) an upward adjustment to adjusted EBITDA of $1.05 million for one-time costs related to the outsourcing of information technology functions to IBM. The combined adjustments reduced the adjusted

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EBITDA achieved from $61.0 million to $54.6 million under the Annual Incentive Plan. The Company achieved 100% payout for Net Service Revenue, realizing $595.1 million in Net Service Revenue against a target of $595.1 million, and achieved 96% payout for its Net Adds, with a loss of 12,000 net customers for the period compared to a break-even target. The overall payout for the first-half performance period was 102% of target, based on relative weightings for each metric under the plan. The resulting payout for executive officers was calculated by taking one-half of their annual incentive target amount and multiplying it by the 102% company performance factor. Details of the payout for each executive are shown in the table following the next paragraph.

2008 Annual Incentive Plan Results Second-Half. Company targets were set for the second half performance period by the compensation committee at its July 2008 meeting, based on the Company s overall annual targets and the outlook for the remainder of 2008. The Company paid 91% of its adjusted EBITDA target, realizing $52.6 million as compared to its target of $55.0 million. The committee approved an upward adjustment of $12.5 million to the achieved adjusted EBITDA of $40.1 million to recognize the one-time costs associated with the outsourcing of information technology functions to IBM, the acquisition of Helio and workforce restructuring in the fourth quarter of 2008. The Company paid 75% of its Net Service Revenue target, based on Net Service Revenue of $627.5 million as compared to a target of $676.5 million, and 112% of its Net Additions target, based on the net addition of 212,738 customers for the period as compared to a target of 163,501. Overall payout for the second-half performance period was 92% of the Company s target, based on relative weightings for each metric under the plan. The resulting payout for executive officers is calculated by taking one-half of their annual incentive target amount and multiplying it by the 92% company performance factor, as follows:

Name	Annual Salary	Annual Target Bonus Percentage	Annual Target Bonus Amount	Half-Year Bonus Target Amount	1st Half Payout at 102% of Target	2nd Half Payout at 92% of Target	Total Annual Bonus Payout	Annual Payout as Pct of Annual Target
Schulman, Daniel	$ 600,000	120%	$ 720,000	$ 360,000	$ 367,200	$ 331,200	$ 698,400	97%
Marchbank, Jonathan H.	$ 425,000	75%	$ 318,750	$ 159,375	$ 162,563	$ 146,625	$ 309,188	97%
Feehan Jr., John	$ 400,000	75%	$ 300,000	$ 150,000	$ 153,000	$ 138,000	$ 291,000	97%
Lurie, Peter	$ 375,000	75%	$ 281,250	$ 140,625	$ 143,438	$ 129,375	$ 272,813	97%
Messenger, David R. J.	$ 345,000	75%	$ 258,750	$ 129,375	$ 131,963	$ 119,025	$ 250,988	97%

2009 Annual Incentive Plan. Each year, the compensation committee reviews the Annual Incentive Plan metrics and assesses the overall effectiveness of the plan. In February 2009, the committee asked Mercer to review the Annual Incentive Plan and provide a recommendation on the effectiveness of the metrics and performance periods. Based on this review, the committee decided to make two changes to the 2009 incentive plan. First, the committee decided to remove Net Additions as a metric under the 2009 incentive plan. While Net Additions is a valuable metric as a measure of customer growth, the compensation committee determined that it can best be incorporated into the incentive plan as a departmental goal or individual goal for the relevant employees. The committee will weigh adjusted EBITDA and Net Service Revenue equally in determining payouts pursuant to the 2009 Annual Incentive Plan.

