Virgin Mobile USA, Inc.
Form DEF 14A
April 01, 2008
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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.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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1) Amount Previously Paid:

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Virgin Mobile USA, Inc.

10 Independence Boulevard

Warren, NJ 07059

April 1, 2008

Dear Stockholder,

You are invited to attend the 2008 Annual Meeting of Stockholders of Virgin Mobile USA, Inc., to be held at 9:00 a.m., local time, on Thursday, May 15, at The Heldrich, 10 Livingston Avenue, New Brunswick, New Jersey, 08901.

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.

If you plan to attend the meeting, please let us know by marking the appropriate box on the enclosed proxy card.

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, or by completing, signing, dating and returning your proxy form in the enclosed envelope.

Respectfully,

Thomas O. Ryder

Chairman of the Board of Directors

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Notice of 2008 Annual Meeting of Stockholders

May 15, 2008

The Heldrich

10 Livingston Avenue

New Brunswick, NJ 08901

April 1, 2008

To the Stockholders:

The 2008 Annual Meeting of Stockholders of Virgin Mobile USA, Inc. (the Company) will be held at The Heldrich, 10 Livingston Avenue, New Brunswick, New Jersey, on May 15, 2008, at 9:00 a.m., 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, 2008.

Stockholders of record at the close of business on March 24, 2008 will be entitled to vote at the meeting and any adjournments. This proxy statement and the enclosed form of proxy are being mailed to stockholders beginning April 1, 2008.

Peter Lurie

General Counsel and Corporate Secretary

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Virgin Mobile USA, Inc.

10 Independence Boulevard

Warren, NJ 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 2008 Annual Meeting of Stockholders. Distribution of this proxy statement and a form of proxy to stockholders is scheduled to begin on or about April 1, 2008.

You can ensure that your shares are voted at the meeting by submitting your instructions by telephone (by dialing 866.540.5760) or by Internet (by visiting http://www.proxyvoting.com/vm), or by completing, signing, dating and returning the enclosed proxy form in the envelope provided. 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, or 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 sign a proxy card 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 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 March 24, 2008. 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.

What are the voting rights of the holders of common stock?

Each outstanding share of Class A common stock will be entitled to one vote on each matter to be voted upon. On March 24, 2008, 53,136,839 shares of Class A common stock were outstanding and are therefore eligible to be voted at the annual meeting.

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There is one share of Class B common stock outstanding, held by an affiliate of Sprint Nextel. The share of Class B common stock entitles its holder to a number of votes that is equal to the total number of shares of Class A common stock for which the partnership units that such holder holds in our operating partnership, Virgin Mobile USA, L.P., are exchangeable as of the record date. Based on the number of shares of Class A common stock for which the partnership units held by such holder on March 24, 2008, the share of Class B common stock is entitled to a vote equivalent to 12,058,626 shares of Class A common stock on each matter to be voted upon.

As of March 24, 2008, 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.

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 a stockholder of record, you can give a proxy to be voted at the meeting:

- over the telephone, by calling a toll-free number (866.540.5760);
- electronically, using the Internet (by visiting http://www.proxyvoting.com/vm); or
- by mailing in the enclosed proxy card.

The telephone and Internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you are a stockholder of record and you would like to vote by telephone or by using the Internet, please refer to the specific instructions set forth on the enclosed proxy card. If you wish to vote using a paper format and you return your signed proxy to us before the annual meeting, we will vote your shares as you direct.

If you hold your shares in street name, you must vote your shares in the manner prescribed by your broker or nominee. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares.

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 against the Company; (b) in case of a contested proxy solicitation; (c) if a stockholder makes a written comment on the proxy card 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.

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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 nominees, or you may vote against one or more nominees. The proposal related to the election of directors is described in this proxy statement beginning at page 5.

For the other proposal, 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 at 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 2008 (Proposal 2).

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

If you do not specify on your proxy card (or when giving your proxy by telephone or over the Internet) 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 2008 (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, and shares represented by proxies received but reflecting broker non-votes, will be counted as present at the meeting for purposes of establishing a quorum.

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 elect the nominees for director and to ratify appointment of PricewaterhouseCoopers LLP as our auditors. The votes are computed for each share as described above.

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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 as to which they are specified.

Proxies submitted by brokers that do not indicate a vote for some or all of the proposals because they don t have discretionary voting authority and haven t received instructions as to how to vote on those proposals (so-called 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 return your proxy. Please tear off the top portion of your proxy card where indicated and bring it with you to the meeting. This portion of the card 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, March 24, 2008.

