Virgin America Inc.
Form DEF 14A
March 25, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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 AMERICA 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)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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555 Airport Boulevard

Burlingame, California 94010

March 25, 2016

On behalf of the Board of Directors, it is our pleasure to invite you to attend the 2016 Annual Meeting of Stockholders of Virgin America Inc. The meeting will be held virtually, via live webcast at http://www.virtualshareholdermeeting.com/VA2016, at 9:00 a.m. Pacific Daylight Time on Tuesday, May 10, 2016.

At the meeting, stockholders will vote on the following matters:

- the election of four Class II directors to hold office until the 2019 annual meeting of stockholders;
- the ratification of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2016;
- an advisory vote on executive compensation (also known as say on pay); and
- any other business that may properly come before the meeting.

If you were a holder of record of Virgin America common stock at the close of business on March 14, 2016, you will be entitled to vote at the meeting. A list of stockholders entitled to vote at the meeting will be available for examination during normal business hours for ten days before the meeting at Virgin America s Investor Relations Department, 555 Airport Boulevard, Burlingame, California 94010. The stockholder list will also be available at the meeting. Stockholders without appropriate access may not be admitted to the virtual online meeting. If you plan to attend the meeting, please see the instructions on page 3 of the attached proxy statement.

Please read our attached proxy statement carefully and submit your vote as soon as possible. Your vote is important. You can ensure that your shares are voted at the meeting by signing and returning a proxy card or by using our Internet or telephonic voting system.

Sincerely,

David Cush	**Don Carty**
President & Chief Executive Officer	**Chairman of the Board**

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Virgin America Inc.

555 Airport Boulevard

Burlingame, California 94010

Notice of Annual Meeting of Stockholders

to be Held on May 10, 2016

To the Stockholders of Virgin America Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (Annual Meeting) of Virgin America Inc., a Delaware corporation (the Company), will be held virtually, via live webcast at http://www.virtualshareholdermeeting.com/VA2016, on May 10, 2016 emanating from Burlingame, California at 9:00 a.m. Pacific Daylight Time, for the following purposes:

1. To elect four Class II directors to hold office until the 2019 annual meeting of stockholders or until their successors are elected;

2. To ratify the selection, by the audit committee of the Board of Directors, of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2016;

3. To hold an advisory vote to approve named executive officer compensation as disclosed in these materials;

4. To transact such other business as may properly come before the virtual Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only stockholders who owned our voting common stock at the close of business on March 14, 2016 can vote at this virtual meeting or any adjournments or postponements that take place.

Our Board of Directors recommends that you vote **FOR** the election of the director nominees named in Proposal No. 1 of the Proxy Statement, **FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm as described in Proposal No. 2 of the Proxy Statement and **FOR** the approval, on an advisory basis, of the compensation of our named executive officers as described in Proposal No. 3 of the Proxy Statement.

For our virtual Annual Meeting, we have elected to provide access to our Annual Meeting materials, which include the Proxy Statement accompanying this Notice, over the internet in lieu of mailing printed copies. We will begin mailing the Notice of Internet Availability to our stockholders of record as of March 14, 2016 for the first time on or about March 25, 2016. The Notice of Internet Availability will contain instructions on how to access and review the Annual Meeting materials, including our annual report to stockholders and a proxy card which will indicate the date, time and online address of the virtual Annual Meeting, the matters to be acted upon at the meeting, the recommendations of the Board of Directors with regard to each matter and information on how to attend and vote at the virtual Annual Meeting. It will also contain instructions on how to request a printed copy of the Annual Meeting materials.

You are cordially invited to attend the virtual Annual Meeting, but whether or not you expect to attend the virtual Annual Meeting, you are urged to vote and submit your proxy by following the voting procedures described in the proxy card.

By Order of the Board of Directors

John J. Varley
Secretary
Burlingame, California

March 25, 2016

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Virgin America Inc.

555 Airport Boulevard

Burlingame, California 94010

Proxy Statement

For the 2016 Annual Meeting of Stockholders

May 10, 2016

The Board of Directors of Virgin America Inc. is soliciting your proxy to vote at the Annual Meeting of Stockholders, to be held virtually, via live webcast at http://www.virtualshareholdermeeting.com/VA2016, on May 10, 2016 emanating from Burlingame, California at 9:00 a.m. Pacific Daylight Time, and any adjournment or postponement of that meeting (the Annual Meeting).

We have elected to use the Internet as our primary means of providing our proxy materials to stockholders. Accordingly, on or about March 25, 2016, we are making this Proxy Statement and the accompanying proxy card, Notice of Annual Meeting of Stockholders and Annual Report on Form 10-K for fiscal year 2015 that was filed with the Securities and Exchange Commission (the SEC) (the Annual Report) available on the Internet and mailing a Notice of Internet Availability of Proxy Materials to stockholders of record as of March 14, 2016 (the Record Date). Brokers and other nominees who hold shares on behalf of beneficial owners will be sending their own similar notice. All stockholders as of the Record Date will have the ability to access the proxy materials on the website referred to in the Notice of Internet Availability of Proxy Materials or request to receive a printed set of the proxy materials. Instructions on how to request a printed copy by mail or electronically, including an option to request paper copies on an ongoing basis, may be found in the Notice of Internet Availability of Proxy Materials and on the website referred to in the notice.

The only voting securities of Virgin America Inc. are shares of voting common stock, par value $0.01 per share (the voting common stock), of which there were 37,711,029 shares outstanding as of the Record Date (excluding any treasury shares). We need the holders of a majority in voting power of the shares of voting common stock issued and outstanding and entitled to vote, present by remote communication, if applicable, or represented by proxy, to hold the virtual Annual Meeting. As of the Record Date, there were also 6,852,738 shares of non-voting common stock, par value $0.01 per share (the non-voting common stock), issued and outstanding, which shares of non-voting common stock may be converted into shares of voting common stock on a share-for-share basis at the option of the holder under certain circumstances. These shares of non-voting common stock, even if converted into shares of voting common stock after the Record Date but prior to the date of the virtual Annual Meeting, will not be entitled to vote at the virtual Annual Meeting.

In this Proxy Statement, we refer to Virgin America Inc. as the Company, Virgin America, we or us and the Board Directors as the Board. When we refer to Virgin America s fiscal year, we mean the twelve-month period ending December 31 of the stated year.

The Company s Annual Report, which contains consolidated financial statements as of and for the year ended December 31, 2015, accompanies this Proxy Statement. You also may obtain a copy of the Company s Annual Report free of charge, by writing to our Secretary at the above address, or by visiting the SEC Filings section of our website at http://ir.virginamerica.com.

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The Proxy Process and Stockholder Voting

Questions and Answers about this Proxy Material and Voting

Who can vote at the virtual Annual Meeting?

Only stockholders of record holding shares of voting common stock at the close of business on March 14, 2016 will be entitled to vote at the virtual Annual Meeting. At the close of business on the Record Date, there were 37,711,029 shares of voting common stock issued and outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If, on March 14, 2016, your shares of voting common stock were registered directly in your name with the transfer agent for our common stock, Wells Fargo Shareowner Services, then you are a stockholder of record of shares of voting common stock. As a stockholder of record of shares of voting common stock, you may vote online during the virtual Annual Meeting or vote by proxy. Whether or not you plan to attend the virtual Annual Meeting, we urge you to complete and submit the enclosed proxy card or vote by proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If, on March 14, 2016 your shares of voting common stock were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares of voting common stock held in street name, and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the virtual Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares of voting common stock in your account. You are also invited to attend the virtual Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares of voting common stock at the virtual Annual Meeting unless you request and obtain a valid proxy card from your broker or other agent.

What do I need in order to be able to attend the virtual Annual Meeting online?

Virgin America will be hosting the virtual Annual Meeting via live webcast only. Any stockholder can attend the virtual Annual Meeting live online at http://www.virtualshareholdermeeting.com/VA2016. The webcast will start at 9:00 a.m. Pacific Daylight Time on May 10, 2016. Stockholders may vote and submit questions while attending the virtual Annual Meeting online. In order to be able to enter the virtual Annual Meeting, you will need the control number, which is included on your proxy card if you are a stockholder of record of shares of voting common stock or included with your voting instruction card and voting instructions you received from your broker, bank or other agent if you hold your shares of voting common stock in street name. Instructions on how to attend and participate online are also posted online at http://www.virtualshareholdermeeting.com/VA2016.

What am I being asked to vote on?

You are being asked to vote **FOR:**

the election of four Class II directors to hold office until our 2019 annual meeting of stockholders;

the ratification of the selection, by the audit committee of the Board, of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2016; and

the approval, on an advisory basis, of the compensation of the Company s named executive officers.

In addition, you are entitled to vote on any other matters that are properly brought before the virtual Annual Meeting.

How do I vote?

You may vote by proxy either over the Internet, by telephone or by mail by following the instructions provided on the Notice of Internet Availability and accompanying Annual Meeting materials, or online at the virtual Annual Meeting by following the instructions provided in the Notice of Internet Availability and accompanying Annual Meeting materials. Instructions on how to attend and participate online are also posted online at http://www.virtualshareholdermeeting.com/VA2016.

For the election of directors, you may either vote **FOR** each of the four nominees or you may withhold your vote for any nominee you specify. For the ratification of the selection of the Company s independent auditors and the advisory vote to approve named executive officer compensation, you may vote **FOR** or **AGAINST** or abstain from voting.

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The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote during the virtual Annual Meeting. Alternatively, you may vote by proxy over the Internet or by signing, dating and returning the proxy card, or by telephone. Whether or not you plan to attend the virtual Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. Even if you have submitted a proxy before the virtual Annual Meeting, you may still attend and vote at the virtual Annual Meeting. In such case, your previously submitted proxy will be disregarded. For instructions on how to access your proxy card, or on how to receive a paper copy of your proxy card, follow the instructions provided in the Notice of Internet Availability.

To vote during the virtual Annual Meeting, follow the online instructions provided on the proxy card to log in to http://www.virtualshareholdermeeting.com/VA2016.

To vote by proxy over the Internet, follow the instructions provided on the proxy card.

To vote by telephone, call the toll free number found on the proxy card.

To vote by mail, simply complete, sign and date the proxy card and return it promptly by mail.

If we receive your vote by Internet, signed proxy card or telephone before the virtual Annual Meeting, we will vote your shares of voting common stock as you direct.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent

If you are a beneficial owner of shares of voting common stock registered in the name of your broker, bank or other agent, you should have received a voting instruction card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the voting instruction card to ensure that your vote is counted. To vote online during the virtual Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy form.

We provide internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet access, such as usage charges from internet access providers and telephone companies.

Who counts the votes?

Broadridge Financial Solutions, Inc. (Broadridge) has been engaged as our independent agent to tabulate stockholder votes. If you are a stockholder of record of shares of voting common stock, and you choose to vote over the Internet (either prior to or during the virtual Annual Meeting) or by telephone, Broardridge will access and tabulate your vote electronically, and if you choose to sign and mail your proxy card, your executed proxy card is returned directly to Broadridge for tabulation. As noted above, if you hold your shares of voting common stock through a broker, your broker (or its agent for tabulating votes of shares of voting common stock held in street name, as applicable) returns one proxy card to Broadridge on behalf of all its clients.

How are votes counted?

With respect to Proposal No. 1, the election of directors, the four nominees receiving the highest number of votes will be elected. With respect to Proposal Nos. 2 and 3, the affirmative vote of the holders of a majority in voting power of the shares of voting common stock which are present in person, by remote communication or by proxy and entitled to vote on each proposal is required for approval.

Brokers who hold shares of voting common stock in street name for the accounts of their clients may vote such shares either as directed by their clients or in the absence of such direction, in their own discretion if permitted by the stock exchange or other organization of which they are members. If your shares of voting common stock are held by a broker on your behalf, and you do not instruct the broker as to how to vote these shares on Proposal No. 2, the broker may exercise its discretion to vote for or against that proposal in the absence of your instruction. With respect to Proposal Nos. 1 or 3, the broker may not exercise discretion to vote on those proposals. Such event would constitute a broker non-vote, and these shares will not be counted as having been voted on the applicable proposal. However, broker non-votes will be considered present and entitled to vote at the virtual Annual Meeting and will be counted in determining whether or not a quorum is present. **Please instruct your bank or broker so that your vote can be counted**.

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If stockholders abstain from voting, the applicable shares of voting common stock will be considered present and entitled to vote at the virtual Annual Meeting and will be counted in determining whether or not a quorum is present. With respect to Proposal No. 1, abstentions are not considered votes cast **FOR** or **AGAINST** a nominee s election and will have no effect in determining whether a nominee for director has received sufficient votes. With respect to Proposal Nos. 2 and 3, abstentions are considered in determining the number of votes required to obtain the necessary majority vote for the proposal and will have the same legal effect as voting against the proposal.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of voting common stock you own as of March 14, 2016.

How do I vote via Internet or telephone?

You may vote by proxy via the Internet or telephone by following the instructions provided in the Notice of Internet Availability and on the proxy card. Please be aware that if you vote over the Internet or by telephone, you may incur costs such as telephone and Internet access charges, as applicable, for which you will be responsible. The Internet and telephone voting facilities for eligible stockholders of record will close at the start of the virtual Annual Meeting on May 10, 2016. The giving of such a telephonic or Internet proxy will not affect your right to vote during the virtual Annual Meeting should you decide to attend the virtual Annual Meeting.

The telephone and Internet voting procedures are designed to authenticate stockholders identities, to allow stockholders to give their voting instructions and to confirm that stockholders instructions have been recorded properly.

What if I return a proxy card but do not make specific choices?

If we receive a signed and dated proxy card, and the proxy card does not specify how your shares of voting common stock are to be voted, your shares of voting common stock will be voted **FOR** the election of each of the four nominees for director, **FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm and **FOR** the approval, on an advisory basis, of named executive officer compensation. If any other matter is properly presented at the virtual Annual Meeting, your proxy (one of the individuals named on your proxy card) will vote your shares of voting common stock using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors, officers and employees may also solicit proxies in person, by telephone or by other means of communication. Directors, officers and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one set of materials?

If you receive more than one set of materials, your shares of voting common stock are registered in more than one name or are registered in different accounts. In order to vote all the shares of voting common stock that you own, you must follow the instructions for voting on the proxy cards, which include instructions for voting over the Internet, by telephone or by signing, dating and returning any of such proxy cards.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the virtual Annual Meeting. If you are the record holder of your shares of voting common stock, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy with a later date.
- You may send a written notice that you are revoking your proxy to our Secretary at 555 Airport Boulevard, Burlingame, California 94010.
- You may attend and vote during the virtual Annual Meeting. Simply logging into the virtual Annual Meeting will not, by itself, revoke your proxy.

If your shares of voting common stock are held by your broker, bank or other agent, you should follow the instructions provided by such party.

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When are stockholder proposals due for next year s Annual Meeting?

To be considered for inclusion in the proxy materials for next year s Annual Meeting, your proposal must be submitted in writing by November 25, 2016, to our Secretary at 555 Airport Boulevard, Burlingame, California 94010; provided that if the date of that Annual Meeting is earlier than April 10, 2017 or later than June 9, 2017, the deadline will be a reasonable time before we begin to print and send our proxy materials for next year s Annual Meeting. If you wish to submit a proposal that is not to be included in the proxy materials for next year s Annual Meeting pursuant to the SEC s stockholder proposal procedures or to nominate a director, you must do so between January 10, 2017 and February 9, 2017; provided that if the date of that annual meeting is earlier than April 10, 2017 or later than July 9, 2017, you must give notice not later than the 90th day prior to the annual meeting date or, if later, the 10th day following the day on which public disclosure of the annual meeting date is first made. You are also advised to review our amended and restated bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if the holders of a majority in voting power of the shares of voting common stock issued and outstanding and entitled to vote are present in person, by remote communication or represented by proxy at the virtual Annual Meeting. On the Record Date, there were 37,711,029 shares of voting common stock outstanding and entitled to vote. Accordingly, 18,855,515 of such shares must be represented by stockholders present at the virtual Annual Meeting or by proxy to have a quorum.