The committee also reviewed the process for setting targets and performance periods under the plan. The committee supported maintaining six-month performance cycles, but also felt that executives should be held accountable for results on an annual basis, in line with shareholder expectations. Therefore, the committee amended the plan for 2009 so that executive officer compensation targets are set on an annual basis, with biannual payouts made every six months. The first payout will be made in August 2009, with amounts payable determined based upon January through June 2009 performance compared to first-half targets. The second payout will be made in February 2010, with amounts payable based upon performance from January through December 2009, against the 2009 annual targets. The amount of the second payout will be equal to the annual payout, calculated based upon performance as measured against annual targets, less the amount of the August 2009 payout. Targets for adjusted EBITDA and Net Service Revenue for the 2009 Annual Incentive Plan were set based on the Plan of Record as approved by the board in February 2009.

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2008 Mid-Term Incentive Plan. The compensation committee approved this performance-based cash plan in 2007 to address retention concerns as the result of limited historical long-term incentives and to provide incentives for executives to meet short to mid-term financial goals in 2008. The committee decided that a mid-term cash incentive plan would be appropriate given the limited pool of shares available under the Omnibus Incentive Plan. Payouts under the 2008 mid-term plan are based on annual performance against adjusted EBITDA and Net Service Revenue targets, with payouts in February and August 2009. The performance metrics under the plan were designed to provide incentives to balance growth and profitability. The 2008 maximum and threshold levels for adjusted EBITDA were set within 25% of the targeted level in the Company s board-approved business plan. The maximum and threshold levels for Net Service Revenue were set within 15% of the targeted level.

For 2008, the Company paid 88% of its adjusted EBITDA target, based on adjusted EBITDA of $114.7 million compared to a target of $122.0 million. This included an upward adjustment of $13.6 million against the achieved adjusted EBITDA of $101.1 million, to recognize the one-time costs related to the outsourcing of information technology functions to IBM, the acquisition of Helio and workforce restructuring in the fourth quarter of 2008. Adjustments approved by the committee were made on the same basis as the adjustments approved under the 2008 Annual Incentive Plan. The Company paid 80% of its Net Service Revenue target, or $1.17 billion as compared to a target of $1.25 billion. Based on equal weighting of the two performance metrics, the overall achievement and payout under the 2008 mid-term incentive plan was 84% of the target. The payout for executive officers was calculated by taking their mid-term target amount and multiplying it by the 84% company performance factor, with 50% of this amount payable in February 2009 and the remaining 50% payable in August 2009, assuming continued employment and satisfactory performance by the executive. The details of the payout for each executive are shown in the table below.

Name	2008 Mid-Term Target	Total Payout Adjusted for Performance	Payout February 2009	Payout August 2009*
Schulman, Daniel	$ 700,000	$ 588,000	$ 294,000	$ 294,000
Marchbank, Jonathan H.	$ 250,000	$ 210,000	$ 105,000	$ 105,000
Feehan, John	$ 240,000	$ 201,600	$ 100,800	$ 100,800
Lurie, Peter	$ 225,000	$ 189,000	$ 94,500	$ 94,500
Messenger, David R. J.	$ 210,000	$ 176,400	$ 88,200	$ 88,200

* Payout contingent on continued employment with the company

Long-Term Incentives. We believe that in order to attract, motivate and retain executive officers and other key employees, we must provide a market-competitive level of long-term incentives and link those incentives to a regular review of performance. The Company provides long-term incentive grants annually to executives to retain these individuals by maintaining the right balance between vested and unvested long-term incentive grants. To align the interests of executive officers and stockholders, the Company uses two forms of long-term incentives: (1) performance-based cash incentives and (2) equity-based incentives (including awards such as non-qualified stock options, restricted stock units (RSUs) and restricted stock). The compensation committee considers position to market, relative weighting of role, vested and unvested value of existing grants and individual performance before making any long-term incentive grant. The actual value of any such equity grants upon exercise is based on the potential increase in value of our shares over time.

2008 Annual Long-Term Incentives. The compensation committee primarily considers individual performance, executive retention, market data targeting the 62.5th percentile of peer companies and the unvested and outstanding equity position of each executive officer to determine the size and types of annual awards for each executive officer. For 2007, the targeted annual grant value was equally divided between RSUs and non-qualified stock options. Given the limited number of shares of our Class A common stock available for employee grants under the Omnibus Incentive Plan at the time of grant, the committee decided that 2008 annual awards for executive officers consist entirely of performance-based RSUs.

