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## **VIRGIN MOBILE USA, INC.**

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### **CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors of Virgin Mobile USA, Inc. (“VMUI” or “the Company”) has adopted the following guidelines in furtherance of its continuing efforts to enhance corporate governance. The Board will review and amend these guidelines from time to time.

#### **I. BOARD MISSION AND DIRECTOR RESPONSIBILITIES**

The Board oversees the interest of VMUI’s stockholders in the long-term health and the overall success of the business and its financial strength. The Board serves as the ultimate decision-making body of VMUI, except for those matters reserved to or shared with the stockholders. The Board selects the Chief Executive Officer and oversees recruiting of senior officers, who are charged by the Board with conducting the business of VMUI.

The core responsibility of the Directors is to exercise appropriate business judgment to act in what they reasonably believe to be in the best interests of VMUI and its stockholders. Directors must fulfill their responsibilities consistent with their fiduciary duty to the stockholders, in compliance with all applicable laws and regulations. Directors will also, as appropriate, take into consideration the interests of other stakeholders, including employees and the members of communities in which VMUI operates.

The Board provides advice and counsel to the Chief Executive Officer and other senior officers of VMUI. The Board oversees that the assets of VMUI are properly safeguarded, that appropriate financial and other controls are maintained, and that VMUI's business is conducted wisely and in compliance with applicable laws and regulations and proper governance.

In discharging their duties, Directors may rely on VMUI's senior executives and outside advisors and auditors. Accordingly, skill and integrity will be important factors in selection of VMUI's senior executives and other advisors. The Board has the authority to hire independent legal, financial or other advisors as they may deem necessary.

Directors are expected to attend all meetings of the Board and of the Committees on which they serve. Directors should 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.

Regular meetings, other than the annual meeting of stockholders, of the Board of Directors may be held at such time and at such place within or outside the State of Delaware as shall from time to time be determined by the board. Special meetings of the Board of Directors may be held at any time or place within or outside the State of Delaware whenever called by or at the request of any chairman or co-chairman of the board, any two directors or the chief executive officer on at least twenty-four (24) hours notice to each director, either personally, by telephone, by mail, by

facsimile or email. The notice to each director shall include the time, date and place of the meeting and the purpose or purposes of the meeting that has been called.

The Chairman of the Board, in consultation with the Chief Executive Officer, will set the agenda for Board meetings. Any Director may suggest items for inclusion on the agenda and any Director may raise a subject that is not on the agenda at any meeting. Certain items pertinent to the oversight and monitoring function of the Board will be brought to the Board regularly. The Board will review VMUI's long-term strategic plans and the most significant financial, accounting and risk management issues facing VMUI during at least one Board meeting each year.

After each regularly scheduled meeting of the Board of Directors, the non-employee members of the Board may elect to meet in executive session outside the presence of management. The Chairman of the Board will administer all such executive sessions.

## **II. DIRECTOR QUALIFICATIONS**

Directors may be nominated by the Board or by stockholders in accordance with the Amended and Restated By-Laws. Directors should possess the highest personal and professional ethics and integrity and be committed to representing the long-term interests of the stockholders. The assessment will include a review of the nominee's judgment, experience, independence, understanding of VMUI's or other related industries, and such other factors as the Board concludes are pertinent in light of its current needs. The Chairman of the Board should extend the invitation to join the Board.

The Board does not believe that it should establish limits on the number of terms a Director may serve. Term limits may cause the loss of experience and expertise. To ensure that the Board remains composed of high functioning members able to keep their commitments to Board service, the Board or one of its committees will evaluate the qualifications and performance of each incumbent Director before recommending the nomination of that Director for an additional term.

The Board expects that when the Chairman or Chief Executive Officer resigns from that position, he or she will also simultaneously submit his or her resignation from the Board. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new Chairman or Chief Executive Officer and the Board.

## **III. DETERMINATION OF INDEPENDENCE**

In the event that VMUI does not qualify as a "Controlled Company" by the standards of the New York Stock Exchange ("NYSE") the Board shall consist of a majority of independent Directors. In making independence determinations, the Board will observe all applicable requirements, including the corporate governance listing standards established by the NYSE. The Board will carefully consider all relevant facts and circumstances in making an independence determination.

To be considered "independent" for purposes of the Director qualification standards,

- 1) the Director must meet the bright-line independence standards under the NYSE listing standards, and
- 2) the Board must affirmatively determine that the Director otherwise has no material relationship with VMUI, directly or as an officer, shareowner or partner of an organization that has a relationship with VMUI.

In each case, the Board shall broadly consider all relevant facts and circumstances.