Your shares of voting common stock will be counted towards the quorum only if you submit a valid proxy vote or vote at the virtual Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, either the chairperson of the virtual Annual Meeting or a majority in voting power of the stockholders entitled to vote at the virtual Annual Meeting, present in person, by remote communication or represented by proxy, may adjourn the virtual Annual Meeting to another time or place.

How can I find out the results of the voting at the virtual Annual Meeting?

Voting results will be announced by the filing of a Current Report on Form 8-K within four business days after the virtual Annual Meeting. If final voting results are unavailable at that time, we will file an amended Current Report on Form 8-K within four business days of the day the final results are available.

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Proposal No. 1

Election of Directors

The Board consists of eleven members. In accordance with our amended and restated certificate of incorporation, the Board is divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors are divided among the three classes as follows:

Class II directors: Messrs. Cyrus F. Freidheim, Jr., Robert A. Nickell and Samuel K. Skinner and Ms. Jennifer L. Vogel, whose current terms will expire at the virtual Annual Meeting;

Class III directors: Messrs. Stephen C. Freidheim, Evan M. Lovell, John R. Rapaport and Paul D. Wachter, whose current terms will expire at the annual meeting of stockholders to be held in 2017; and

Class I directors: Messrs. Donald J. Carty, C. David Cush and Stacy J. Smith, whose current terms will expire at the annual meeting of stockholders to be held in 2018.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

The division of the Board into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

Mr. Cyrus F. Freidheim, Jr., Messrs. Skinner and Nickell and Ms. Vogel have been nominated to serve as Class II directors and have each elected to stand for reelection. Each director to be elected will hold office from the date of their election by the stockholders until the 2019 annual meeting of stockholders or until his or her successor is elected and has been qualified, or until such director s earlier death, resignation or removal.

Shares of voting common stock represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the four nominees named below. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as the Board may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve. Directors are elected by a plurality of the votes cast at the meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH NAMED NOMINEE.

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Directors and Executive Officers

Board of Directors

The following table sets forth, for the Class II nominees and our other current directors who will continue in office after the virtual Annual Meeting, information with respect to their ages and position/office held with the Company as of the date of this Proxy Statement:

Name	Age	Position/Office Held With the Company	Director Since
Class II directors for election at the 2016 virtual Annual Meeting of Stockholders			
Cyrus F. Freidheim, Jr. (1)	80	Director	2006
Robert A. Nickell (1)(2)(3)	69	Director	2010
Samuel K. Skinner (2)(4)	77	Director and Vice Chairman of the Board	2007
Jennifer L. Vogel (2)(4)	54	Director	2015
Class III directors continuing in office until the 2017 Annual Meeting of Stockholders			
Stephen C. Freidheim (4)	51	Director	2006
Evan M. Lovell (3)	46	Director	2013
John R. Rapaport (3)	34	Director	2009
Paul D. Wachter (2)	59	Director	2015
Class I directors continuing in office until the 2018 Annual Meeting of Stockholders			
Donald J. Carty (1)(4)	69	Director and Chairman of the Board	2006
C. David Cush	56	Director, President and Chief Executive Officer	2007
Stacy J. Smith (2)	53	Director	2014

(1) Member of the audit committee of the Board.

(2) Member of the compensation committee of the Board.

(3) Member of the finance committee of the Board.

(4) Member of the nominating and corporate governance committee of the Board.

Set forth below is biographical information for the nominees and each person whose term of office as a director will continue after the virtual Annual Meeting. The following includes certain information regarding our directors individual experience, qualifications, attributes and skills that led the Board to conclude that they should serve as directors.

Nominees for Election to a Three-Year Term Expiring at the 2019 Annual Meeting of Stockholders

Cyrus F. Freidheim, Jr. has served as a member of our Board since 2006. Mr. Freidheim has been a private investor since 2009. From 2006 to 2009, Mr. Freidheim served as the Chief Executive Officer and President of Sun-Times Media Group Inc., a parent company of Sun-Times News Group (formerly Hollinger International Inc.), which filed for chapter 11 bankruptcy protection in March 2009. Previously, Mr. Freidheim served as Chief Executive Officer and President of Chiquita Brands International Inc., a produce company. Mr. Freidheim also previously held various leadership roles with Booz Allen & Hamilton Inc., a management consulting firm, including Vice Chairman and President of Booz Allen International. Mr. Freidheim brings to our Board significant expertise in executive leadership positions and knowledge of our Company. Mr. Freidheim is the father of Stephen C. Freidheim, another member of our Board.

Robert A. Nickell has served as a member of our Board since 2010. Mr. Nickell has been a private investor since 1995. Prior to his retirement in 1995, Mr. Nickell served as the President, Chief Executive Officer and Chairman of Ed Tucker Distributor, Inc., a wholesale distribution company which Mr. Nickell sold to Lacy Diversified Industries in 1989. Previously, Mr. Nickell was a pilot with Braniff Airlines, reaching the post of captain. Mr. Nickell brings to our Board financial expertise, general business experience and aviation experience.

Samuel K. Skinner has served as our Vice-Chairman of the Board since 2007. Mr. Skinner is of counsel to the law firm Greenberg Traurig, LLP, where he has worked since 2004, concentrating on corporate, governmental and regulatory matters. From 2000 to 2003, Mr. Skinner served as Chairman, President and Chief Executive Officer of USF Corporation, a North American shipping company. Mr. Skinner also previously served as President of Commonwealth Edison Company, a utility company, and its holding company, Unicom Corporation (Exelon Corporation). Mr. Skinner previously served as White House

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Chief of Staff to President George H.W. Bush and served as U.S. Secretary of Transportation from February 1989 to December 1991. Mr. Skinner previously was U.S. Attorney for the Northern District of Illinois from 1975 to 1977, having served in that office for eight years. Mr. Skinner also serves on the boards of directors of CBOE Holdings, Inc., the holding company for the Chicago Board Options Exchange, Navigant Consulting, Inc., a management consulting company, and Echo Global Logistics, Inc., a provider of technology-enabled transportation and supply chain management services. He has previously served on the boards of Diamond Management and Technology Consultants, a management consulting company, Dade Behring, a manufacturer of medical diagnostics equipment, APAC Customer Services, Inc., a customer care outsourcing company, Midwest Air Group, the owner of Midwest Airlines, Inc., Express Scripts, Inc., a pharmacy benefit management organization, and MedAssets, Inc., a healthcare performance improvement company. Mr. Skinner s experience as a director of public companies and working in government positions provides the Board with valuable insights to assist in achieving our goals.

Jennifer L. Vogel has served as a member of our Board since 2015. Ms. Vogel has been Founder and Partner of InVista Advisors, a legal advisory firm, since 2013. She served in various officer positions at Continental Airlines, Inc. from 1995 to 2010, most recently as Senior Vice President, General Counsel, Secretary and Chief Compliance Officer from 2003 to 2010. Ms. Vogel serves on the Board of Directors of American Science and Engineering, Inc. (AS&E), a leading worldwide supplier of innovative X-ray inspection systems and AAR Corp., a global aftermarket solutions company supporting commercial aviation and government customers. Ms. Vogel brings to our Board significant expertise in the airline industry and general business experience.

Directors Continuing in Office Until the 2017 Annual Meeting of Stockholders

Stephen C. Freidheim has served as a member of our Board since 2006. Mr. Freidheim has served as the Managing Partner and Chief Investment Officer of Cyrus Capital Partners, L.P., a registered investment advisor to private investment funds, since 2005. From 1999 to 2004, Mr. Freidheim was the Senior Managing Member, Chief Investment Officer and Co-Founder of Och-Ziff Freidheim Capital Management, the predecessor of Cyrus Capital Partners. Previously, Mr. Freidheim held leadership roles at Bankers Trust Company, a banking organization, Nomura Securities International, a financial services company, and Kidder, Peabody & Co. Incorporated, a securities firm. Mr. Freidheim brings financial expertise, knowledge of our Company and general business experience to our Board. Mr. Freidheim is the son of Cyrus F. Freidheim, Jr., another member of our Board.

Evan M. Lovell has served as a member of our Board since April 2013. Since 2012, Mr. Lovell has been responsible for managing the portfolio and investments of Virgin Group Holdings Limited and its affiliates (collectively, the Virgin Group) in North America and has been a partner in the Virgin Group. From 2008 to 2012, Mr. Lovell was the Founding Partner of Virgin Green Fund, a private equity fund investing in the energy and resource sector. From 1998 to 2008, Mr. Lovell served as an investment professional at TPG Capital, where he also served on the Board of a number of TPG portfolio companies. Prior to joining TPG, Mr. Lovell served as Director of International Development for Culligan International Inc., a water filtration company, when it was owned by Apollo Global Management, and was Assistant to the Chairman for International Development at Astrum International, the holding company for Samsonite and American Tourister Luggage, Botany 500 Menswear, Culligan, Anvil Knitwear and Pet Specialties. Mr. Lovell brings financial expertise, knowledge of our Company and the Virgin brand and general business experience to our Board.

John R. Rapaport has served as a member of our Board since 2009. Since 2008, Mr. Rapaport has served in various roles at Cyrus Capital Partners, L.P., and he is currently a partner responsible for certain investments in the airline, industrial, transportation and energy sectors. Previously, Mr. Rapaport was an associate at Sankaty Advisors LLC, a division of Bain Capital LLC, where he covered various sectors including the airline, aerospace and transportation industries. Mr. Rapaport brings to our Board financial expertise and knowledge of the airline and transportation industries.

Paul D. Wachter has served as a member of our Board since 2015. Since 1997, Mr. Wachter has been the founder and CEO of financial and asset management advisory firm Main Street Advisors in Los Angeles. Prior to forming Main Street Advisors, from 1993 to 1997, Mr. Wachter was Managing Director of Schroder & Co. Incorporated, an investment banking and asset management company. He has also served on the board of directors of Time Warner Inc., a publicly-traded media company, since 2010 and the board of directors of Avalanche Biotechnologies, Inc., a publicly-traded biopharmaceutical company, since 2014. Mr. Wachter has served as a Regent on the University of California Board of Regents since 2004. Mr. Wachter brings financial expertise and general business experience to our Board and his experience as a director of public companies provides our Board with valuable insights to assist in achieving our goals.

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Directors Continuing in Office Until the 2018 Annual Meeting of Stockholders

C. David Cush has served as our President, our Chief Executive Officer and a member of our Board, since December 2007. From 2004 to 2007, Mr. Cush served as Senior Vice President of Global Sales at American Airlines, where he was responsible for worldwide sales activity. Prior to that role, Mr. Cush also served in various leadership roles in operations, planning, global alliances, financial planning and international marketing and operations at American Airlines. In addition to his 20 years of experience with American Airlines, Mr. Cush previously served as Chief Operating Officer of Aerolineas Argentinas, the national carrier of Argentina from 1998 to 2000. As our President and Chief Executive Officer for over eight years, Mr. Cush brings expertise and knowledge regarding our business and operations to our Board. He also brings to our Board leadership skills, strategic guidance and operational visions for his prior experience in our industry.

Donald J. Carty has served as our Chairman of the Board since 2006. Mr. Carty is currently a private investor. Mr. Carty served as Vice Chairman and Chief Financial Officer of Dell from 2007 until 2008. Mr. Carty previously served as Chairman and Chief Executive Officer, and held a variety of other executive positions, for AMR Corporation and American Airlines. Mr. Carty also previously served as President and Chief Executive Officer of Canadian Pacific Air Lines, known in Canada as CP Air. Mr. Carty is a director of EMC Corporation, a data storage and IT company, VMWare, Inc., a computer software company, and Canadian National Railway Company and serves as Chairman of the Board of Porter Aviation Holding Inc. and its subsidiary, Porter Airlines, Inc. Mr. Carty was a member of the board of directors of Hawaiian Holdings Inc., the sole owner of Hawaiian Airlines, Inc., from July 2004 until February 2007 and again from April 2008 until May 2011, Barrick Gold Corporation, a gold mining company, from February 2006 until December 2013, Dell Inc., a computer technology company, from December 1992 until November 2013 and Gluskin Sheff and Associates, a wealth management firm, from June 2006 until December 2006 and again from April 2008 until May 2011. Mr. Carty brings to our Board significant expertise in the airline industry from previous executive leadership positions. In addition, Mr. Carty s experience as a director of public companies provides the Board with valuable insights to assist in achieving our goals.

Stacy J. Smith has served as a member of our Board since January 2014. Since 1988, Mr. Smith has held various finance, sales and marketing and information technology leadership positions at Intel Corporation, a semiconductor company, where he currently serves as Executive Vice President and Chief Financial Officer. Mr. Smith also serves on the board of directors of Autodesk Inc., a 3-D design, engineering and entertainment software company. Mr. Smith brings to our Board financial expertise and general business experience from executive leadership positions. In addition, Mr. Smith s experience as a director of public companies provides the Board with valuable insights to assist in achieving our goals.

Executive Officers

The following is biographical information for our executive officers not discussed above, as of the date of this Proxy Statement:

Name	Age	Position
E. Frances Fiorillo	63	Senior Vice President, People and In-flight Services
Stephen A. Forte	60	Chief Operating Officer
Peter D. Hunt	46	Senior Vice President and Chief Financial Officer
John A. MacLeod	56	Senior Vice President, Planning and Sales
John J. Varley	59	Senior Vice President, General Counsel and Corporate Secretary

E. Frances Fiorillo has served as our Senior Vice President, People and In-flight Services, since January 2005. Prior to joining us, Ms. Fiorillo held various executive-level leadership roles with Canadian Airlines and with Air Canada s 2002 low-fare start up, ZIP. In these positions, Ms. Fiorillo had senior-level responsibility in areas of inflight service, human resources, labor and employee relations, wellness, learning and development. Immediately prior to joining Virgin America, Ms. Fiorillo served as the Chief Human Resources Officer for the British Columbia Provincial Health Services Authority.

Stephen A. Forte has served as our Chief Operating Officer and Director of Operations since April 2013. From 2012 to 2013, Mr. Forte was Chief Executive Officer of iJet Onboard, a provider of platform-based aviation software services. From 2007 to 2012, Mr. Forte was Chief Executive Officer of Naverus, Inc., a provider of performance-based navigation software, which was acquired by GE Aviation in 2009. Prior to 2007, Mr. Forte held senior management roles in flight operations at United Airlines, including Senior Vice President of Flight Operations and Director of Operations from 1999 to 2006.

Peter D. Hunt has served as our Senior Vice President, Chief Financial Officer, since July 2011. From 2004 to 2011, Mr. Hunt served as Vice President and Chief Financial Officer of Pinnacle Airlines Corp., which filed for chapter 11 bankruptcy protection in April 2012. From 1996 to 2004, Mr. Hunt served in several finance positions with Continental Airlines, including Managing Director of Corporate Finance. Mr. Hunt began his career in public accounting.

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John A. MacLeod has served as our Senior Vice President, Planning and Sales, since August 2012. From 2010 to 2012, Mr. MacLeod served as Vice President of Network Management and Alliances at WestJet, where he was responsible for corporate development, network planning, revenue management and alliances. From 2003 to 2010, Mr. MacLeod held positions at Alaska Air Group, where he was responsible for revenue management, network planning and alliances. Prior to his work with Alaska Air Group, Mr. MacLeod served in several management positions related to network planning, marketing, reservations and alliances at Air New Zealand Group and Canadian Airlines International.