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The compensation committee considered the importance of aligning the interests of executives with those of our stockholders and, accordingly, decided to establish certain performance conditions for the vesting of these awards. The compensation committee identified adjusted earnings per share, or adjusted EPS, as the appropriate metric to measure stockholder value over time, and accordingly established a vesting schedule of three years, with one-third of the RSUs vesting each year from date of grant subject to the Earnings Per Share Performance Criteria described below:

First year: One-third of the RSUs will vest if the target level of 2008 adjusted earnings per share of $0.22 is met. No RSUs will vest if the target level is not achieved.

Second year: One-third of the RSUs will vest if the target level of 2009 adjusted earnings per share of $0.51 is met. No RSUs will vest if the target level is not achieved.

If the threshold in the first year was not met, first-year RSUs will vest if the cumulative adjusted earnings per share for the first and second years of the vesting period is at least equal to the cumulative threshold target.

Third year: One-third of the RSUs will vest if threshold level of 2010 adjusted earnings per share of $0.74 is met. No RSUs will vest if the target level is not achieved.

If the thresholds in the first and/or second years of the vesting period were not reached, the first and/or second year RSUs will vest if the cumulative adjusted earnings per share for the first, second and third years of the vesting period is at least equal to the cumulative threshold target.

The RSUs were targeted with reference to the 62.5th percentile of peer companies using an assumed trading price of $7.00 per share. Accordingly, the committee approved the following awards:

Name	Restricted Stock Units Granted	Vesting Opportunity based on 2008 EPS target of $.22 per share	Vesting Opportunity based on 2008 EPS target of $.51 per share	Vesting Opportunity based on 2008 EPS target of $.74 per share
Schulman, Daniel	400,000	133,333	133,333	133,333
Marchbank, Jonathan H.	150,000	50,000	50,000	50,000
Feehan Jr., John	130,000	43,333	43,333	43,333
Lurie, Peter	90,000	30,000	30,000	30,000
Messenger, David R. J.	90,000	30,000	30,000	30,000

In February 2009, the compensation committee reviewed the Company s 2008 EPS results for the first-year vesting of RSUs for executive officers. The Company s EPS was $0.13 per share, and based on adjustments approved by the committee (in line with the adjustments under the 2008 annual and mid-term incentive plans) for one-time costs related to the outsourcing of information technology functions to IBM, the acquisition of Helio, workforce restructuring in the fourth quarter of 2008 and amortization of acquisition related intangible assets, basic adjusted EPS was adjusted upward by $0.16 per share, increasing adjusted EPS to $0.31 per share. The Company therefore exceeded the adjusted EPS threshold level of $0.22 per share established for the 2008 performance vesting, and accordingly one-third of the shares vested on February 25, 2009 under the terms of the plan.

2009 Annual Long-Term Incentives. The compensation committee began discussing the strategy for 2009 annual long term incentive grants in October 2008. The key objectives for the 2009 grants were to ensure a focus on performance by delivering a portion of long-term incentives based on Company performance metrics, optimizing the use of shares and ensuring the retention of key employees. While the 2008 annual grants were delivered entirely as performance-based RSUs, the committee recommended targeted grants in 2009 be divided between RSUs and a performance-based cash plan, with the overall targeted value of the awards at the 62.5th percentile of the market of our peer companies. The committee recommended this approach to focus executives on key long-term performance metrics for the business and to reduce dilution to existing shareholders through the use of the performance-based cash plan.