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 on the Proxy Card)

Eight 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, which met twice in 2007. Each of the nominees for director attended all of the combined Board of Director and committee meetings to which they were invited during the periods served by such nominee in 2007. As set forth in our Corporate Governance Guidelines, 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 to come 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	50	Chief Executive Officer and Director
Thomas O. Ryder	63	Chairman of the Board of Directors
Frances Brandon-Farrow	44	Director
Douglas B. Lynn	44	Director
Mark Poole	45	Director
Robert Samuelson	43	Director
L. Kevin Cox	44	Director
Kenneth T. Stevens	56	Director

Daniel H. Schulman, Chief Executive Officer and Director. Dan Schulman joined us as chief executive officer in October 2001, bringing almost two decades of experience in the telecommunications industry. He has led the company from its national launch in 2002 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 a double M.B.A. in business administration and finance and international business 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 The Reader s Digest Association, Inc. on January 1, 2007. Prior to his retirement, Mr. Ryder served as the Chairman of the Board of Reader s Digest Association, Inc. from January 1, 2006 and as Chairman of the Board and Chief Executive Officer from April 1998 through December 31, 2005. Mr. Ryder was President of American Express Travel

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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 received a Bachelor of Arts degree in journalism from Louisiana State University in 1966.

Frances Brandon-Farrow. Frances Brandon-Farrow has served on our Board of Directors since June 2007. Ms. Brandon-Farrow joined the Virgin Group in 1993. As an executive member of the board of Virgin Atlantic Airways since 1993, during the following seven years she held various operating roles and had responsibility for a broad range of functions including all aspects of the customer experience and service, human resources, government affairs and legal affairs. Prior to that, she worked in the mergers and acquisitions practice of the London law firm of Cameron McKenna. Ms. Brandon-Farrow is currently Chief Executive Officer of Virgin USA, Inc., the headquarters of the Virgin Group in North America. She has responsibility for expansion of the Virgin brand and new business development and investment management in North America. She is also a member of the board of several other Virgin companies, including Virgin Atlantic Airways, Virgin Holidays, Virgin Mobile Canada, Virgin America, Virgin Money US, Virgin Charter, Virgin Enterprises (the owner of all of the Virgin trademarks worldwide), and Virgin Unite (the Virgin Group s charitable arm). She is a graduate of the University of Wales and the Royal College of Law in the UK.

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. He received a Bachelor of Science degree in accounting from Missouri State University in 1985.

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.

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, LLC, 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, the management consultants, where he led the corporate finance advisory services practice. He holds an MBA from Cranfield University in the United Kingdom and a first class masters degree in natural sciences from Cambridge University.

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

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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 received a Bachelor of Arts degree in counseling rehabilitation from Marshall University in 1985 and a Masters degree in labor and industrial relations from Michigan State University in 1987.

***Kenneth T. Stevens*.** Mr. Stevens has served on our Board of Directors since October 2007. Mr. Stevens is 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 Tween Brands, Inc. and Spartan Stores, Inc. He received a Bachelor of Arts degree in philosophy from the University of Redlands in 1973 and Masters of Business Administration degree from the University of Southern California in 1978.

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 and the Virgin Group under the stockholders agreement (as discussed below). Our Board of Directors currently consists of eight directors. The Virgin Group has designated Messrs. Poole and Samuelson and Ms. Brandon-Farrow to serve on our Board of Directors. Sprint Nextel has designated Mr. Lynn to serve on our Board of Directors. In addition, subject to the terms of the 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.

Together, Sprint Nextel and the Virgin Group hold equity interests representing a majority 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 (including if the over-allotment option is exercised in full), 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 and the Virgin Group, each of Sprint Nextel and the Virgin Group has the right to designate up to three individuals to our Board of Directors. If their respective ownership interests are below 25% but at least 10%, each of Sprint Nextel and the Virgin Group will be entitled to designate two directors to our Board of Directors and if such ownership interests are below 10%, but at least 5%, each of Sprint Nextel and the Virgin Group 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 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. The Virgin Group has nominated Frances Brandon-Farrow, Mark Poole and Robert Samuelson as their designated directors.

The Board of Directors met twice in 2007.

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. Each member of our audit committee also satisfies the criteria for independence

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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.

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 earnings guidance 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 twice in 2007.

Compensation Committee. Our compensation committee consists of Messrs. Cox, Samuelson and Stevens. Mr. Stevens serves as its chair. Pursuant to the 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. 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 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.

The Compensation Committee met twice in 2007.

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.

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Nominating Committee. The Company is not required to have a nominating committee because it is a controlled company under the rules of the NYSE. Therefore, the Company does not have such a committee, nor does it 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 the Board. 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.

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DIRECTOR COMPENSATION

Compensation for our non-employee directors became effective upon the initial public offering of the Company in October 2007. In 2007, each non-employee director was paid one-quarter of the annual retainer and other committee fees, and each received an annual long-term incentive grant of restricted stock units as described below.