John J. Varley has served as our Senior Vice President, General Counsel and Corporate Secretary, since July 2010. From 1986 to 2008, Mr. Varley served as internal counsel at Delta Air Lines, serving as Vice President, Associate General Counsel and Vice President and Deputy General Counsel from 2004 to 2008.

Independence of the Board

As required under the NASDAQ Stock Market rules, a majority of the members of a listed company s board of directors must qualify as independent, as affirmatively determined by the Board. The Board consults with the Company s counsel to ensure that the Board s determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of the NASDAQ Stock Market, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent registered public accounting firm, the Board has affirmatively determined that Mr. Cyrus F. Freidheim, Jr., Mr. Stephen C. Freidheim, Messrs. Carty, Nickell, Rapaport, Skinner, Smith and Wachter and Ms. Vogel are independent directors within the meaning of the applicable NASDAQ Stock Market listing standards. In doing so, the Board considered the interest that Mr. Cyrus F. Freidheim, Jr., Mr. Stephen C. Freidheim and Mr. Rapaport each have in Cyrus Capital Partners, L.P., or funds related to or affiliated with Cyrus Capital Partners, L.P., and have determined that these relationships do not conflict with the elements of independence set forth in the NASDAQ Stock Market listing standards.

As required under the NASDAQ Stock Market rules, our independent directors meet in regularly scheduled executive sessions at which only independent directors are present.

Information Regarding the Board and its Committees

Board Responsibilities; Risk Oversight

The Board is responsible for, among other things, overseeing the conduct of our business; reviewing and, where appropriate, approving our major financial objectives, plans and actions; and reviewing the performance of our chief executive officer and other members of management based on reports from the compensation committee. Following the end of each year, the Board conducts an annual self-evaluation, which includes a review of any areas in which the Board or management believes the Board can make a better contribution to our corporate governance, as well as a review of the committee structure and an assessment of the Board s compliance with corporate governance principles. In fulfilling the Board s responsibilities, directors have full access to our management and independent advisors. With respect to the Board s role in our risk oversight, our audit committee discusses with management our policies with respect to risk assessment and risk management and our significant financial risk exposures and the actions management has taken to limit, monitor or control such exposures. Our audit committee reports to the full Board with respect to these matters, among others.

Leadership Structure

We have historically separated the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting our strategic direction and our day-to-day leadership and performance, while the Chairman of the Board provides guidance to the Chief Executive Officer and sets the agenda for Board meetings and presides over meetings of the full Board. In addition, our amended and restated bylaws provide that the independent directors may appoint a lead director from among them to perform such duties as may be assigned by the Board.

Board Committees

Our Board has the following committees: an audit committee, a compensation committee, a nominating and corporate governance committee and a finance committee. The composition and responsibilities of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by the Board.

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Audit Committee

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, the audit committee evaluates the independent auditors qualifications, independence and performance; determines the engagement of the independent auditors; reviews and approves the scope of the annual audit and the audit fee; discusses with management and the independent auditors the results of the annual audit and the review of our quarterly financial statements; approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on the Company s engagement team as required by law; reviews our critical accounting policies and estimates; oversees our internal audit function and annually reviews the audit committee charter and the committee s performance. The current members of our audit committee are Cyrus F. Freidheim, Jr., who is the chair of the committee, Donald J. Carty and Robert A Nickell. Our Board has determined that Mr. Carty is an audit committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication under the applicable rules and regulations of NASDAQ. All members of our audit committee are independent. The audit committee operates under a written charter that satisfies the applicable standards of the SEC and the NASDAQ Stock Market. A copy of the audit committee charter is available to stockholders in the Corporate Governance section of our website at http://ir.virginamerica.com.

Compensation Committee

Our compensation committee reviews and recommends policies relating to compensation and benefits of our officers and teammates. The compensation committee reviews and approves corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers, evaluates our performance in light of those goals and objectives and recommends to the Board which sets the compensation of these officers based on such evaluations. The compensation committee also considers recommendations of our Chief Executive Officer with respect to the compensation of other executive officers. Our Chief Executive Officer evaluates each other executive officer s overall performance and contributions to us at the end of each fiscal year and reports to the compensation committee his recommendations of the other executive officers compensation. The compensation committee also administers the issuance of stock options and other awards under our stock plans. The compensation committee will review and evaluate, at least annually, the performance of the compensation committee and its members, including compliance of the compensation committee with its charter. The current members of our compensation committee are Robert A. Nickell, Samuel K. Skinner, Stacy J. Smith, Jennifer L. Vogel and Paul D. Wachter, with Mr. Skinner serving as the chair of the committee. All members of our compensation committee are independent. A copy of the compensation committee charter is available to stockholders in the Corporate Governance section of our website at http://ir.virginamerica.com.

In 2015, our compensation committee engaged Frederic W. Cook & Co., Inc. (F.W. Cook), a nationally recognized compensation consulting firm, to serve as its independent compensation consultant and to conduct market research and analysis on our various executive positions, to assist the committee in developing appropriate incentive plans for our executives on an annual basis, to provide the committee with advice and ongoing recommendations regarding material executive compensation decisions, and to review compensation proposals of management. F.W. Cook reports directly to the compensation committee and does not provide any non-compensation related services to the Company. Our compensation committee reviewed the independence of F.W. Cook, employing the independence factors specified in the NASDAQ Stock Market listing standards. Based on this assessment, the compensation committee determined that the engagement of F.W. Cook does not raise any conflicts of interest or similar concerns. In addition, the compensation committee evaluated the independence of its other outside advisors, including outside legal counsel, considering the same independence factors, and concluded their work for the compensation committee does not raise any conflicts of interest.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is responsible for making recommendations regarding candidates for directorships and the size and composition of our Board. In addition, the nominating and corporate governance committee is responsible for overseeing our corporate governance guidelines and reporting and making recommendations concerning governance matters. The nominating and corporate governance committee is comprised of Mr. Stephen C. Freidheim, Messrs. Carty and Skinner and Ms. Vogel, with Mr. Carty serving as the chair of the committee.

Potential candidates for nomination to the Board are discussed by the nominating and corporate governance committee. In considering candidates for nomination to the Board, including any candidates recommended by stockholders, the nominating and corporate governance committee may consider, among other criteria the nominating and corporate governance committee deems appropriate, the candidate s (i) diversity of personal background, perspective and experience; (ii) personal and professional integrity, ethics and values; (iii) experience in corporate management, such as serving as an officer or former officer of a publicly-held company, and general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today s business environment; (iv) experience relevant to the Company s industry and relevant social policy concerns; (v) experience as a board member or executive officer of another publicly-held company; (vi) relevant

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academic expertise or other proficiency in an area of the Company s operations; (vii) practical and mature business judgment, including ability to make independent analytical inquiries; and (viii) promotion of a diversity of business or career experience relevant to the success of the Company. The nominating and corporate governance committee will consider director candidates recommended by stockholders using the same criteria as it evaluates all other potential nominees. Though the nominating and corporate governance committee has not established a formal policy with regard to the consideration of director candidates recommended by the stockholders, the Board believes that the procedures set forth in the Company s amended and restated bylaws are currently sufficient and the establishment of a formal policy is not necessary.

For a stockholder to make any nomination for election to the Board at an annual meeting, the stockholder must provide notice to the Company, which notice must be delivered to, or mailed and received at the Company s principal executive offices not less than 90 days and not more than 120 days prior to the one-year anniversary of the preceding year s annual meeting; provided, that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, the stockholder s notice must be delivered, or mailed and received, not later than 90 days prior to the date of the annual meeting or, if later, the 10th day following the date on which public disclosure of the date of such annual meeting is made. Further updates and supplements to such notice may be required at the times, and in the forms, required under our bylaws. As set forth in our bylaws, submissions must include the name and address of the proposed nominee, information regarding the proposed nominee that is required to be disclosed in a proxy statement or other filings in a contested election pursuant to Section 14(a) under the Exchange Act, information regarding the proposed nominee s indirect and direct interests in shares of the Company s common stock, and a completed and signed questionnaire, representation and agreement of the proposed nominee. Our bylaws also specify further requirements as to the form and content of a stockholder s notice. We recommend that any stockholder wishing to make a nomination for director review a copy of our bylaws, as amended and restated to date, which is available, without charge, from our Corporate Secretary, at 555 Airport Boulevard, Burlingame, California 94010.

All members of our nominating and corporate governance committee are independent. A copy of the nominating and corporate governance committee charter is available to stockholders in the Corporate Governance section of our website at http://ir.virginamerica.com.

Finance Committee

Our finance committee reviews and recommends matters relating to the financial condition and capital structure of our Company, including those related to fuel hedging and investment strategies. The current members of our finance committee are Messrs. Lovell, Nickell and Rapaport, with Mr. Nickell serving as the chair of the committee. A copy of the finance committee charter is available to stockholders in the Corporate Governance section of our website at http://ir.virginamerica.com.

Meetings of the Board, Board and Committee Member Attendance and Annual Meeting Attendance

The Board met seven times during the last year. The audit committee of the Board met nine times; the compensation committee of the Board met five times; the nominating and corporate governance committee of the Board met two times; and the finance committee of the Board met seven times during the last year. During 2015, each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he or she served. We encourage all of our directors and nominees for director to attend our annual meeting of stockholders; however, attendance is not mandatory. All of our directors serving at the time of the 2015 annual meeting of stockholders attended such meeting.

Stockholder Communications with the Board

Should stockholders wish to communicate with the Board or any specified individual directors, such correspondence should be sent to the attention of the Secretary, at 555 Airport Boulevard, Burlingame, California 94010. The Secretary will forward the communication to the Board members.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is or has at any time during the past year been an officer or employee of ours. None of our executive officers currently serves or in the past year has served as a member of the Board or compensation committee of any entity that has one or more executive officers serving on our Board or compensation committee.

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Code of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics is applicable to our executive officers and teammates, including our Chief Executive Officer, Chief Financial Officer and principal accounting officer. The Code of Business Conduct is available in the Corporate Governance section of our website at http://ir.virginamerica.com. The Code of Business Conduct and Ethics addresses, among other things, issues relating to conflicts of interests, including internal reporting of violations and disclosures, and compliance with applicable laws, rules and regulations. The purpose of the Code of Business Conduct and Ethics is to deter wrongdoing and to promote, among other things, honest and ethical conduct and to ensure to the greatest possible extent that our business is conducted in a legal and ethical manner. We intend to promptly disclose (1) the nature of any amendment to our code of ethics that applies to our directors, executive officers or other principal financial officers and (2) the nature of any waiver, including an implicit waiver, from a provision of our code of ethics that is granted to one of these specified directors, officers or other principal financial officers, the name of such person who is granted the waiver and the date of the waiver on our website in the future.

Limitation of Liability and Indemnification

Our amended and restated certificate of incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director s duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation provides that we may indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. Our amended and restated bylaws provide that we are obligated to indemnify our directors and officers to the fullest extent permitted by Delaware law and advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. In 2014, we entered into agreements to indemnify our directors, executive officers and other employees as determined by our Board. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe these limitations of liability provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors and officers liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation, amended and restated bylaws and indemnification agreements may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. Our amended and restated certificate of incorporation provides that any such lawsuit must be brought in the Court of Chancery of the State of Delaware. The foregoing provisions may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder s investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

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Proposal No. 2

Ratification of Selection of Independent Registered Public Accounting Firm

The audit committee of the Board has engaged Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2016 and is seeking ratification of such selection by our stockholders at the virtual Annual Meeting. Ernst & Young LLP has audited our financial statements since the year ended December 31, 2009. Representatives of Ernst & Young LLP are expected to be present at the virtual Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our amended and restated bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm. However, we are submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify the selection, the audit committee will reconsider whether or not to retain Ernst & Young LLP. Even if the selection is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and our stockholders.

To be approved, the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm must receive a **FOR** vote from the holders of a majority in voting power of the shares of voting common stock which are present in person or by remote communication, if applicable, or represented by proxy and entitled to vote on the proposal. Broker non-votes will be counted towards a quorum, but will have no effect on the outcome of this proposal. Abstentions are considered in determining the number of votes required to obtain the necessary majority vote for the proposal and will have the same legal effect as voting against the proposal.

Principal Accountant Fees and Services

The following table provides information regarding the fees incurred by Ernst & Young LLP during the years ended December 31, 2015 and 2014.

	Year Ended December 31,	
	2015	**2014**
Audit Fees	$ 2,317,882	$ 733,886
Audit-Related Fees		2,092,036
Tax Fees	252,056	89,346
All Other Fees	1,995	
Total Fees	$ 2,571,933	$ 2,915,268

Audit Fees

Fees for the audit of our annual financial statements included annual full year audits, the review of quarterly financial statements and services routinely provided by the auditor in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

For 2014, audit-related fees included services rendered in connection with our registration statement on Form S-1, related to our initial public offering, and Form S-8, comfort letter consents and other matters related to our initial public offering in November 2014.

Tax Fees

Tax fees included fees billed for services rendered for federal and state tax compliance (including international value added tax) and other tax advisory services.

All Other Fees

For 2015, all other fees consisted of fees for accessing Ernst & Young LLP s online research database.

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Pre-Approval Policies and Procedures

The audit committee pre-approves all audit and non-audit services provided by its independent registered public accounting firm. This policy is set forth in the charter of the audit committee and available in the Corporate Governance section of our website at http://ir.virginamerica.com.

The audit committee approved all audit, audit-related and tax consulting services provided by Ernst & Young LLP for 2015 and 2014 and the estimated costs of those services. Actual amounts billed, to the extent in excess of the estimated amounts, were periodically reviewed and approved by the audit committee.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2016.

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Proposal No. 3

Advisory Vote to Approve Executive Compensation

Pursuant to Section 14A of the Exchange Act, the Company is providing stockholders with an advisory (non-binding) vote on compensation programs for our named executive officers (sometimes referred to as a say on pay vote). Accordingly, you may vote on the following resolution at the virtual Annual Meeting:

Resolved, that the stockholders approve, on an advisory basis, the compensation of the Company s named executive officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure in this Proxy Statement.

To be approved, this proposal must receive a **FOR** vote from the holders of a majority in voting power of the shares of voting common stock which are present in person, or by remote communication, if applicable, or represented by proxy and entitled to vote on the proposal. Abstentions and broker non-votes will be counted towards a quorum. Broker non-votes will have no effect on the outcome of this proposal. Abstentions are considered in determining the number of votes required to obtain the necessary majority vote for the proposal and will have the same legal effect as voting against the proposal.

This vote is nonbinding. However, the Company is providing stockholders with an advisory (non-binding) vote on compensation programs for our named executive officers as a matter of good corporate practice. The Board and the compensation committee expect to take into account the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results.

As described in detail under Compensation Discussion and Analysis our compensation programs are designed to attract and retain a skilled executive team to manage our business functions, maintain our culture and enhance the value of our business. Our philosophy regards as fundamental the notion that executive officer compensation be structured to provide competitive base salaries and benefits to attract and retain executive officers and to provide incentive compensation to motivate executive officers to attain, and to recognize executive officers for attaining, financial, operational, guest services, safety and team member engagement and other goals that are consistent with increasing stockholder value. We also believe that our executive compensation program should include a long-term incentive component that aligns executives interests with our stockholders interests. The objectives of our long-term incentive awards, including equity-based compensation, are to encourage executives to focus on our long-term growth and to incentivize executives to manage our Company from the perspective of stockholders with a meaningful stake in our success. Stockholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS, THE ACCOMPANYING COMPENSATION TABLES AND THE RELATED NARRATIVE DISCLOSURE.

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Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of the Record Date (March 14, 2016), information regarding beneficial ownership of our capital stock by:

each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;

each named executive officer as set forth in the summary compensation table below;

each of our directors; and

all current executive officers and directors as a group.