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The compensation committee recommended the performance-based cash portion of the award be delivered under the 2009 Mid-Term Incentive Plan that would operate similar to the Company s 2008 Mid-Term Incentive Plan, over a longer period of time. The 2009 Mid-Term Plan payout is based on 2009 annual performance for adjusted EBITDA and Net Service Revenue, the maximum and threshold levels for adjusted EBITDA set within 25% of the targeted level in the Company s board-approved business plan, and the maximum and threshold levels for Net Service Revenue set within 15% of the targeted level. The committee also decided that the payout period for the 2009 Mid-Term Plan should be longer than the period under the 2008 plan to improve retention, so that the payout would be more heavily weighted toward the end of the period. After the targeted payout for each executive is adjusted for company performance, the award is paid out over a 14-month period, with 30% payable in February 2010, 30% in August 2010 and 40% in February 2011. Each payout is contingent on the employee s continued employment and satisfactory performance.

Given the performance component of the cash portion of the award, the compensation committee recommended making the equity portion of the award as RSUs with time-based vesting, with one-third vesting per year beginning on January 1, 2010. These RSU grants were approved by the committee in December 2008 subject to shareholder approval of the issue of additional shares reserved for issuance under the Omnibus Incentive Plan, and the grants were effective on February 23, 2009, the date on which such shareholder approval was granted. The committee also agreed that a greater portion of Mr. Schulman s compensation should be performance-based, in order to more effectively align Mr. Schulman s interests with the interests of shareholders. Therefore, the committee recommended that the equity portion of Mr. Schulman s grant be equally split into non-qualified stock options and RSUs. The non-qualified stock options granted to Mr. Schulman were granted on November 12, 2008 at a strike price of $1.06, with a vesting of one-third per year with the initial vesting on January 1, 2010.

The 2009 annual long-term incentive awards were granted to each of the executive officers as follows:

Name	Stock Options	Restricted Stock Units	Performance-Based Cash Plan	Estimated Present Value*
Schulman, Daniel	900,000	900,000	$ 1,100,000	$ 2,675,000
Marchbank, Jonathan H.		400,000	$ 800,000	$ 1,224,000
Messenger, David R. J.		400,000	$ 750,000	$ 1,174,000
Feehan Jr., John		400,000	$ 750,000	$ 1,174,000
Lurie, Peter		400,000	$ 525,000	$ 949,000

* Assumes a stock price of $1.06 at the time of grant and $.69 as the Black-Scholes value of a stock option.

The overall estimated present value of the 2009 long-term incentive awards for Messrs. Schulman, Marchbank, Messenger are below the targeted market value at the 62.5th percentile of our peer companies. Mr. Feehan s award is slightly above the targeted market level in recognition of past performance in the role of Chief Financial Officer and the committee s desire to retain Mr. Feehan s services. In addition, the committee recognized Mr. Lurie s expanded responsibilities since the previous assessment, including assumption of management of the tax department, and his overall contributions to and leadership of the Company beyond his role as General Counsel. Accordingly, the award for Mr. Lurie is also above the average compensation for generals counsel at our peer companies.

Stock Grant Policy. The compensation committee approves all grants for direct reports of the CEO or named executive officers, grants with a fair market value above $250,000, and grants with vesting periods of less than three years. The committee delegates authority to the CEO to approve grants that do not meet the criteria described above, provided that (1) the maximum aggregate fair market value of grants approved by the CEO in any quarter will not exceed $1 million without review and approval by the committee, and (2) a summary of all grants approved by the CEO will be provided to the committee on a quarterly basis.

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The exercise price of all stock options will be equal to the fair market value of the Company s Class A common stock on the date of the grant, determined based on the closing price of the Company s Class A common stock on the NYSE on the date of the grant. Our general policy is to grant awards of stock options or RSUs annually, either (1) during the trading windows established by the Company pursuant to its Policies and Procedures for Trading in Securities of Virgin Mobile USA, Inc. by directors, Executive Officers and Access Employees, or (2) at compensation committee meetings held in connection with new hires or promotions. Grants made in connection with new hires or promotions will be effective on the first business day of the month directly succeeding the month of hire or promotion, with the exercise price being equal to the fair market value of the Company s stock on the date of the grant as described above.