Name	Fees earned or paid in cash	Stock Awards(6)	Total
Brandon-Farrow, Frances	$ 12,500(1)	$ 4,490	$ 16,990
Cox, L. Kevin	$ 13,750(2)	$ 4,490	$ 18,240
Lynn, Douglas B.	$ 0(3)	$ 0	$ 0
Poole, Mark	$ 12,500(1)	$ 4,490	$ 16,990
Ryder, Thomas O.	$ 22,500(4)	$ 4,490	$ 26,990
Samuelson, Robert W.	$ 12,500(1)	$ 4,490	$ 16,990
Stevens, Kenneth T.	$ 15,000(5)	$ 4,490	$ 19,490

(1) Represents payment for one quarter of the annual retainer fees ($50,000).

(2) Represents payment for one quarter of the annual retainer fees ($50,000) and one quarter of annual audit committee fees ($5,000)

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

(4) Represents payment for one quarter of the annual retainer fees ($50,000), one quarter of annual non-executive chair fees ($30,000) and one quarter of annual audit committee chair fees ($10,000).

(5) Represents payment for one quarter of the annual retainer fees ($50,000), one quarter of annual compensation committee chair fees ($5,000) and one quarter of annual audit committee fees ($5,000).

(6) Each non-employee director received an annual grant of 5,333 restricted stock units in October 2007 at the IPO offering price of $15.00 per share, with the exception of Mr. Lynn, who waived his right to receive an annual grant. The estimated fair value of each grant as calculated on the grant date is $80,000. The units will vest in four 25% increments on October 10, 2008, October 10, 2009, October 10, 2010 and October 10, 2011. Mr. Ryder received an additional 2,667 restricted stock units granted on January 18, 2008. This additional grant was made to reflect the responsibilities of Mr. Ryder as the non-executive chairman of the Board. There was no expense recorded for this grant in 2007.

In 2007, each non-employee director was paid a base annual retainer of $50,000. The chair of the audit committee received an additional annual retainer of $10,000 and each other member of the audit committee received an additional annual retainer of $5,000. The chair of the compensation committee received an additional annual retainer of $5,000. All such payments were prorated to reflect commencement of service to the Company starting in October 2007. In addition, each non-employee director received a grant of restricted stock units based upon our Class A common stock with a market value of $80,000 on the grant date. Mr. Lynn declined compensation for his services as director in 2007.

On January 10, 2008, the compensation committee approved an increase in compensation for Thomas Ryder, who serves as non-executive Chairman of our Board of Directors. Retroactively effective as of October 10, 2007, in addition to standard director compensation, Mr. Ryder received an annual cash retainer of $30,000 and an incremental grant of restricted stock units with a market value of $40,000 on the date of grant. The restricted stock units were granted on January 11, 2008, with a vesting start date of October 10, 2007. The restricted stock units will vest in 25% annual increments on each anniversary of the vesting start date.

Going forward, on an annual basis, each non-employee director will be paid a base annual retainer of $50,000. The chair of the audit committee will receive an additional annual retainer of $10,000 and each other member of the audit committee will receive an additional annual retainer of $5,000. The chair of the compensation committee will receive an additional annual retainer of $5,000. The non-executive chairman of the

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Board will receive an additional annual retainer of $30,000. In addition, each non-employee director will receive an annual grant of restricted stock units based upon our Class A common stock. Each grant will vest 25% per year from the date of grant. The value of each grant is set at a fair market value on the grant date of $80,000, with the exception that an additional grant of $40,000 will be provided to the non-executive chairman of the Board. Mr. Lynn has waived his right to receive any cash or equity compensation for his services.

The compensation committee engaged the services of Towers Perrin in establishing the appropriate cash and equity compensation levels for our non-employee directors. Towers Perrin provided market data from two peer groups (40 general industry companies with annual revenues of between $1 and $3 billion and 20 additional newly public companies). Based on this data, we believe the average (median) total value (including both cash and equity compensation) of annual targeted non-employee director compensation provided by the companies in the peer groups is $130,000. The committee reviewed this information and, upon determining that director compensation should be designed to provide strong incentives to administer our business consistently with stockholder interests, concluded that the equity portion of non-employee director compensation should be greater than the cash portion.

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 2007.

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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	50	Chief Executive Officer and Director
Jonathan Marchbank	43	Chief Operating Officer
John D. Feehan Jr.	43	Chief Financial Officer
Peter Lurie	41	General Counsel and Secretary
David R.J. Messenger	43	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. John 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 Marchbank, Chief Operating Officer. Jonathan Marchbank joined us in March 2006 as chief operating officer, charged with running day-to-day operations including retail sales, product management, customer care and IT. 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 at 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. Peter 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. David Messenger joined us in July 2005 and, as chief administrative officer, is responsible for corporate development and strategy, attracting, retaining and engaging the best talent for the company and managing all human resources capabilities including recruitment, compensation, organizational design, leadership development, workplace culture and benefits. He is also responsible for procurement 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, leading the human resources team in the entertainment, media and communication practice. He was educated at the University of Wales College Cardiff and Robinson College Cambridge in the United Kingdom.