The number of shares beneficially owned by each person or entity is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, a person s or entity s beneficial ownership includes any shares over which he, she or it has sole or shared voting power or investment power as well as any shares that the person or entity has the right to acquire within 60 days of the Record Date through the exercise of any stock option, warrants or other rights. Common stock that a person or entity has the right to acquire within 60 days of the Record Date are deemed to be outstanding for computing such person s or entity s percentage ownership and the percentage ownership of any group of which the holder is a member but are not deemed outstanding for computing the percentage ownership of any other person or entity. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the individuals and entities named in the table below have sole voting and investment power with respect to all shares of common stock shown that they beneficially own, subject to community property laws where applicable.

We have based our calculations of the percentage of beneficial ownership on 44,563,767 shares of our common stock outstanding as of the Record Date, excluding, except where indicated, the 6,852,738 shares of non-voting common stock outstanding as of the Record Date and excluding any treasury shares. Unless otherwise noted below, the address for each of the named executive officers in the table below is c/o Virgin America Inc., 555 Airport Boulevard, Burlingame, California 94010.

	Shares of Common Stock Beneficially Owned			
Name of Beneficial Owner	**Shares Held**	**Shares Exercisable Within 60 Days**	**Shares Beneficially Owned**	**Percentage of Beneficial Ownership**
5% and Greater Stockholders:				
Entities affiliated with Cyrus Aviation Holdings, LLC (1)	10,517,156		10,517,156	27.9%
Virgin Group Holdings Limited (2)	6,894,732	3,322,655	10,217,387	24.9%
PAR Investment Partners, L.P. (3)	1,994,283		1,994,283	5.3%
Named Executive Officers and Directors:				
C. David Cush (4)	385,401		385,401	1.0%

Peter D. Hunt (5)	55,676	103,324	159,000	*
E. Frances Fiorillo (6)	46,392	34,013	80,405	*
Stephen A. Forte (7)	31,448	46,234	77,682	*
John J. Varley (8)	24,460	80,142	104,602	*
Donald J. Carty (9)	158,821		158,821	*
Cyrus F. Freidheim, Jr.	42,932		42,932	*
Stephen C. Freidheim (10)	10,517,156		10,517,156	27.9%
Evan M. Lovell				
Robert A. Nickell (11)	220,697		220,697	*
John R. Rapaport				
Samuel K. Skinner	25,168		25,168	*
Stacy J. Smith	17,078		17,078	*
Jennifer L. Vogel				
Paul D. Wachter				
All 16 current directors and executive officers as a group	11,566,108	290,869	11,856,977	31.2%

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* Represents beneficial ownership of less than one percent of the outstanding shares of common stock.

(1) Cyrus Capital Partners, L.P. (CCP) holds 7,948 shares of common stock and Cyrus Aviation Holdings, LLC (Cyrus Holdings) holds 10,509,208 shares of common stock. Cyrus Holdings is managed by CCP. The general partner of CCP is Cyrus Capital Partners, GP, L.L.C. (GP). GP is solely owned through limited liability company interests held by Stephen C. Freidheim, who has sole voting and dispositive power over the shares held by Cyrus Holdings and CCP. The principal business address of each of Cyrus Holdings and CCP is c/o Cyrus Capital Partners, L.P., 399 Park Avenue, 39th Floor, New York, New York 10022.

(2) Virgin Group Holdings Limited (Virgin Group Holdings) holds 6,894,732 shares of voting common stock and 6,852,738 shares of non-voting common stock. Shares of common stock listed in the table above include all shares of voting common stock and 3,322,655 shares of non-voting common stock that are currently convertible into shares of our voting common stock, which is the maximum number of shares of non-voting common stock that could currently be converted by Virgin Group Holdings into additional shares of our voting common stock due to restrictions in our certificate of incorporation designed to ensure compliance with certain federal requirements. Virgin Group Holdings has also agreed contractually to limit its holdings of our voting common stock to 20.0% of our outstanding shares of voting common stock. Virgin Group Holdings is owned by Sir Richard Branson and he has the ability to appoint and remove the management of Virgin Group Holdings and, as such, may indirectly control the decisions of Virgin Group Holdings regarding the voting and disposition of securities held by Virgin Group Holdings. Therefore, Sir Richard Branson may be deemed to have indirect beneficial ownership of the shares held by Virgin Group Holdings. The address of Virgin Group Holdings Limited is Craigmuir Chambers, PO Box 71, Road Town, Tortola, VG 1110, British Virgin Islands. The address of Sir Richard Branson is Richard s House, PO Box 1091, The Valley, Virgin Gorda, Necker Island, British Virgin Islands.

(3) As reported on Schedule 13G/A filed with the SEC on March 3, 2016. PAR Capital Management, Inc. (PCM), as the general partner of PAR Group, L.P., which is the general partner of PAR Investment Partners, L.P. (PAR Investment Partners) has investment discretion and voting control over shares held by PAR Investment Partners. No stockholder, director, officer or employee of PCM has beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of any shares held by PAR Investment Partners. The shares held by PAR Investment Partners are part of a portfolio managed by Edward L. Shapiro. As an employee of PCM, Mr. Shapiro has the authority to make investment decisions with respect to shares held by PAR Investment Partners. The principal business address of PAR Investment Partners is One International Place, Suite 2401, Boston, Massachusetts 02110.

(4) Shares of common stock listed in the table above consist of 261,280 shares held by The Cush Revocable Trust, of which Mr. Cush is the trustee, and 38,291shares held directly by Mr. Cush. Shares of common stock listed in the table above include (i) 41,836 unvested performance-based restricted stock awards (PSAs) representing 200% of the target number of shares available for vest and (ii) 43,994 unvested time-based restricted stock awards (RSAs). For more information about PSAs and RSAs, refer to the Compensation Discussion and Analysis Components of Compensation for 2015 Equity-Based Incentives below.

(5) Shares of common stock listed in the table above include (i) 15,328 unvested PSAs representing 200% of the target number of shares available for vest and (ii) 16,120 unvested RSAs.

(6) Shares of common stock listed in the table above include (i) 11,922 unvested PSAs representing 200% of the target number of shares available for vest and (ii) 12,538 unvested RSAs.

(7) Shares of common stock listed in the table above include (i) 15,328 unvested PSAs representing 200% of the target number of shares available for vest and (ii) 16,120 unvested RSAs.

(8) Shares of common stock listed in the table above include (i) 11,922 unvested PSAs representing 200% of the target number of shares available for vest and (ii) 12,538 unvested RSAs.

(9) Shares of common stock listed in the table above include 8,148 shares of common stock held by Mr. Carty s spouse.

(10) Consists of the shares listed in the table above with respect to Cyrus Holdings for which Mr. Freidheim has sole voting and dispositive power (as described in note 1 above).

(11) Shares of common stock listed in the table above include 10,000 shares of common stock held on behalf of Nickell Irrevocable 2009 Trust, of which Mr. Nickell is trustee, and 500 shares of common stock held by a trust for which Mr. Nickell s minor child is the sole beneficiary.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company s directors and executive officers, and persons who own more than 10% of a registered class of the Company s equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2015, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with.

Compensation Arrangements for Our Non-Employee Directors

We compensate our non-employee directors for their service on our Board but do not pay director fees to directors who are our employees. Under our current compensation program for non-employee directors, each non-employee director is entitled to receive an annual retainer of $60,000 paid in quarterly installments. The Chairman of the Board, the Vice-Chairman of the Board and the Chair of the audit committee receive additional annual retainers of $30,000, $15,000 and $15,000, respectively. The Chairs of the compensation, finance and nominating and corporate governance committees each receive additional annual retainers of $7,500. Non-chair members of the audit committee receive additional annual cash retainers of $5,000 each.

Non-employee directors are also eligible to receive an annual grant of restricted stock units with an aggregate value of $75,000, based on the closing price of our stock as of the date of grant, which vests on the first anniversary of the date of grant (Board Service RSUs). Board Service RSUs were granted on the date of the annual stockholders meeting in 2015, and Board Service RSUs will be granted following the annual meeting in 2016 to align with directors service. In the case of a director that is elected to the Board at a time other than the annual meeting of stockholders, Board Service RSUs are granted on the date of such director s appointment to the Board and the $75,000 value is prorated to reflect his or her Board service from the date of his or her election to the Board through the first anniversary of our most recent annual meeting of the stockholders, at which time such director s Board Service RSUs shall vest. New members of our Board are also eligible to receive a one-time sign-on grant of restricted stock units (Sign-On RSUs) with an aggregate value of $75,000, based upon the closing price of our stock as of the date of grant, which vest on the first anniversary of the grant date. In the event that a director ceases his or her service on the Board prior to the vesting of Sign-On RSUs or Board Service RSUs, a portion of the award shall vest on a prorated basis based on the number of days served on the Board during the applicable vesting period.

In addition, each non-employee director and his or her immediate family members are entitled to certain positive-space travel privileges on our flights, along with a payment to compensate the director for any taxes on the benefit, while serving as a director, consistent with the practices of our competitors in the airline industry. We believe that providing these benefits is a relatively inexpensive way to enhance the competitiveness of the non-employee director compensation package and is consistent with industry practice.

In addition, we reimburse our non-employee directors for their reasonable expenses incurred in attending meetings of our Board and committees of our Board. Our non-employee directors are not currently entitled to receive any additional fees for their service as a director.

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Director Compensation

The following table sets forth information regarding compensation earned by our non-employee directors during 2015.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	All Other Compensation ($) (2)	Total ($)
Donald J. Carty	102,500	74,992	1,461	178,953
Samuel K. Skinner	82,500	74,992	3,833	161,325
Cyrus F. Freidheim Jr.	75,000	74,992	1,024	151,016
Stephen C. Freidheim (3)	60,000	74,992		134,992
Evan M. Lovell (4)	60,000		1,565	61,565
Robert A. Nickell	72,500	74,992	2,217	149,709
John R. Rapaport (3)	60,000	74,992	3,124	138,116
Stacy J. Smith	60,000	74,992	13,912	148,904
Jennifer L. Vogel (5)	22,989	131,671		154,660
Paul D. Wachter (5)	22,989	131,671	2,367	157,027

(1) Represents the grant date fair value of restricted stock units (RSUs) issued to the director as computed in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718. For additional information on the valuation assumptions, see note 10 to our consolidated financial statements included in the section entitle Note to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2105 (the Annual Report). RSUs granted for annual service on the Board will cliff vest on May 14, 2016, the one year anniversary of the 2015 annual meeting of stockholders. Ms. Vogel and Mr. Wachter were each granted a one-time sign on grant of 2,157 RSUs, which will vest on August 13, 2016 and 1,631 Board Service RSUs, prorated for the length of their service, which vest on May 14, 2016. As noted in (3) below, Mr. Rapaport disclaimed beneficial ownership of his 2015 RSU award. None of our non-employee directors held any stock options as of December 31, 2015.

(2) Amounts include the value of flight privileges received in 2015 and tax reimbursements we paid to our non-employee directors in 2016 for such flight privileges.

Name	Flight Privileges ($)	Tax Gross-up ($)	Total ($)
Donald J. Carty	701	760	1,461
Samuel K. Skinner	1,761	2,072	3,833
Cyrus F. Freidheim Jr.	491	533	1,024
Stephen C. Freidheim			
Evan M. Lovell	674	891	1,565
Robert A. Nickell	1,063	1,154	2,217
John R. Rapaport	1,347	1,777	3,124
Stacy J. Smith	5,647	8,265	13,912
Jennifer L. Vogel			

Paul D. Wachter	961	1,406	2,367

(3) Fees are issued to Cyrus Capital Partners, L.P in consideration of Mr. S. Freidheim and Mr. John Rapaport s Board service. Mr. Rapaport disclaims beneficial ownership of his 2015 Board Service RSUs.

(4) Fees are issued to the Virgin Group in consideration of Mr. Lovell s Board service. Mr. Lovell declined his Board Service RSUs for 2015.

(5) Ms. Vogel and Mr. Wachter joined the Board on August 13, 2015.

Stock Ownership Guidelines

Our Board has adopted stock ownership guidelines for the Board. Under these guidelines, non-employee directors who are not affiliated with our principal stockholders (currently, Messrs. Carty, Nickell, Skinner, Smith and Wachter and Ms. Vogel) are required to own the shares of our common stock having a value equal to or greater than three times their annual Board cash retainer ($180,000) within five years following the later of their date of initial election to the Board or the date of our initial public offering. In the event the stock ownership guidelines are not met within the five-year period, then each director must hold at least 50% of all net shares received through RSU or realized through stock option exercises until the stock ownership guidelines are achieved. For these purposes, net shares means all shares retained after applicable tax payment, and stock ownership includes shares (including restricted stock) owned directly or held in trust by the non-employee director or an immediate family member who resides in the same household but does not include shares a director has the right to acquire through the exercise of stock options or upon vesting of RSUs.

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Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program and each material element of compensation that we provided to our named executive officers, or NEOs for the fiscal year ended December 31, 2015.

Our NEOs for the fiscal year ended December 31, 2015 were as follows:

- C. David Cush, President and Chief Executive Officer;
- Peter D. Hunt, Senior Vice President and Chief Financial Officer;
- E. Frances Fiorillo, Senior Vice President, People and In-flight Services;
- Stephen A. Forte, Chief Operating Officer; and
- John J. Varley, Senior Vice President, General Counsel and Corporate Secretary.

Compensation Philosophy and Objectives

We compete with airlines and many other companies in seeking to attract and retain a highly skilled executive team. The overall goal of our compensation program is to attract and retain a skilled executive team to manage our business functions, maintain our culture and enhance the value of our business. In doing so, we draw upon a pool of talent that is highly sought after by other airlines and companies.

We regard as fundamental that executive officer compensation be structured to provide competitive base salaries and benefits to attract and retain executive officers and to provide incentive compensation to motivate executive officers to attain, and to recognize executive officers for attaining, financial, operational, individual and other goals that are consistent with increasing stockholder value. We also believe that our executive compensation program should include a long-term incentive component that aligns executives interests with our stockholders interests. The objectives of our long-term incentive awards, including equity-based compensation, are to encourage executives to focus on our long-term growth and to incentivize executives to manage our Company from the perspective of stockholders with a meaningful stake in our success.

In determining the form and amount of compensation payable to the NEOs, we are guided by the following objectives and principles:

- ***Market-based, competitive compensation levels should attract and retain a skilled team.*** Set compensation at market-based, competitive levels that enable us to hire and retain high-performance teammates throughout the organization.

Pay for performance should motivate executive officers to attain financial, operational and other goals consistent with increasing stockholder value. Link a significant portion of the total compensation opportunities of our executive officers to our annual strategic objectives, reflecting our financial, operational, guest service, safety and teammate engagement performance targets, to motivate those officers to attain goals that are consistent with increasing stockholder value.

Long-term equity compensation should align executives interests with our stockholders interests. Provide equity-based compensation opportunities, consistent with the interests of our stockholders, to encourage our executives to focus on our long-term business strategy and growth prospects.

Say on Pay Voting Results

At our 2015 annual meeting of the stockholders, we asked stockholders for a non-binding advisory vote to approve the 2014 compensation of our NEOs (say on pay). Approximately 99% of the votes cast on the say on pay proposal voted to approve the compensation of our NEOs. Our compensation committee seeks to continue to ensure that the design of our executive compensation program is aligned with stockholder interests and will continue to incorporate stockholder feedback in its compensation decisions in the future.

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Company Performance in 2015

Executive Summary

We achieved the highest level of net income since our inception, generated significant operating cash flow and resumed growth by taking delivery of five new Airbus A320 aircraft in 2015. We ran our low-cost, high-amenity business model with an award-winning operational and guest experience, as evidenced by our continuing to receive travel industry awards for our guest service, product and operational excellence.