Employment Agreement of the CEO

Termination of Employment. The following chart summarizes the compensation and benefits to be provided in the event Mr. Schulman s employment is terminated under certain circumstances. The compensation committee believes this reflects an updated view of the current market practices of the applicable peer group. Mr. Schulman will be entitled to receive the following compensation and benefits upon termination of employment for the reasons set forth below, after determining that he has complied with the non-compete and confidentiality terms of his employment agreement.

Compensation Item	Termination without Cause or for Good Reason, or Termination Due to Death or Disability[(1)] (No Change in Control)	Termination without Cause or for Good Reason, or Termination Due to Death or Disability[(1)] (Change in Control)
Cash Payment	Two times annual base salary and target bonus.	Two times annual base salary and target bonus.
Annual Bonus	Pro-rata payment based on number of months of completed service within performance cycle and actual Company performance for the performance cycle (payable when such bonus would have otherwise been paid if no termination occurred).	Pro-rata payment based on number of months of completed service within performance cycle.
Mid-Term Cash Plan	Pro-rata payment based on number of months of completed service within performance cycle and actual Company performance for the performance cycle (payable when such bonus would have otherwise been paid if no termination occurred).	Pro-rata payment based on number of months of completed service within performance cycle and actual Company performance for the performance cycle (payable when such bonus would have otherwise been paid if no termination occurred).
Vested Equity (including Stock Options)	24 months to exercise vested options subject to non-compete and claw-back provisions.	24 months to exercise vested options subject to non-compete and claw-back provisions.
Unvested Equity (including Stock Options, Restricted Stock or RSUs)	Accelerated vesting of all equity grants from May 2007 onwards using 12-month look ahead ratable monthly vesting (as calculated from date of grant to date of termination).	100% accelerated vesting of all equity grants from May 2007 onwards upon either six month anniversary of Change in Control (if Mr. Schulman is still employed by the Company on such date) or the date of termination of employment without cause or for Good Reason, or termination due to death or disability, if such termination occurs within 6 months prior to, or 6 months following, a Change in Control.

(1) The specific definitions of Good Reason , Cause and Change in Control can be found in Mr. Schulman s employment agreement, filed as exhibit 10.19 to our Annual Report on Form 10-K as filed with the SEC on March 17, 2008.

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In addition to the termination provisions described in the preceding table, the agreement provides that if the board and Mr. Schulman mutually agree upon a succession plan (a mutually agreed-upon plan being adopted in good faith by two-thirds of the board, excluding any employee directors, and consented to in writing by Mr. Schulman) that includes mutual agreement on a specific date for succession and implementation of a transition plan to ensure the full readiness and preparation of any incoming chief executive officer prior to Mr. Schulman s departure, Mr. Schulman would be entitled to (1) a one-time cash payment of one times base salary and bonus (using the greater of $750,000, or base salary in place at the time of termination), (2) 100% accelerated vesting of all outstanding unvested equity grants from May 2007 onward upon date of termination, and (3) 24 months to exercise vested options, subject to non-compete and claw-back provisions, each in the event Mr. Schulman s employment with us terminates in keeping with the terms of the board of directors-approved succession plan. The compensation committee agreed that it would be necessary to provide incentives for Mr. Schulman to remain with the Company during any such transition period.

Tax Treatment under Section 280G of the Internal Revenue Code. Pursuant to Mr. Schulman s employment agreement, in the event that payments and/or benefits Mr. Schulman receives as compensation in the event of a change in control of the Company are subject to the excise tax imposed by Section 4999 of the Code or to any interest or penalties related to the excise tax, we will pay a Gross-Up Payment equal to the lesser of (1) $5,000,000 or (2) the amount necessary to ensure that, after payment by the Mr. Schulman of all federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), he will retain payments equal to the excise tax imposed.