The following relationships will not be considered to be material relationships that would impair a Director's independence (categorical standards):

- 1) the Director is an executive officer or employee or any member of his or her immediate family is an executive officer of any other organization that does business with VMUI and the annual sales to, or purchases from, VMUI are less than \$1 million or 1% of the consolidated gross revenues of such organization, whichever is more;
- 2) the Director or any member of his or her immediate family is an executive officer of any other organization which is indebted to VMUI, or to which VMUI is indebted, and the total amount of either company's indebtedness to the other is less than \$1 million or 1% of the total consolidated assets of the organization on which the Director or any member of his or her immediate family serves as an executive officer, whichever is more;
- 3) the Director is a director or trustee but not an executive officer or any member of his or her immediate family is a director, trustee or employee, but not an executive officer, of any other organization (other than VMUI's outside auditing firm) that does business with, or receives donations from, VMUI;
- 4) the Director or any member of his or her immediate family holds a less than 10% interest in any organization that has a relationship with VMUI; or
- 5) the Director or any member of his or her immediate family serves as an executive officer of a charitable or educational organization which receives contributions from VMUI in a single fiscal year of less than \$1 million or 2% of that organization's consolidated gross revenues, whichever is more.

Annually, the Board will review all relevant relationships of Directors to determine whether Directors meet the categorical standards described above. The Board may determine that a Director who has a relationship that exceeds the limits described in the categorical standards (to the extent that any such relationship would not constitute a bar to independence under the NYSE listing standards), is nonetheless independent. VMUI will explain in the next proxy statement the basis for any Board determination that a relationship is immaterial despite the fact that it does not come within the categorical standards set forth above.

In addition to meeting the independence standards for Directors set forth above, Audit Committee members may not receive direct or indirect compensation from VMUI other than as Directors, may not be affiliated persons of VMUI, and must otherwise satisfy the independence requirements set

forth in Rule 10A-3(b) (1) of the Securities and Exchange Commission. Audit Committee members may receive fees relating to their service on the Board and committees.

#### **IV. COMMITTEES OF THE BOARD**

The Board has two standing Committees: Audit and Compensation. In the event that VMUI no longer qualifies as a Controlled Company by the standards of the NYSE, a Nominating and Governance Committee will be established. The Board may establish additional Committees as necessary or appropriate.

Each of the standing Committees will have its own charter. The charter will set forth the responsibilities of each Committee, the qualifications and procedures of the Committee and how the Committee will report to the Board. Each Committee will conduct a self-evaluation annually.

The Chairman of each Committee will determine the frequency of Committee meetings, consistent with the Committee's charter and VMUI's needs.

##### **a. Audit Committee**

All members of the Audit Committee must qualify as “independent” according to the criteria of the NYSE. Each member of the Audit Committee must also satisfy the criteria for “independence” under special standards established by the SEC for members of Audit Committees. At least one member of the Audit Committee must meet the qualifications of an “Audit Committee financial expert” in accordance with the SEC rules, as determined by the Board of Directors.

The Audit Committee will be responsible for:

- Recommending the hiring or termination of independent auditors and approving any non-audit work performed by such auditor;
- Recommending the overall scope of the audit;
- Assisting the board in monitoring the integrity of company financial statements, the independent auditors' qualifications and independence, the performance of the independent auditors and internal audit function and compliance with legal and regulatory requirements;
- 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;
- Discussing the annual audited financial and quarterly statements with management and the independent auditor;
- Discussing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- Discussing policies with respect to risk assessment and risk management;
- Meeting separately and periodically with management, internal auditors and the independent auditor;

- Reviewing with the independent auditor any audit problems or difficulties and managements' response;
- Setting clear hiring policies for employees or former employees of the independent auditors;
- Annually reviewing the adequacy of the Audit Committee's written charter;
- Handling such other matters that are specifically delegated to the Audit Committee by the Board of Directors from time to time;
- Reporting regularly to the full Board of Directors; and
- Such other matters as may be determined by the Board of Directors.

#### **b. Compensation Committee**

If Virgin Mobile USA, Inc. is eligible to utilize the "controlled company" exception under the rules of the NYSE, which eliminates the requirement that the Compensation Committee be composed entirely of independent directors, it will do so. In such circumstances, pursuant to the Stockholders' Agreement by and among Sprint Nextel, the Virgin Group and Virgin Mobile USA, Inc., 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 will be responsible for:

- Reviewing key employee compensation policies, plans and programs;
- Reviewing and approving the compensation of the chief executive officer and other executive officers;
- Developing and recommending to the Board of Directors compensation for board members;
- Reviewing and approving employment contracts and other similar arrangements between Virgin Mobile USA, Inc. and its executive officers;
- Reviewing and consulting with the chief executive officer on the selection of officers and evaluation of executive performance and other related matters;
- Administration of long-term incentive compensation plans;
- Overseeing compliance with any applicable compensation reporting requirements of the SEC;
- Approving the appointment and removal of trustees and investment managers for pension fund assets;
- Retaining consultants to advise the committee on executive compensation practices and policies;
- Handling such other matters that are specifically delegated to the Compensation Committee by the Board of Directors from time to time;
- Reviewing and consulting with the chief executive officer on succession plans for all executive officers and other key employees; and
- Such other matters as may be determined by the Board of Directors.