Highlights for 2015 include the following:

Financial Results

- Achieved net income excluding special items[1] of $201.5 million for 2015, which was the highest in our Company s history and represented an increase of 138.8% over 2014.

- Experienced decreased passenger revenue per available seat mile (PRASM) by 1.5% compared to 2014, but still outperformed industry average domestic PRASM, which declined 3.4% over the same period, as measured by the industry trade group Airlines for America.

- Maintained unrestricted cash of $496.3 million as of December 31, 2015.

Investment in Growth

- Added five additional aircraft in 2015, growing our fleet to 58 aircraft by year end, and expect to add five additional aircraft by the end of 2016.

- Signed lease agreements to take delivery of ten new Airbus A321neo aircraft starting in 2017 through 2018.

- Launched service to Honolulu and Maui, Hawaii in the fourth quarter of 2015 and announced service to Denver for 2016.

- Grew our frequent flyer customer base to approximately four million Elevate members, representing an annual growth rate of 12.9%.

- Launched an upgrade to our state-of-the-art Red® in-flight entertainment system.

- Introduced new, high-speed satellite-based in-flight internet service on our 2015 and 2016 aircraft deliveries.

Operational Performance

Continued to run a strong operation as reflected in our on-time arrival rate of 81.34% and mishandled baggage rate of 1.17 mishandled bags per 1,000 guests.

For the third year in a row, was named the top-ranked U.S. airline in the annual Airline Quality Rating by Wichita State University and Embry-Riddle Aeronautical University, a study of comparative performance by major airlines in four areas important to consumers (on-time performance, customer complaints, involuntary denied boarding and mishandled bags) based on publicly reported data filed with the U.S. Department of Transportation.

Continued to win major travel awards, including for Best Domestic Airline in *Travel + Leisure* magazine s annual World s Best Awards and Best U.S. Airline in *Conde Nast Traveler* magazine s annual Readers Choice Awards in each case for the eighth consecutive year.

Determination of Compensation

The compensation committee conducts an annual review of our Chief Executive Officer s compensation and makes recommendations to our Board regarding adjustments, if any, to his compensation. The compensation committee also reviews and considers the recommendations of the Chief Executive Officer with respect to the other NEOs compensation, including base salaries and annual incentive compensation, when establishing the other NEOs compensation on no less than an

[1] We recorded $139.0 million in income related to certain special items during 2015 that have been excluded from the above commentary. These items include: $173.5 million in connection with the reversal of our income tax asset valuation allowance, $1.7 million for mark to mark adjustments on fuel hedges related to 2015, offset by $36.1 million in expense related to a change in estimate on our aircraft maintenance deposits associated with future maintenance events.

annual basis. As part of its review, the compensation committee evaluates our Company s performance each year against the approved operating plan objectives. Our Chief Executive Officer recuses himself from compensation committee and Board discussions when his compensation is reviewed.

The compensation committee evaluates our executive compensation policies and practices on an ongoing basis to ensure that they are structured to motivate the attainment of certain short-term and long-term financial and operational goals. Subjective factors considered in compensation determinations include an executive s skills and capabilities, contributions as a member of the executive management team, influence on our overall performance and whether the total compensation potential and structure is sufficient to ensure the retention of an executive when considering the compensation potential that may be available elsewhere.

In 2015, the committee engaged an independent compensation consultant, F.W. Cook & Co. (F.W. Cook), to assist the committee with its review of our executive compensation program. This consultant performs no other services for our Company.

In 2015, the compensation committee established a peer group for purposes of evaluating our executive compensation program. The peer group was approved by the committee based upon the recommendation of F.W. Cook. Companies were selected using objective screening criteria including revenue, market value, and industry classification. The peer group is intended to include companies that we compete with for business, executive talent and investor capital. Heartland Express and Knight Transportation were included as peer companies in 2014, but were removed from the group in 2015 and Genesee & Wyoming Inc. and Old Dominion Freight Line, Inc. were added to the list of peer companies. For 2015, our peer group comprised the following 16 airline and transportation/logistics companies:

Air Transport Services Group, Inc.	Hawaiian Holdings, Inc.	Spirit Airlines, Inc.
Alaska Air Group, Inc.	Hub Group, Inc.	Werner Enterprises, Inc.
Allegiant Travel Company	JetBlue Airways Corp.	WestJet Airlines Ltd.
Atlas Air Worldwide Holdings, Inc.	Old Dominion Frieght Line, Inc.	XPO Logistics, Inc.
Forward Air Corp.	Republic Airways Holdings Inc.	
Genesee & Wyoming Inc.	SkyWest, Inc.	

As of December 31, 2015, our revenue value ranked between the 25th percentile and the median of the peers.

	Annual Revenue (in millions)	**Market Capitalization (in millions)**
75th Percentile	$ 3,203	$ 2,989
Median	2,229	1,845
25th Percentile	1,703	1,153
Virgin America	1,530	1,602

In addition, in order to understand pay practices in the larger airline industry, the compensation committee reviewed the pay design practices at a separate group of larger commercial airlines, including: Air Canada, American Airlines Group, Delta Air Lines, Southwest Airlines and United Continental Holdings. This information was not used in decision-making, but provided context for compensation program design in the airline industry. The data were to allow context on compensation and information regarding incentive design within larger, high-profile airline industry competitors for talent.

Components of Compensation for 2015

In 2015, the compensation program for our NEOs consisted of four components:

- base salary;
- annual cash incentive;
- equity-based incentives; and
- other benefits.

As we have been a public company for less than two years, we are continuing to build our executive compensation program around each of the above elements because each individual component is beneficial in achieving one or more of the objectives of the program. We believe that, collectively, the elements of our compensation program are effective in achieving our overall objectives. For 2015, we added a new performance element to the equity component of our compensation program in order to further emphasize our pay for performance philosophy. We believe the addition of performance-based restricted stock awards (PSAs) will enhance the alignment of executive compensation with Company performance.

Below is the relative mix of compensation elements provided to our NEOs for 2015. These values are based on: (i) for bonuses, the actual bonus received under our Incentive Compensation Plan and (ii) for long term equity, the grant date fair value of time-based restricted stock awards and PSAs, which for the latter, reflects a probability of achieving 80% of target performance.

Chief Executive Officer **All Other NEOs**

Base Salary

We believe a competitive base salary is essential to attracting and retaining key executive talent, and we provide our NEOs with a base salary to compensate them for services rendered during the fiscal year. The base salary payable to each NEO provides a fixed component of compensation reflecting the executive s role, qualifications, experience and scope of responsibilities. Base salary amounts also consider, among other factors, the NEO s potential to take on additional responsibilities, competitive market practices and internal parity. In general, the compensation committee reviews potential adjustments to the base salaries of our NEOs on an annual basis.

In November 2015, following a review of competitive base salaries provided by F.W. Cook, the compensation committee recommended to the Board an increase in our NEO base salary amounts, effective December 1, 2015. The size of the increases was determined based on our compensation committee s evaluation of the competitive market in order to set them at levels comparable to a geographic adjusted market 50th percentile of the peer group to reflect the relatively higher cost of labor and extensive competition for executive talent in the San Francisco Bay Area relative to the locations of most peer companies. Prior to the December 2015 salary increase, NEO salaries were below the 50th percentile of the geographically adjusted data. Salary determinations for individual NEOs took into account a number of factors, including scope of responsibility, performance, future potential and other considerations. The table below sets forth the increase each NEO received.

NEO	New Base Salary	Percentage Increase
C. David Cush	$ 710,000	7%
Peter D. Hunt	$ 450,000	12%
E. Frances Fiorillo	$ 400,000	19%
Steve A. Forte	$ 450,000	10%
John J. Varley	$ 400,000	19%

The amounts paid to our NEOs as base salaries in 2015 are set forth under the Summary Compensation Table below.

Incentive Compensation

We maintain an Incentive Compensation Plan (the ICP) in order to recognize the performance of our management team, including our NEOs, in achieving our strategic objectives, including financial and commercial, operational, guest service and safety and team member engagement targets for the year. The compensation committee reviews and recommends the performance goals under the ICP and the target awards for the NEOs, which are reviewed and approved by the Board.

The compensation committee has generally used a guideline target opportunity for our NEOs. In 2015, following the compensation committee s review and recommendation to the Board based on a report of competitive incentive compensation practices of peer companies provided by F.W. Cook, the annual 2015 ICP targets for Messrs. Forte, Hunt and Varley and Ms. Fiorillo were raised from prior targets in order to align their compensation with the 2014 peer group. Messrs. Forte, Hunt and Varley and Ms. Fiorillo were set at a target of 65% of base salary for 2015, based on our Company s achievement of the established target. Mr. Cush continued to have an ICP target of 100% of base salary, based on our

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Company s achievement of the established target. The determination of the amount of annual incentives paid to our executive officers generally reflects a number of considerations, including achievement of performance goals discussed below, Company earnings and a subjective evaluation of the individual contributions of the executive officer during the relevant period. Linear interpolation was used between the threshold and maximum performance levels in the ICP such that the ICP measured degrees of performance that was different that the goal.

The compensation committee recommended, and the Board established, performance targets for Fiscal 2015 as follows:

Measure	Performance Measure Objectives	Weight	Threshold (50% Target)	Goal (100% Target)	Max (175% Target)
Financial & Commercial Performance	Operating Income	20%	$164.56	$193.60	$222.64
	Ticketed PRASM against Industry	20%	98.65%	99.40%	100.15%
	Ex-Fuel, Ex-Profit Sharing CASM	20%	7.5 cents	7.35 cents	7.20 cents
Operational Performance	On-Time Performance	7.5%		81.30%	
	Completion Factor	7.5%	99.20%	99.40%	99.60%
Safety	Aircraft Ground Damage	5%		2.20 per 10,000 departures	
People	Teammate Engagement	5%		3.78(1)	
Guest Service	Baggage Performance	7.5%	1.95	< = 1.65 bags per 1,000 guests	1.25
	Net Promoter Score	7.5%		>= 67%	

(1) Based on teammate survey of twelve engagement questions.

The specific targets set by our compensation committee and Board for our financial and commercial objectives for 2015 were designed to address the following performance measures:

Performance Category	Performance Measure	Performance Measure Objectives
Financial	Operating Income	These financial objectives measure our Company s revenue and cost.
	Ticketed PRASM versus Industry	Performance against the business plan approved by the Board during
	Ex-Fuel, Ex-Profit Sharing CASM	the annual budget review.
Operational	On-Time Performance	On-Time performance is a key operational performance measure used in DOT rankings and is also used to reward front line teammate performance.

	Completion Factor	Flight completion factor is a key operational performance measure.
Safety	Aircraft Ground Damage	Aircraft ground damage is an important operational performance measurement and is also used to reward front line teammate performance.
People	Teammate Engagement	Teammate engagement reflects the involvement, commitment and productivity of our Company s teammates.
Guest Service	Mishandled Baggage Performance	Baggage performance is an important customer experience objective included in DOT rankings and is also used to reward front line teammate performance.
	Net Promoter Score	This score measures the loyalty of our Company s customer relationships.

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In 2016, our compensation committee determined that the specific financial and commercial objectives achieved in 2015 were as follows:

Measure	Performance Measure Objectives	Weight	Threshold (50% Target)	Goal (100% Target)	Max (175% Target)	Actual	Actual Achievement	Weighted Achievement
Financial & Commercial Performance	Operating Income	20%	$164.56	$193.60	$222.64	$211.66	147%	29%
	Ticketed PRASM against Industry	20%	98.65%	99.40%	100.15%	100.52%	175%	35%
	Ex-Fuel, Ex-Profit Sharing CASM	20%	7.5 cents	7.35 cents	7.20 cents	7.48 cents	57%	11%
Operational Performance	On-Time Performance	7.5%		81.30%		81.34%	100%	8%
	Completion Factor	7.5%	99.20%	99.40%	99.60%	99.13%		0%
Safety	Aircraft Ground Damage	5%		2.20 per 10,000 departures		2.23		0%
People	Teammate Engagement	5%		3.78		3.56		0%
Guest Service	Baggage Performance	7.5%	1.95	< = 1.65 bags per 1,000 guests	1.25	1.17	175%	13%
	Net Promoter Score	7.5%		>= 67%		72%	100%	8%
Total								**104%**

We achieved threshold performance for six of the nine goals, but missed threshold for goals related to Completion Factor, Aircraft Ground Damage and Teammate Engagement. In the aggregate, our compensation committee recommended and the Board determined that the weighted achievement across all nine goals was 104% of Target. In determining individual payments under the ICP, our compensation committee and Board determined to pay each NEO based on the corporate achievement level of 104%, in each case adjusted by taking into consideration individual performance.

The actual amounts paid to our NEOs under the 2015 ICP are set forth under the Summary Compensation Table below.

Equity-Based Incentives

We use stock-based awards in our executive compensation program in order to align the interests of our NEOs with those of our stockholders. We believe our long-term performance is enhanced through an equity ownership culture since it encourages a focus on the long-term performance of our Company.

Stock Options and Restricted Stock Units

We provided equity awards to the NEOs at the time of hire in the form of options to purchase shares of our common stock or restricted stock units (RSUs). We believe that such equity awards provide an effective performance incentive because executive officers obtain increasing value from their options and RSUs if our stock price increases (which would benefit all stockholders) and they remain employed with us beyond the date that their options or RSUs vest.

Further, awards granted prior to 2014 generally included price-contingent vesting conditions, which as of the end of 2015, had not all been fully satisfied.

Restricted Stock Awards

For 2015, the compensation committee evaluated the use of performance-based restricted stock awards in addition to time-based restricted stock awards, in order to further align executive compensation to our Company s performance and be more consistent with industry practice among our peer group. With respect to these awards for 2015, the compensation committee recommended that the target long-term equity-based awards should be set between the median and the 75th percentile of the Company s peer group, in order to allow the program to be competitive with the San Francisco Bay Area labor market, including the greater use of equity among San Francisco Bay Area talent competitors that was not captured in the peer group data. In November 2015, after reviewing various equity plan designs and competitive peer data provided by F.W. Cook, the compensation committee recommended, and the Board approved, an equity program for our NEOs that consisted of two-thirds of time-based restricted stock awards (RSAs) and one-third performance-based restricted stock awards (PSAs).

Two-thirds of the total long-term equity-based incentive awards granted to each of our NEOs were granted in the form of RSAs and were granted to each of our NEOs in November 2015 as follows: Mr. Cush: 43,994 RSAs; Mr. Forte: 16,120

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RSAs; Mr. Hunt: 16,120 RSAs; Ms. Fiorillo: 12,538 RSAs; and Mr. Varley: 12,538 RSAs. The RSAs vest in three equal installments on November 12, 2016, 2017 and 2018, subject to the NEO s continued service to us through the applicable vesting date.

One-third of the total long-term equity based incentive awards granted to each of our NEOs were granted in the form of PSAs, and were granted to each of our NEOs in November 2015 as follows (amounts shown are 100% of target): Mr. Cush: 20,918 PSAs; Mr. Forte: 7,664 PSAs; Mr. Hunt: 7,664 PSAs; Ms. Fiorillo: 5,961 PSAs; and Mr. Varley: 5,961 PSAs. The number of shares that will vest pursuant to such PSAs, up to a maximum of 200% of target will be determined at the end of a two-year performance period beginning January 1, 2016 and cliff vest three years from the grant date. The number of earned shares will be primarily measured by the Company s change in relative pre-tax income margin (Relative PTIM) as compared with the airline peer average measured using U.S. airlines weighted average by revenue. We believe Relative PTIM is effective as a primary goal because it incentivizes our management to increase our long-term profitability and efficiency, after adjusting for external factors that impact the industry as a whole, like fuel prices. The Relative PTIM target is 100 basis points improvement in PTIM relative to the airline peer average. The threshold and maximum were set at levels that approximate beating consensus analyst expectations and beating the industry average, respectively.