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, SEC rules and our Corporate Governance Guidelines, and operates under a written charter adopted by the Board of Directors. A copy of our Audit Committee Charter and Corporate Governance Guidelines may be found on the investor relations page of our website, www.virginmobileusa.com. 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 issuing an opinion on the conformity of those audited financial statements with generally accepted accounting principles in the United States. 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.

Audit Fees

PricewaterhouseCoopers has served as our independent registered public accounting firm since our inception in 2007. We paid PricewaterhouseCoopers approximately $2.8 million and $0.5 million for audit services for the years ended December 31, 2007 and December 31, 2006, respectively. Audit services consisted of the audit of the financial statements included in our Registration Statement on Form S-1 and Quarterly Report for the period ended September 30, 2007, statutory financial statement filings, and providing comfort letters in connection with our initial public offering.

Audit-Related Fees

The Company paid PricewaterhouseCoopers approximately $306,000 for audit-related services for the year ended December 31, 2007 and $20,000 for the year ended December 31, 2006. Such fees were incurred for services related to financial reporting not required by statute or legislation, an agreed-upon procedures report provided to a regulatory authority, and consultations concerning financial accounting and reporting standards.

Tax Fees

The Company paid PricewaterhouseCoopers approximately $221,000 and $205,000 for tax-related services for the years ended December 31, 2007 and December 31, 2006, respectively. In the year ended December 31, 2006, tax-related services included assistance with the preparation of the 2006 federal and state Virgin Mobile USA, LLC income tax returns that were filed in 2007 ($149,000) as well as tax consulting services related to partnership income allocation and review of specific agreements, including the partner tax receivable agreements, in conjunction with our initial public offering ($56,000). 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 taxes.

All Other Fees

The Company paid PricewaterhouseCoopers approximately $4,500 and $6,000 in fees in the years ended December 31, 2007 and December 31, 2006, respectively for use of on-line accounting information services.

Total Fees

For the years ended December 31, 2007 and 2006, the Company paid PricewaterhouseCoopers a total of approximately $3.3 million and $779,000, 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 Audit Committee Pre-Approval

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Policy and Procedures (Pre-Approval Policy) was reviewed and approved by the Audit Committee at its meeting held on February 12, 2008. 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 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 2008, 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.

Auditor Independence

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 audited financial statements for the period ended December 31, 2007. 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 well as by SEC regulations.

The Audit Committee has also reviewed the written disclosures and two letters required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and the Public Company Accounting Oversight Board (PCAOB) pursuant to Rule 3600T. 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 2008. 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.

Audit Committee

Thomas O. Ryder (Chair)

L. Kevin Cox

Kenneth T. Stevens

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REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis provided below with the Company s management. Based on this review, the committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

COMPENSATION COMMITTEE

Kenneth T. Stevens, *Chairman*

L. Kevin Cox

Robert Samuelson

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COMPENSATION DISCUSSION AND ANALYSIS

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. The programs focus on short and long-term financial goals as well as our strategic objectives. The 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 reward 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 have more pay at risk.

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 financial size and performance to Virgin Mobile, and with companies that we compete with for executive talent. Consistent with market practices, our program includes a mix of compensation elements including; base pay, annual incentives and long-term incentives. This competitive 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 determined by growth in our share price 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 in order to retain and motivate our executives.

Market Data and Peer Group

Annually we benchmark each position, including those of our executive officers, to market data. In this exercise, we compare each component of compensation, including base salary, total cash (which is the sum of base salary and annual bonus target) and long-term incentives, to industry comparables. Given our business model as a Mobile Virtual Network Operator (MVNO), it is difficult to find a stable 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, high-tech, entertainment and media sectors. We therefore have historically used two national surveys with companies of comparable annual revenue ($1-$3 billion) in related and general industries, and the resulting survey group comprised of approximately 200 plus companies.

Given the broad group of companies from these surveys, and our challenges in identifying an appropriate specific peer group, in November 2007, the compensation committee of our Board of Directors engaged the services of Towers Perrin to recommend an approach for selecting a peer group for our executive officers with the purpose of identifying companies with similar financial performance and companies from which we draw talent. The new peer group is designed to be comprised of companies with similar growth to our own and whose success is based on the leverage created by human capital rather than the management of financial assets. The resulting peer group for executive officers is based on a mix of general industry and high tech companies that meet the following criteria: (1) the company is public, (2) annual revenues are within the $1-$3 billion range, (3) EBITDA/employee ratio is greater than $25,000, (4) revenue/asset ratio is greater than 25%, and (5) 1, 3, and 5 year revenue growth (CAGR) is greater than 5%. The list of companies in the resulting peer group may change

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