### **c. Nominating and Governance Committee**

In the event that Virgin Mobile USA, Inc. does not qualify as a “controlled company” within the meaning of NYSE corporate governance standards, the Board of Directors will establish a Nominating and Governance Committee. All members of the nominating committee will be required to qualify as “independent” according to the criteria of the New York Stock Exchange.

If established, the Nominating and Governance Committee will be responsible for the following functions:

- Selecting potential candidates to be nominated for election as independent directors to the Board of Directors;
- Recommending potential candidates for election as independent directors to the Board of Directors;
- Reviewing corporate governance matters;
- Making recommendations to the Board of Directors concerning the structure and membership of other board committees; and
- Such other matters as may be determined by the Board of Directors.

## **V. DIRECTOR ACCESS TO OFFICERS, EMPLOYEES AND INFORMATION**

Directors have full and free access to officers, employees and the books and records of VMUI. Any meetings or contact that a Director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary or directly by the Director. The Directors should use their judgment to ensure that any such contact is not disruptive to the business operations of VMUI.

The Board welcomes the regular attendance at Board meetings of non-Board members who are on the senior leadership team of VMUI. The Chairman of the Board shall extend such invitations.

## **VI. DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

All new Directors must participate in VMUI's Orientation Program, which should be conducted as soon as reasonably practicable after the meeting at which a new Director is elected. This orientation will include presentations by senior management to familiarize new Directors with VMUI's business and strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct, its principal officers, and its internal and independent auditors. Any sitting Directors may attend the Orientation Program.

The Directors are encouraged to participate in continuing Director education.

## **VII. ANNUAL CHIEF EXECUTIVE OFFICER PERFORMANCE EVALUATION**

To ensure that the Chief Executive Officer is providing the best leadership for VMUI, the Board will annually evaluate the Chief Executive Officer's performance in an executive session of non-

management Directors. The Compensation Committee will measure the Chief Executive Officer's performance against his goals and objectives pursuant to VMUI's plans and, after considering the full Board's evaluation of his performance, determine the compensation of the Chief Executive Officer. The full Board will review the Compensation Committee's actions. The Board shall annually review and ratify the Chief Executive Officer's personal goals and objectives.

## **VIII. MANAGEMENT SUCCESSION**

The Board will determine policies and principles for selection of the Chief Executive Officer and policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer. The Board, with input from the Compensation Committee, will oversee senior management development and the planning for succession to senior positions.

## **IX. ANNUAL BOARD PERFORMANCE EVALUATION**

The Board of Directors will conduct an annual self-evaluation to determine whether the Board and its Committees are functioning effectively. During the year, the Audit Committee shall receive input on the Board's performance from Directors and, through its Chairman, will discuss the input with the full Board and oversee the full Board's review of its performance. The assessment will focus on the Board's contribution to VMUI and specifically focus on areas in which the Board or management believes that the Board or any of its Committees could improve.

## **X. DIRECTOR COMPENSATION**

The form and amount of Director compensation shall be determined by the Board, or (if applicable) the Nominating and Governance Committee and then recommended to the full Board for action in accordance with the Nominating and Governance Committee charter. In determining compensation, the Board or Committee shall take into consideration the responsibilities of the Directors and fees and other forms of compensation being paid by other corporations comparable to VMUI.

Director compensation is a combination of cash and stock in VMUI. The stock component should be a significant portion of the total compensation.

## **XI. BOARD INTERACTION WITH OUTSIDE INTERESTED PARTIES**

The Board believes that management speaks for VMUI. From time to time, at the request of the Chief Executive Officer, individual Board members may meet or otherwise communicate with various constituencies that are involved with VMUI. Where comments from the Board are appropriate, they will normally come from the Chairman.

## **XII. GOVERNING DOCUMENTS**

These Corporate Governance Guidelines are subject to the Amended and Restated Certificate of Incorporation, By-laws and Stockholders' Agreement of the Company (collectively, the "Governing Documents"). To the extent that any provision of these Corporate Governance Guidelines conflicts with the Governing Documents, the term or terms of the Governing Documents shall govern and the conflicting provision in these Corporate Governance Policies be null and void.