A secondary measurement of relative total stockholder return (Relative TSR) will act as a plus or minus multiplier of up to 25% of the number of shares earned based on the Relative PTIM. Relative TSR will be calculated using the Dow Jones U.S Airline Index with the threshold set at -500 basis points and the maximum set at +500 basis points. In the event that Relative PTIM performance does not exceed the threshold, no PSAs will be earned regardless of Relative TSR performance. Relative TSR was used as a secondary metric because it takes into account the overall volatility in the airline industry and aligns with the return experienced by our stockholders if they invested in similar companies. The number of shares that may vest under the 2015 PSAs may range from zero to 200% of the target based on our Company s performance over the two-year performance period and linear interpolation will be used for performance that falls between threshold and target performance or between target and maximum performance.

	Relative PTIM (1/1/16-12/31/17)		**Relative TSR (1/1/16-12/31/17)**		
	Preliminary Payout (% Target)		**Preliminary Payout (% Target**		**Final Payout (% of Target Shares)**
Maximum	160%	×	+25%	ð	200%
Target	100%		+0%		100%
Threshold	40%		-25%		30%
Below Threshold	0%		0%		0%

Benefits

The NEOs receive the same health, welfare and other benefits provided to all of our teammates:

medical, dental and vision insurance;

life insurance, accidental death and dismemberment and business travel and accident insurance;

- health and dependent care flexible spending accounts;
- short- and long-term disability; and
- 401(k) plan, including matching contributions and non-elective employer contributions.

Perquisites

As is common in the airline industry, each NEO, and his or her spouse or domestic partner, immediate family members and, in certain circumstances, other designees, are entitled to certain travel privileges on our flights, some of which may be on a positive-space basis. Similar travel benefits are afforded to all of our teammates on a more limited basis. The value of such positive-space leisure flight benefits for the executives is reported as taxable income. An officer who retires with a minimum of five years of service and an eligibility number equal to 65 or greater, obtained by the sum of the officer s age plus years of service, may continue to receive complimentary flight benefits for the officer, the officer s spouse, domestic partner or designated companion and dependent children. We reimburse the retired officer for associated income taxes on the complimentary travel with an imputed tax value up to $10,000 per year.

We believe that providing these benefits is a relatively inexpensive way to enhance the competitiveness of each NEO s compensation package and is consistent with industry practice. Additionally, we fund matching 401(k) contributions and provide non-elective employer contributions to our NEOs, consistent with our other employees. We provide enhanced, Company-paid life insurance for our NEOs at three times their annual salaries, capped at $1,000,000. Finally, certain NEOs also receive temporary housing, travel and tax-related stipends. Such tax stipends are for foreign nationals and are provided to offset the effect of paying double income taxes. We do not provide any other significant perquisites or personal benefits to our NEOs. The perquisites received by NEOs represent a small part of the overall compensation for these executives and are offered to provide competitive compensation arrangements. See the Summary Compensation Table and the related footnotes for information regarding benefits received by the NEOs in 2015.

Stock Ownership Guidelines

In 2015, our Board adopted stock ownership guidelines to strengthen the alignment between our executive officers and stockholders. Under these guidelines, the CEO is required to own shares of our Company s common stock greater than or equal to five times his base salary, and the other NEOs are required to own shares of our company s common stock greater than or equal to three times their base salary within five years following the later of their date of hire or the date of our company s initial public offering. In the event the stock ownership guidelines are not met within the five year period, then each NEO must hold at least 50% of all net shares received through RSU vesting or realized through stock option exercises until the stock ownership guidelines applicable to the NEO are achieved. For these purposes, net shares means all shares retained after applicable withholding of any shares for tax purposes and stock ownership includes shares (including restricted stock) owned directly or held in trust by the executive officer or an immediate family member who resides in the same household but does not include shares an executive officer has the right to acquire through the exercise of stock options or upon vesting of RSUs.

Tax and Accounting Considerations

While our Board and our compensation committee generally consider the financial accounting and tax implications of their executive compensation decisions, neither element has been a material consideration in the compensation awarded to our NEOs historically. Section 162(m) of the Internal Revenue Code of 1986, as amended, disallows a tax deduction for any publicly held corporation for individual compensation exceeding $1 million in any taxable year for our Chief Executive Officer and each of the other NEOs (other than our Chief Financial Officer), unless compensation is performance-based or qualifies for another exemption from Section 162(m). In setting compensation, our compensation committee and our Board consider the potential effects of Section 162(m) on the compensation paid to our NEOs but may decide to provide compensation that does not qualify for an exemption from Section 162(m).

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Executive Compensation

Summary Compensation Table

The following table sets forth all of the compensation awarded to, earned by or paid to our NEOs during the past three fiscal years.

Name and Principal Position	Year	Salary ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($) (3)	Total ($)
C. David Cush	2015	667,423	2,292,441		694,120	27,720	3,681,704
President & CEO	2014	665,000	3,111,187		831,000	21,570	4,628,757
	2013	657,500			581,875	14,820	1,254,195
Peter D. Hunt	2015	405,531	839,962		274,139	40,950	1,560,582
SVP & CFO	2014	403,000	599,840		227,000	20,850	1,250,690
	2013	398,846		267,500	157,106	13,726	837,178
E. Frances Fiorillo	2015	338,500	653,315		228,826	117,603	1,338,244
SVP -People & In-flight Services	2014	335,000	554,139		188,000	122,350	1,199,489
	2013	331,539		202,335	130,594	80,167	744,635
Steve A. Forte	2015	412,154	839,962		222,893	126,553	1,601,562
Chief Operating Officer	2014	410,000	426,535		282,000	118,411	1,236,946
John J. Varley	2015	338,500	653,315		228,826	27,720	1,248,361
SVP & General Counsel	2014	335,000	622,426		188,000	23,370	1,168,796
	2013	331,538		187,350	130,594	16,620	666,102

(1) In accordance with SEC rules, for 2015, this column reflects the grant date fair value of RSAs and PSAs calculated in accordance with ASC Topic 718 for stock-based compensation transactions. Amounts reported for the 2015 PSAs assume a probability of achieving 80% of target, reflecting the probable outcome of the performance conditions at the time of grant. Based on the grant date fair value of $39.14, calculated using a Monte Carlo simulation model, the value of the PSAs at their maximum value as of the grant date was $1,637,461 for Mr. Cush, $599,938 for Mr. Hunt, $466,627 for Ms. Fiorillo, $599,938 for Mr. Forte and $466,627 for Mr. Varley. For additional information on the valuation assumptions, see Note 10 to our consolidated financial statements included in the section entitled Notes to the Consolidated Financial Statements in our Annual Report.

(2) In accordance with SEC rules, this column represents the grant date fair value of stock options granted, calculated in accordance with ASC Topic 718 for stock-based compensation transactions. There were no stock options granted for the years ended December 31, 2014 and 2015. For additional information on the valuation assumptions, see Note 10 to our consolidated financial statements included in the section entitled Notes to the Consolidated Financial Statements in the Annual Report.

(3) The amounts reported in the All Other Compensation column for 2015 are described in more detail in the following table. The amounts reported for perquisites and other benefits represent the actual costs incurred by us in providing these benefits to the indicated NEO.

ipal Position	Company contribution to 401(k) defined contribution plan	401(k) Equivalent [1]	Housing Allowance/ Reimbursement	Travel	Tax Equalization	Tax Prep and Financial Planning Fees Reimbursed	Company Paid Life and Other [2]	
	$ 23,850	$	$	$	$	$	$ 3,870	$
	23,850			750[4]		15,000	1,350	
o		23,850		30,032[5]	53,588	10,133		
	23,850		92,663[6]	450[7]		4,300	5,290	
	23,850						3,870	

(1) Includes an amount equal to what the Company s 401(k) contribution would have been, assuming Ms. Fiorillo would have made the maximum contribution to the Company s 401(k) plan, in order for Ms. Fiorillo to make an equivalent contribution to a registered retirement account.

(2) Includes a taxable per diem of $130 for Mr. Forte.

(3) Messrs. Cush and Varley did not receive travel benefits or other perquisites and benefits in excess of $10,000.

(4) Includes tax paid by our Company $102.

(5) Includes tax gross-up of $10,448 and tax paid by our Company of $115.

(6) We paid a monthly housing allowance in 2015 to Mr. Forte in connection with his employment. The amount above includes a tax gross-up of $32,663.

(7) Includes tax paid by our Company of $7.

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Grants of Plan-Based Awards in 2015

The following table sets forth certain information with respect to grants of non-plan and plan-based awards to our NEOs for 2015.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards [1] Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards [2] Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock [3] (#)	Grant Date Fair Value of Stock and Option Awards ($)
C. David Cush		250,284	667,423	1,042,849					
	11/12/2015				6,275	20,918	41,836		654,984[4]
	11/12/2015							43,994	1,637,457[5]
Peter D. Hunt		98,848	263,595	411,867					
	11/12/2015				2,299	7,664	15,328		239,975[4]
	11/12/2015							16,120	599,986[5]
E. Frances Fiorillo		82,509	220,025	343,789					
	11/12/2015				1,788	5,961	11,922		186,651[4]
	11/12/2015							12,538	466,664[5]
Steve A. Forte		100,463	267,900	418,594					
	11/12/2015				2,299	7,664	15,328		239,975[4]
	11/12/2015							16,120	599,986[5]
John J. Varley		82,509	220,025	343,789					
	11/12/2015				1,788	5,961	11,922		186,651[4]
	11/12/2015							12,538	466,664[5]

(1) Constitutes threshold, target and maximum amounts payable under the ICP for 2015. The performance goals for determining the payout are described in Executive Compensation Incentive Compensation above. Actual payouts are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) Constitutes the threshold, target and maximum number of PSAs that will vest upon the attainment of corresponding performance objectives. See the Outstanding Equity Awards at December 31, 2015 table for specific vesting schedules.

(3) Represents the number of RSAs which vest in a series of three equal annual installments commencing on the first anniversary of the grant date.

(4) Represents the total grant date fair value of PSAs assuming a probability of achievement of 80% of target, reflecting the probable outcome of the performance conditions at the time of grant, and calculated in accordance with ASC Topic 718 for stock-based compensation. Grant date fair value for such awards was based upon a stock price of $39.14. For additional information on the valuation assumptions, see Note 10 to our consolidated financial statements included elsewhere in our Annual Report.

(5) Represents the total grant date fair value of RSAs calculated in accordance with ASC Topic 718 for stock-based compensation. For additional information on the valuation assumptions, see Note 10 to our consolidated financial statements included elsewhere in our Annual Report.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards

Offer Letters

We have entered into standard offer letters with each of our NEOs, which provide for a base salary, target annual incentive compensation and standard benefits. Other than the severance benefits described below under Potential Payments upon Termination or Change in Control, there are no executory obligations of the Company under these offer letters.

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Outstanding Equity Awards at December 31, 2015

The following table lists all outstanding equity awards held by our NEOs as of December 31, 2015.

	Option Awards					Stock Awards		
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares, Units or Other Rights That Have Not Vested (#)	Market Value of Shares of Stock that Have Not Vested ($) (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights Tha Have Not Vested (#)
13						33,117[2]	1,192,543	
13						92,728[3]	3,339,135	
13						136,883[4]	4,929,157	
14								22,96
15								6,27
15								43,99
11	37,090			$ 16.61	7/20/2021			
13	66,234			$ 16.53	5/13/2023			
14								11,03
15								2,29
15								

30	61,876,744	83,591,030	61,876,744

12)	$ (0.28)	$ (0.06)	$ (0.14)

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TEEKAY TANKERS LTD.

SEPTEMBER 30, 2012

PART I FINANCIAL INFORMATION

ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and accompanying notes contained in Item 1 Financial Statements of this Report on Form 6-K and with our audited consolidated financial statements contained in Item 18 Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 5 Operating and Financial Review and Prospects of our Annual Report on Form 20-F for the year ended December 31, 2011.

General

Our business is to own oil tankers and we employ a chartering strategy that seeks to capture upside opportunities in the tanker spot market while using fixed-rate time charters to reduce downside risks. As of November 1, 2012, 15 of our vessels operated under fixed-rate time-charter contracts and 13 of our vessels operate in the spot market in pooling arrangements, which are managed in whole or in part by subsidiaries of Teekay Corporation (or *Teekay*).

As at November 1, 2012, our fleet was comprised of the following vessels:

	Owned Vessels	Chartered-in Vessels	Newbuildings	Total
Fixed-rate:				
Suezmax Tankers	4			4
Aframax Tankers	8			8
MR Product Tankers(1)	3			3
VLCC Tankers(2)			1	1
Total Fixed-Rate Fleet(3) (4)	15		1	16
Spot-rate:				
Suezmax Tankers	6			6
Aframax Tankers(5)	4	1		5
LR2 Product Tankers(6)	3			3
Total Spot Fleet(7)	13	1		14
Total Teekay Tankers Fleet	28	1	1	30

1. Medium Range (*MR*) product tankers.
2. The fleet list above includes a very large crude carrier (*VLCC*) newbuilding that we own through a 50/50 joint venture with Wah Kwong Maritime Transport Holdings Limited. The newbuilding is scheduled to deliver in April 2013, at which time it will be time-chartered out to a major Chinese shipping company for five years at a fixed daily rate and an additional amount if the daily rate of any sub-charter exceeds a certain threshold.
3. Two time-charter out contracts are scheduled to expire in the fourth quarter of 2012, five in 2013, four in 2014, two in 2015, and two in 2016.
4. Two of our time-charter out contracts for Suezmax tankers include a component providing us with additional revenues beyond its fixed hire rate when spot market rates exceed a certain threshold amount.

5. The time-charter in contract expires in January 2013; however, we have the option to extend the time-charter for additional periods of six and 12 months, respectively, at escalating rates.
6. Long Range (*LR*) product tankers.
7. As at November 1, 2012, the three vessel class pooling arrangements in which we participate including vessels owned by other pool members were comprised of a total of 21 Suezmax tankers; 27 Aframax tankers; and 19 LR2 vessels, respectively.

Significant Developments in 2012

Public Offering

In February 2012, we completed a public offering of 17.3 million shares of our Class A common stock at a price of $4.00 per share, for gross proceeds of $69.0 million. We used the net offering proceeds of $65.8 million to prepay $55.0 million of our outstanding debt under one of our revolving credit facilities and the balance for general corporate purposes.

Vessel Acquisition

During June 2012, we acquired from Teekay seven conventional oil tankers and six product tankers and related time-charter contracts, and an interest rate swap, for an aggregate price of approximately $454.2 million, including the assumption of outstanding debt of approximately $428.1 million (or the *2012 Acquired Business*). Ten of the vessels were acquired on June 15, 2012 and the remaining three were acquired on June 26, 2012. As consideration for this acquisition, we issued to Teekay 4.5 million Class A common shares and made a cash payment of $1.1 million to Teekay. The 4.5 million Class A common shares had an approximate value of $25.0 million, or $5.60 per share, when the purchase price was agreed to between the parties and a value of $18.3 million, or $4.11 per share, on the acquisition closing date. The purchase price, for accounting purposes, is based upon the value of the Class A common shares on the acquisition closing date. Consequently, common stock and additional paid in capital and accumulated deficit are both $6.7 million lower than if the value of the shares had remained unchanged from when the purchase price was agreed to between the parties. In addition, the Company reimbursed Teekay for $8.4 million of working capital it assumed from Teekay in connection with the 2012 Acquired Business. Teekay has granted us a right of first refusal on any conventional tanker opportunities developed by Teekay for a period of three years from the closing date of the acquisition.

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The acquisition of the 2012 Acquired Business was accounted for as a reorganization between entities under common control. As a result, our consolidated financial statements reflect the 2012 Acquired Business as if we had acquired the 2012 Acquired Business when the 13 vessels began respective operations under the ownership of Teekay. All of these vessels began operations prior to the periods covered by these consolidated financial statements and consequently all information contained herein that relates to periods prior to the acquisition of the 2012 Acquired Business have been retroactively adjusted to include the impact of the 2012 Acquired Business. The effect of adjusting such information to account for the 2012 Acquired Business in periods prior to our acquisition is referred to herein as the *Dropdown Predecessor*. Please read Note 3 Acquisitions to our consolidated financial statements.

Results of Operations

There are a number of factors that should be considered when evaluating our historical financial performance and assessing our future prospects and we use a variety of financial and operational terms and concepts when analyzing our results of operations. These can be found in Item 5. Operating and Financial Review and Prospects in our Annual Report on Form 20-F for the year ended December 31, 2011.

In accordance with GAAP, we report gross revenues in our consolidated (loss) income statements and include voyage expenses among our operating expenses. However, ship-owners base economic decisions regarding the deployment of their vessels upon anticipated time-charter equivalent (or *TCE*) rates, which represent net revenues (or revenue less voyage expenses) divided by revenue days, and industry analysts typically measure bulk shipping freight rates in terms of TCE rates. This is because under time-charter contracts the customer usually pays the voyage expenses, while under voyage charters the ship-owner usually pays the voyage expenses, which typically are added to the hire rate at an approximate cost. Accordingly, the discussion of revenue below focuses on net revenues and TCE rates where applicable.

Three and Nine Months Ended September 30, 2012 versus Three and Nine Months Ended September 30, 2011

The following table presents our operating results for the three and nine months ended September 30, 2012 and 2011, and compares net revenues, a non-GAAP financial measure, for those periods to revenues, the most directly comparable GAAP financial measure:

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(in thousands of U.S. dollars, except percentages)	Three Months Ended September 30, 2012	September 30, 2011	% Change	Nine Months Ended September 30, 2012	September 30, 2011	% Change
Revenues	43,204	49,708	-13%	143,322	158,272	-9%
Interest income from investment in term loans	2,880	2,855	1%	8,614	8,462	2%
Less: Voyage expenses	(2,172)	(1,108)	96%	(3,601)	(2,601)	38%
Net revenues	43,912	51,455	-15%	148,335	164,133	-10%
Vessel operating expenses	23,529	21,813	8%	65,600	62,739	5%
Time-charter hire expenses	804	1,610	100%	3,109	1,610	93%
Depreciation and amortization	17,896	18,801	-5%	53,934	56,327	-4%
General and administrative	3,327	3,524	-6%	11,139	12,901	-14%
Goodwill impairment charge		19,294	-100%		19,294	-100%
Asset impairment		58,034	-100%		58,034	-100%
(Loss)/Income from operations	(1,644)	(71,621)	-98%	14,553	(46,772)	-131%
Interest expense	(2,954)	(8,330)	-65%	(17,169)	(33,122)	-48%
Interest income	15	17	-12%	36	62	-42%
Realized and unrealized loss on derivative instruments	(4,252)	(14,675)	-71%	(9,226)	(25,950)	-64%
Other expenses	(826)	15	n/a	(1,806)	(357)	406%
Net loss	(9,661)	(94,594)	-90%	(13,612)	(106,139)	-87%

Tanker Market

Suezmax tanker spot rates weakened considerably during the third quarter of 2012, dragged lower by an extremely weak VLCC market, reduced demand for West African imports into the U.S., and an ample supply of available vessels. Aframax spot rates remained relatively steady during the quarter, although rates in the Atlantic were reduced somewhat by seasonal North Sea oil field maintenance. Rates have remained relatively weak during the start of the fourth quarter of 2012, although the recent end of the refinery maintenance season and the onset of winter weather conditions in the Northern Hemisphere could provide some support to crude tanker demand in the coming months.

Long Range 2 (*LR2*) product tanker rates improved during the third quarter of 2012 to the highest level experienced in two years. An increase in long-haul naphtha movements into Asia due to improved demand and refinery outages in Asia was the main catalyst for rate increases compared to previous quarters. Reduced competition for westbound gasoil cargoes from newbuilding crude tankers delivering in Asia also provided support to rates on those trades.

The global tanker fleet grew by a net amount of 14.6 million deadweight tonnes (*mdwt*), or 3.1%, through the first nine months of 2012 compared to growth of 22.0 mdwt, or 4.9%, for the same period of 2011. A total of 25.5 mdwt of tankers have delivered into the fleet during the first nine months of 2012 while 10.9 mdwt have been removed for scrapping or conversion. The level of new tanker ordering remains extremely low with just 8.1 mdwt of new tankers ordered in 2012 to-date. As a result, the tanker orderbook has reduced to just 62 mdwt, or 13% of the existing fleet, the lowest level since the first quarter of 2003 on an absolute basis and the lowest level since the second quarter of 2000 on an orderbook-to-fleet ratio basis.

As a result of continued headwinds in the global economy, the International Monetary Fund (*IMF*) recently downgraded its outlook for global GDP growth in 2012 and 2013 to 3.3% and 3.6%, respectively, from 3.5% and 3.9% in its July 2012 report. This has translated into lower 2013 oil demand growth estimates from the major forecasting agencies with an average estimated growth rate of 0.8 million barrels per day (*mb/d*) for 2013 from the International Energy Agency (*IEA*), Energy Information Administration (*EIA*) and Organization of Petroleum Exporting Countries (*OPEC*).

Fleet and TCE Rates

As at September 30, 2012, we owned 28 double-hulled conventional oil tankers, time-chartered in one Aframax vessel from a third party and owned a 50% interest in one VLCC newbuilding scheduled to deliver during the second quarter of 2013. The financial results of the Dropdown Predecessor have been included, for accounting purposes, in all periods presented.

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Net Revenues (1)(2) (in thousands)	Revenue Days	Average TCE per Revenue Day	Net Revenues (2)(3) (in thousands)	Revenue Days	Average TCE per Revenue Day
Voyage-charter contracts - Suezmax	$ 6,854	487	$ 14,081	$ 3,159	368	$ 8,584
Voyage-charter contracts - Aframax	$ 4,840	414	$ 11,688	$ 2,186	204	$ 10,703
Voyage-charter contracts - LR2	$ 3,478	276	$ 12,601	$ 3,089	255	$ 12,111
Time-charter contracts - Suezmax	$ 7,671	366	$ 20,954	$ 13,291	549	$ 24,195
Time-charter contracts - Aframax	$ 13,089	717	$ 18,255	$ 21,269	971	$ 21,903
Time-charter contracts MR	$ 6,996	270	$ 25,960	$ 6,958	271	$ 25,712
Total	$ 42,928	2,530	$ 16,968	$ 49,952	2,618	$ 19,078

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(1) Excludes a total of $1.2 million in pool management fees and commissions payable by us to Teekay for commercial management for our vessels and $0.7 million in off-hire bunker and other revenues.
(2) Excludes interest income from investment in term loans of $2.9 million for each of the three-month periods September 30, 2012 and 2011, respectively.
(3) Excludes a total of $1.0 million in pool management fees and commissions payable by us to Teekay for commercial management for our vessels and $0.4 million in off-hire bunker and other revenues.

	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
	Net Revenues (1)(2) (in thousands)	Revenue Days	Average TCE per Revenue Day	Net Revenues (2)(3) (in thousands)	Revenue Days	Average TCE per Revenue Day
Voyage-charter contracts - Suezmax	$ 26,791	1,327	$ 20,189	$ 16,317	1,091	$ 14,956
Voyage-charter contracts - Aframax	$ 13,597	1,159	$ 11,732	$ 13,288	866	$ 15,344
Voyage-charter contracts - LR2	$ 9,183	822	$ 11,171	$ 11,146	798	$ 13,967
Time-charter contracts - Suezmax	$ 29,914	1,320	$ 22,661	$ 40,393	1,634	$ 24,720
Time-charter contracts - Aframax	$ 43,358	2,329	$ 18,617	$ 57,016	2,471	$ 23,074
Time-charter contracts - MR	$ 21,084	816	$ 25,854	$ 20,744	814	$ 25,484
Total	$ 143,927	7,773	$ 18,517	$ 158,904	7,674	$ 20,707

(1) Excludes a total of $3.4 million in pool management fees and commissions payable by us to Teekay for commercial management for our vessels and $0.8 million in off-hire bunker and other revenues.
(2) Excludes interest income from investment in term loans of $8.6 million and $8.5 million for the nine months ended September 30, 2012 and 2011, respectively.
(3) Excludes a total of $2.7 million in pool management fees and commissions payable by us to Teekay for commercial management for our vessels and $0.6 million in off-hire bunker and other revenues.

Net Revenues. Net revenues decreased to $43.9 million and $148.3 million for the three and nine months ended September 30, 2012, respectively, compared to $51.5 million and $164.1 million for the same periods 2011, primarily due to net decreases of $13.5 million and $23.0 million in overall fixed-rate time charter revenues, partially offset by net increases of $6.0 million and $7.5 million in overall voyage charter revenues for the three and nine months ended September 30, 2012, respectively, over the same periods in 2011.

The net decreases of $14.3 million and $23.8 million in overall fixed-rate time charter revenues for the three and nine months ended September 30, 2012 compared with the same periods in 2011, were due to:

- net decreases of $11.6 million and $15.5 million from various vessels changing employment from fixed-rate charters to voyage charter employments trading in respective pooling arrangements; and

- net decreases of $2.7 million and $8.3 million relating to our fixed-rate tankers which had existing time-charter agreements expire during the year and were renegotiated at lower average fixed-rates;

The net increases of $6.4 million and $8.2 million in overall voyage charter revenues for the three and nine months ended September 30, 2012, respectively, over the same periods in 2011 were due to:

- net increases of $3.7 million and $9.8 million as a result of having, on average, more Suezmax tankers trading in pooling arrangements in 2012 compared to 2011 despite having three spot-traded Suezmax tankers complete their scheduled drydockings in the third quarter of 2012; in addition, Suezmax spot rates realized in the three and nine months ended September 30, 2012 were higher than in the same periods in 2011;

net increases of $2.6 million and $0.2 million resulting from having, on average, more Aframax tankers trade in revenue-sharing arrangements for both the three and nine months September 30, 2012; these Aframax tankers earned higher average realized rates for the three months ended September 30, 2012 compared to the same period in 2011 whereas the averaged realized rates earned for the nine months ended September 30, 2012 were lower than the same period in 2011; and

a net increase of $0.4 million for the three months ended September 30, 2012 compared to the same period in 2011, resulting from higher average realized rates earned by our LR2 product tankers;

partially offset by

a net decrease of $1.5 million for the nine months ended September 30, 2012 resulting from lower average realized rates earned by our LR2 product tankers; and

net decreases of $0.3 million for both the three months and nine months ended September 30, 2012 as a result of off-hire bunker costs incurred, primarily by our vessels which were drydocked during the third quarter of 2012.

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Vessel Operating Expenses. Vessel operating expenses increased to $23.5 million and $65.6 million for the three and nine months ended September 30, 2012, respectively, from $21.8 million and $62.7 million for the same periods last year, primarily due to increases of $1.4 million and $2.9 million, respectively, relating to higher repairs and maintenance expenses.

Time-charter Hire Expenses. Time-charter hire expenses were $0.8 million and $3.1 million for the three and nine months ended September 30, 2012, respectively, compared to $1.6 million and $1.6 million for the same periods last year. We entered into agreements to time-charter in two Aframax tankers from third parties during the third quarter of 2011, which were redelivered to their owners in the first half of 2012, and entered into one new agreement to time-charter in another Aframax tanker during the third quarter of 2012.

Depreciation and Amortization. Depreciation and amortization was $17.9 million and $53.9 million for the three and nine months ended September 30, 2012, respectively, compared to $18.8 million and $56.3 million from the same periods last year. The decreases in 2012 relate primarily to the impact from the asset impairment charge in the third quarter of 2011 related to three medium range product tankers owned by the Dropdown Predecessor.

General and Administrative Expenses. General and administrative expenses were $3.3 million and $11.1 million for the three and nine months ended September 30, 2012, respectively, compared to $3.5 million and $12.9 million in the same periods last year, primarily due to:

- decreases of $1.6 million and $3.6 million attributable to the Dropdown Predecessor;
- a decrease of $0.5 million for the nine months ended September 30, 2011 relating to a one-time pension expense in 2011 associated with the retirement of the Company s former President and CEO;

partially offset by

- an increase of $1.1 million for both the three and nine months ended September 30, 2012 for management fees resulting from having a 28-vessel fleet compared to a 15-vessel fleet in the same periods in the prior year; and
- increases of $0.3 million and $0.8 million in corporate expenses and one-time acquisition costs associated with the purchase of the 2012 Acquired Business in June 2012, during the three months and nine months ended September 30, 2012, respectively, compared to the same period in 2011.

Goodwill Impairment. The goodwill impairment charge was $19.3 million for the three and nine months ended September 30, 2011. During the three months ended September 30, 2011, we concluded that indicators of impairment were present for the conventional tanker fleet and consequently, we performed an interim vessel and goodwill impairment analysis as at September 30, 2011 on the conventional tanker fleet. We concluded that the carrying value of the goodwill, all relating to the Suezmax reporting unit, exceeded its fair value. As a result, a goodwill impairment of $19.3 million was recognized in our consolidated statements of loss, of which $6.0 million related to the Dropdown Predecessor.

Asset Impairments. The asset impairment charge was $58.0 million for the three and nine months ended September 30, 2011. The charge related to a write-down of three medium range product tankers owned by the Dropdown Predecessor to their estimated fair values. The recognition of these write-downs was driven by the continuing weak tanker market, which has largely been caused by oversupply of vessels relative to demand.

Interest Expense. Interest expense was $3.0 million and $17.2 million for the three and nine months ended September 30, 2012, compared to $8.3 million and $33.1 million for the same periods last year, primarily due to:

- decreases of $6.1 million and $17.8 million due to the interest expense allocation related to the Dropdown Predecessor in the three and nine months ended September 30, 2011, respectively, as the Dropdown Predecessor effectively replaced long-term debt bearing interest at 8.5% with revolving credit facilities, which had an average outstanding interest rate of approximately 1%, and as debt levels related to the 2012 Acquired Business were reduced since the date we acquired it.

partially offset by

- increases of $0.7 million and $1.8 million due to higher average debt balances outstanding and higher interest rates for the three months and nine months ended September 30, 2012, compared to the same periods in the prior year;

Realized and unrealized loss on derivative instruments. Realized and unrealized losses on interest rate swaps were $4.3 million and $9.2 million for the three and nine months ended September 30, 2012, compared to $14.7 million and $26.0 million for the same periods last year. As at September 30, 2012, we had interest rate swap agreements with aggregate average outstanding notional amounts of $345.0 million and with weighted average fixed rates of 2.23%.

The change in the fair value of the interest rate swaps resulted in unrealized losses of $1.9 million and $2.1 million for the three and nine months ended September 30, 2012, compared to an unrealized loss of $12.1 million and an unrealized gain of $10.6 million for the same periods last year. The decrease in unrealized loss on interest rate swaps for the three months ended September 30, 2012 compared to same period last year was primarily due to increases in the forward interest rates. The decrease from an unrealized gain to an unrealized loss over the nine months ended September 30, 2011 and 2012 is primarily attributable to the interest rate swap that was acquired as part of the Dropdown Predecessor which had its fixed interest rate amended in the first quarter of 2011 from 5.07% to 2.51%. This resulted in an unrealized gain of $16.6 million recorded in the nine months ended September 30, 2011 in the accounts of the Dropdown Predecessor.

Net Loss. As a result of the foregoing factors, we incurred net losses of $9.7 million and $13.6 million for the three and nine months ended September 30, 2012, respectively, compared to net losses of $94.6 million and $106.1 million for the same periods last year.

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Liquidity and Capital Resources

Liquidity and Cash Needs

As at September 30, 2012, our total cash and cash equivalents was $26.3 million. Our total liquidity, including cash and undrawn credit facilities, was $382.9 million as at September 30, 2012, compared to $293.4 million as at December 31, 2011. We believe that our working capital is sufficient for our present requirements.

Our short-term liquidity requirements are for the payment of operating expenses, dry-docking expenditures, debt servicing costs, dividends on our shares of common stock, scheduled repayments of long-term debt, as well as funding our other working capital requirements. Our short-term charters and spot market tanker operations contribute to the volatility of our net operating cash flow, and thus our ability to generate sufficient cash flows to meet our short-term liquidity needs. Historically, the tanker industry has been cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of, and demand for, vessel capacity. In addition, tanker spot markets historically have exhibited seasonal variations in-charter rates. Tanker spot markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable weather patterns that tend to disrupt vessel scheduling. We distribute the majority of our cash flow to shareholders through a full payout dividend policy, subject to certain reserves determined by our Board of Directors.

Our long-term capital needs are primarily for capital expenditures and debt repayment. Generally, we expect that our long-term sources of funds will be cash balances, long-term bank borrowings and other debt or equity financings. Because we expect to pay a variable quarterly dividend equal to our Cash Available for Distribution less certain reserves for debt repayments and dry-docking expenditures as determined by our Board of Directors during the previous quarter, we expect that we will rely upon external financing sources, including bank borrowings and the issuance of debt and equity securities, to fund acquisitions and expansion capital expenditures, including opportunities we may pursue to purchase additional vessels from Teekay or third parties.

Our revolving credit facilities and term loans are described in Note 5 to our consolidated financial statements included in this report. Our revolving credit facilities and term loans contain covenants and other restrictions that we believe are typical of debt financing collateralized by vessels, including those that restrict the relevant subsidiaries from incurring or guaranteeing additional indebtedness; making certain negative pledges or granting certain liens; and selling, transferring, assigning or conveying assets. In the future, some of the covenants and restrictions in our financing agreements could restrict the use of cash generated by ship-owning subsidiaries in a manner that could adversely affect our ability to pay dividends on our common stock. However, we currently do not expect that these covenants will have such an effect. Our revolving credit facilities and term loans require us to maintain financial covenants. Should we not meet these financial covenants, the lender may declare our obligations under the agreements immediately due and payable and terminate any further loan commitments, which would significantly affect our short-term liquidity requirements. As at September 30, 2012, we and Teekay were in compliance with all covenants relating to our revolving credit facilities and term loans.

Cash Flows

The following table summarizes our sources and uses of cash for the periods presented:

	Nine Months Ended	
	September 30, 2012	**September 30, 2011**
	(in thousands)	(in thousands)
Net cash flow from operating activities	21,570	11,290
Net cash flow (used in) from financing activities	(8,629)	(6,396)
Net cash flow used in investing activities	(5,209)	(3,147)

Operating Cash Flows

Net cash flow from operating activities primarily reflects fluctuations in spot tanker rates, change in interest rates, fluctuations in working capital balances, the timing and the amount of dry-docking expenditures, repairs and maintenance activities, and vessel additions and dispositions. Our exposure to the spot tanker market has contributed significantly to fluctuations in operating cash flows historically as a result of highly cyclical spot tanker rates and more recently as a result of the reduction in global oil demand that was caused by a slow-down in global economic activity.

Net cash flow from operating activities increased by $10.3 million for the nine months ended September 30, 2012 compared to the same period in 2011, primarily as a result of the following:-

- an increase in operating cashflows of $29.4 million due to an interest rate swap settlement payment relating to the Dropdown Predecessor that occurred concurrently with a reset of the fixed interest rate on an interest rate swap from 5.07% to 2.51% during the nine months ended 2011;

- an increase in cashflows from operations as a result of $17.8 million in lower interest expense due to allocations relating to the Dropdown Predecessor during the nine months ended 2011;

partially offset by:

- a net decrease in operating cashflows of $15.8 million from lower average realized TCE rates our vessels earned during the nine months ended September 30, 2012 compared to same period in 2011;

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- a net decrease in operating cashflows of $5.3 million from higher operating and other expenses incurred during the nine months ended September 30, 2012 compared to same period in 2011; and

- net decreases in operating cashflows of $9.5 million and $6.3 million associated with non-cash working capital relating to our vessel operations and higher drydocking expenditures, respectively.

Financing Cash Flows

Net cash used in financing activities in the nine months ended September 30, 2012 increased by $2.2 million compared to the same nine-month period in 2011. The increase in net cash used in the nine months ended September 30, 2012 is primarily a result of the following:

- a net increase of $59.8 million in cash inflows from financing as a result of not prepaying the same levels of debt in 2012 as we did in 2011 which was partially offset by a slight increase in scheduled debt repayments over the same periods as a result of the new debt acquired as part of the 2012 Acquired Business that occurred in June 2012; in the nine months ended September 2012, we prepaid $55.0 million in debt compared to $118.3 million in the same period in 2011 and had scheduled repayments of debt of $4.9 million and $1.4 million for the nine months ended September 30, 2012, respectively; and

- a net increase of $11.5 million in cash inflows from financing as a result of paying $11.5 million in lower dividends in the nine months ended September 30, 2012 compared to the same period in the 2011;

partially offset by:

- a net decrease of $41.3 million in cash received from public offerings over the nine months ended September 30, 2012 compared to the same period in 2011; in February 2012, we issued 17.3 million shares at $4.00 per share and for a net proceeds of $65.8 million, compared to a February 2011 offering of 9.9 million shares at $11.33 per share and for net proceeds of $107.1 million; and

- a net decrease of $32.2 million in cash used for financing activities resulting from the net financing activities of the Dropdown Predecessor.

Investing Cash Flows

Net cash used in investing activities in the nine months ended September 30, 2012 increased by $2.1 million compared to the same period in 2011. The increase in cash used was a result of $3.1 million equity funding we provided to our 50/50 joint venture to meet shipyard obligations required for the construction of a VLCC expected to deliver in April 2013, partially offset by a $1.0 million reduction in expenditures for vessel and equipment.

We have invested in term loans with a total principal amount outstanding of $115.0 million as of September 30, 2012. We receive quarterly interest payments on the loans and the total loans outstanding are due in July 2013. The term loans are collateralized by first priority mortgages on two 2010-built VLCC tankers, together with other related security. Interest income from the loans for the three and nine months ended September 30, 2012 was $2.9 million and $8.6 million, respectively, compared with $2.9 million and $8.5 million for the corresponding periods of 2011. We understand that the borrower on these loans is facing financial difficulties; however, the borrower has not defaulted on its payment obligations under the loans to date. If the borrower were to be unable to make the interest payments or to repay principal under the loans, our interest income would decrease, our financial position may be harmed and we may need to seek to foreclose on our security interest in the VLCC tankers. We estimate that the current value of our security interest in the two VLCC tankers exceeds all amounts we are currently owed from the borrower.

Contractual Obligations and Contingencies

The following table summarizes our long-term contractual obligations as at September 30, 2012:

(in millions of U.S. dollars)	Total	Remainder of 2012	2013 and 2014	2015 and 2016	Beyond 2016
U.S. Dollar-Denominated Obligations					
Long-term debt [(1)]	732.0	7.5	50.4	133.7	540.4
Chartered-in vessels (operating leases) [(2)]	1.4	1.1	0.3		
Technical vessel management and administrative fees	118.0	2.9	23.0	23.0	69.1
Newbuilding installments [(3)]	36.7	9.8	26.9		
Total	888.1	21.3	100.6	156.7	609.5

(1) Excludes all expected interest payments of $2.5 million (remaining in 2012), $18.4 million (2013 and 2014), $15.5 million (2015 and 2016) and $7.4 million (beyond 2016). Expected interest payments are based on the existing interest rates for fixed-rate loans that range from 4.06% to 4.9% and existing interest rates for variable-rate loans at LIBOR plus margins that range from 0.3% to 1.0% at September 30, 2012. The expected interest payments do not reflect the effect of related interest rate swaps that we have used to hedge certain of our floating-rate debt.

(2) Excludes payments required if we execute all options to extend the terms of one in-chartered lease. If we exercise all options to extend the terms of the in-chartered lease, we would expect total payments of $1.1 million (remaining in 2012) and $7.6 million (2013 and 2014).

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(3) We have a 50% interest in a joint venture that has entered into an agreement for the construction of a VLCC. As at September 30, 2012, the remaining commitments on the vessel, excluding capitalized interest and other miscellaneous construction costs, totalled $73.5 million of which our share is $36.7 million. Please read Note 4 Joint Venture to our consolidated financial statements.

Critical Accounting Estimates

We prepare our financial statements in accordance with GAAP, which require us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Accounting estimates and assumptions that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties are discussed in this section and Item 5 Operating and Financial Review and Prospects in our Annual Report on Form 20-F for the year ended December 31, 2011. There have been no significant changes to these estimates and assumptions in the nine months ended September 30, 2012.

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FORWARD-LOOKING STATEMENTS

This Report on Form 6-K for the three months and nine months ended September 30, 2012 contains certain forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events and our operations, performance and financial condition, including, in particular, statements regarding:

our future growth prospects and opportunities, including future vessel acquisitions;

tanker market fundamentals, including the balance of supply and demand in the tanker market, and spot tanker charter rates and oil demand;

tanker fleet utilization;

our financial position and ability to acquire additional assets;

future issuance of our common stock;

our ability to generate surplus cash flow and pay dividends from our existing vessel fleet or from potential vessel acquisitions;

the effectiveness of our chartering strategy in capturing upside opportunities and reducing downside risks;

the sufficiency of working capital for short-term liquidity requirements;

crewing costs for vessels;

the duration of dry dockings;

potential newbuilding order cancellations;

construction and delivery delays in the tanker industry generally;

future capital expenditure commitments and the financing requirements for such commitments;

the ability of the borrower of the term loans secured by first-priority ship mortgages of two 2010-built VLCCs to continue to meet its payment obligations;

our compliance with, and the effect on our business and operating results of, covenants under our credit facilities;

our hedging activities relating to foreign exchange, interest rate and spot market risks;

our ability to secure new fixed-rate time-charter agreements; and

the ability of the counterparties to our derivative contracts to fulfill their contractual obligations.

Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words believe , anticipate , expect , estimate , project , will be , will continue , will likely result , or w phrases of similar meanings. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited to: spot market rate fluctuations; changes in the demand for oil transportation services; changes in our costs, such as the cost of crews; greater or less than anticipated levels of vessel newbuilding orders or greater or less than anticipated rates of vessel scrapping; changes in trading patterns; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; potential inability to implement our growth strategy; competitive factors in the markets in which we operate; loss of any customer, time charter or vessel; drydocking delays; our potential inability to raise financing to purchase additional vessels; our exposure to currency exchange and interest rate fluctuations; future issuances of our common stock; conditions in the public equity markets; the ability of the borrower to make payments on certain term loans in which we have invested; the value of the VLCC tankers that we will be able to realize if we are required to foreclose on our security interest in these vessels; and other factors detailed from time to time in our periodic reports filed with the SEC, including our Annual Report on Form 20-F for the year ended December 31, 2011. We do not intend to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

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TEEKAY TANKERS LTD.

SEPTEMBER 30, 2012

PART I FINANCIAL INFORMATION

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from foreign currency fluctuations, changes in interest rates and changes in spot tanker market rates. We have not used foreign currency forward contracts to manage foreign currency fluctuation, but we may do so in the future. We use interest rate swaps to manage interest rate risks. We do not use these financial instruments for trading or speculative purposes.

Foreign Currency Fluctuation Risk

Our primary economic environment is the international shipping market. This market utilizes the U.S. Dollar as its functional currency. Consequently, virtually all our revenues and the majority of our operating costs are in U.S. Dollars. We incur certain voyage expenses, vessel operating expenses, dry-docking expenditures and general and administrative expenses in foreign currencies, the most significant of which are the Euro and British Pound. As at September 30, 2012, we had not entered into forward contracts as a hedge against changes in foreign exchange rates.

Interest Rate Risk

We are exposed to the impact of interest rate changes primarily through our borrowings that require us to make interest payments based on LIBOR. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to repay debt. We use interest rate swaps to reduce our exposure to changes in interest rates. Generally our approach is to hedge a substantial majority of our floating-rate debt.

In order to minimize counterparty risk, we only enter into derivative transactions with counterparties that are rated A- or better by Standard & Poor s or A3 or better by Moody s at the time of the transactions. In addition, to the extent possible and practical, interest rate swaps are entered into with different counterparties to reduce concentration risk.

The table below provides information about our financial instruments at September 30, 2012, that are sensitive to changes in interest rates, including our debt and interest rate swaps. For long-term debt, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For the interest rate swaps, the table presents their notional amounts and weighted-average interest rates by their expected contractual maturity dates.

	Expected Maturity Date								
	Remainder of 2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**	**Fair Value Asset / (Liability)**	**Rate [1]**
	(in millions of U.S. dollars, except percentages)								
Long-Term Debt:									
Variable rate	5.1	15.4	15.4	42.3	71.8	522.2	672.2	(582.5)	1.05%
Fixed rate	2.4	9.8	9.8	9.8	9.8	18.2	59.8	(59.5)	4.70%
	7.5	25.2	25.2	52.1	81.6	540.4	732.0	(642.0)	
Interest Rate Swaps:									
U.S. Dollar-denominated interest rate swap [2]					200.0		200.0	(14.6)	2.61%
U.S. Dollar-denominated interest rate swap [2]						100.0	100.0	(22.4)	5.55%
U.S. Dollar-denominated interest rate swap [2]		45.0					45.0	(0.3)	1.19%

(1)

Rate refers to the weighted-average effective interest rate for our long-term debt, including the margin we pay on our variable-rate and fixed-rate debt. The fixed rate we pay under our interest rate swap agreements, as shown above, excludes the margin we pay on our variable-rate debt.

(2) Interest payments on U.S. Dollar-denominated debt and interest rate swaps are based on LIBOR. The average variable rate paid to us under our interest rate swaps are set quarterly at the three-month LIBOR.

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TEEKAY TANKERS LTD.

SEPTEMBER 30, 2012

PART II OTHER INFORMATION

Item 1 Legal Proceedings

None

Item 1A Risk Factors

In addition to the other information set forth in this Report on Form 6-K, you should carefully consider the risk factors discussed in Part I, Item 3. Key Information Risk Factors in our Annual Report on Form 20-F for the year ended December 31, 2011, which could materially affect our business, financial condition or results of operations. There have been no material changes in our risk factors from those disclosed in our 2011 Annual Report on Form 20-F.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3 Defaults Upon Senior Securities

None

Item 4 Mine Safety Disclosures

None

Item 5 Other Information

None

Item 6 Exhibits

None

THIS REPORT ON FORM 6-K IS HEREBY INCORPORATED BY REFERENCE INTO THE FOLLOWING REGISTRATION STATEMENTS OF THE COMPANY.

REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-148055) FILED WITH THE SEC ON DECEMBER 13, 2007.

REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-174216) FILED WITH THE SEC ON MAY 13, 2011.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEEKAY TANKERS LTD.

Date: December 11, 2012

By: /s/ Vincent Lok

Vincent Lok

Chief Financial Officer

(Principal Financial and Accounting Officer)

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