

NEXTEL PARTNERS INC

Form DEF 14A

April 12, 2002

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**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  
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))  
Definitive Proxy Statement  
Definitive Additional Materials  
Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

**NEXTEL PARTNERS, 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):

- 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.

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**NEXTEL PARTNERS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On May 14, 2002**

**TO THE STOCKHOLDERS:**

Notice is hereby given that the 2002 Annual Meeting of Stockholders of Nextel Partners, Inc., a Delaware corporation (the Company), will be held on Tuesday, May 14, 2002 at 10:00 a.m., local time, in the Balsam Room at The Hyatt Regency Hotel, 900 Bellevue Way NE, Bellevue, Washington 98004 for the following purposes:

1. To elect six directors to serve for the ensuing one-year period and until their successors are duly elected.
2. To approve an amendment to the Company's stock option plan to increase the number of shares of Class A Common Stock reserved under the plan by 12,000,000 shares from 16,545,354 to 28,545,354 and to extend the period during which options may be granted under the plan from January 1, 2003 to January 1, 2008.
3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The board of directors has fixed the close of business on March 29, 2002 as the record date for the determination of stockholders entitled to vote at this meeting. Only stockholders of record at the close of business on March 29, 2002 are entitled to notice of and to vote at the meeting and any adjournment thereof.

All stockholders are cordially invited to attend the meeting in person. Your participation in the affairs of the Company is important. The meeting is an excellent opportunity for the Company's management to discuss the Company's progress with you in person. However, to assure your representation at the meeting, you are urged to submit your proxy. You may do so by mail, over the Internet or by telephone, by following the instructions on the proxy card. Any stockholder attending the meeting may vote in person even if the stockholder has previously submitted a proxy.

By Order of the Board of Directors

John Chapple  
*President, Chief Executive Officer and  
Chairman of the Board*

4500 Carillon Point  
Kirkland, Washington 98033  
425-576-3600

April 15, 2002

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**NEXTEL PARTNERS, INC.**

4500 Carillon Point  
Kirkland, Washington 98033  
425-576-3600

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**PROXY STATEMENT FOR 2002 ANNUAL MEETING OF STOCKHOLDERS**

**PROCEDURAL MATTERS**

**General**

The enclosed Proxy is solicited on behalf of Nextel Partners, Inc., a Delaware corporation (the Company), for use at the 2002 Annual Meeting of Stockholders (the Annual Meeting) to be held on May 14, 2002 at 10:00 a.m., local time, and at any adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held in the Balsam Room at The Hyatt Regency, 900 Bellevue Way NE, Bellevue, Washington 98004.

These proxy solicitation materials were mailed on or about April 15, 2002 to all stockholders entitled to vote at the Annual Meeting.

**Record Date and Outstanding Shares**

Only stockholders of record at the close of business on March 29, 2002 (the Record Date) are entitled to notice of and to vote at the Annual Meeting. The only outstanding voting securities of the Company are shares of Class A Common Stock, \$.001 par value (the Class A Common Stock), and Class B Convertible Common Stock, \$.001 par value (the Class B Common Stock and together with the Class A Common Stock, the Common Stock). The Class B Common Stock is convertible into shares of the Class A Common Stock at any time on a one-for-one basis upon a transfer thereof to a person other than Nextel Communications, Inc. (Nextel), a majority-owned Nextel subsidiary or a person or entity controlling Nextel, and is subject to restrictions on its transfer contained in the Company's amended and restated shareholders' agreement.

As of the Record Date, 165,652,081 shares of the Company's Class A Common Stock were issued and outstanding and held of record by 231 stockholders and 79,056,228 shares of the Company's Class B Common Stock were issued and outstanding and held of record by one stockholder, Nextel WIP Corp., a wholly owned subsidiary of Nextel (Nextel WIP). See Security Ownership of Certain Beneficial Owners and Management below for information regarding beneficial owners of more than five percent of the Company's Common Stock.

**Revocability of Proxies**

Any proxy given pursuant to this solicitation may be revoked or changed by the person giving it at any time prior to its use by delivering to the Corporate Secretary of the Company a written instrument revoking the proxy or by submitting a proxy bearing a later date or by attending the Annual Meeting and voting in person. Proxies may be changed in any manner regardless of the method used to submit the proxy. However, changing a proxy by telephone or Internet will require the stockholder to retain a record of the unique control number that appears on the proxy card.

**Voting and Solicitation**

The holders of the Company's Class A and Class B Common Stock are entitled to one vote per share on all matters on which they are entitled to vote.

This solicitation of proxies is made by the Company, and all related costs will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners.

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Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone.

**Quorum; Abstentions; Broker Non-Votes**

At the Annual Meeting, inspectors of election will determine the presence of a quorum and tabulate the results of the voting by stockholders. A quorum exists when holders of a majority of the total number of outstanding shares of Common Stock that are entitled to vote at the Annual Meeting are present at the Annual Meeting in person or by proxy. A quorum is necessary for the transaction of business at the Annual Meeting. A nominee for election to a position on the board of directors will be elected as a director if the votes cast for the nominee exceed the votes cast against the nominee and exceed the votes cast for any other nominee for that position. Abstentions and broker non-votes (shares held by a broker or nominee that does not have the authority, either express or discretionary, to vote on a particular matter) are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting. For the election of directors, abstentions and broker non-votes will have the effect of neither a vote for nor a vote against the nominee. If a quorum is present, approval of all other matters that properly come before the meeting, including the proposal to amend the Company's stock option plan, require that the votes cast in favor of such actions exceed the votes cast against such actions. As in the election of directors, abstentions and broker non-votes will have the effect of neither a vote for nor against such actions.

All shares entitled to vote and represented by properly submitted, unrevoked proxies received prior to the Annual Meeting will be voted at the Annual Meeting in accordance with the instructions indicated on those proxies. If no instructions are indicated on a properly submitted proxy, the shares represented by that proxy will be voted as recommended by the board of directors. If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the enclosed proxy and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. The Company does not currently anticipate that any other matters will be raised at the Annual Meeting. Signing and returning the proxy card, or submitting your proxy by Internet or telephone, does not affect your right to revoke your proxy or to vote in person at the Annual Meeting.

**Deadline for Receipt of Stockholder Proposals**

Stockholders are entitled to present proposals for action at a forthcoming meeting if they comply with the requirements of the proxy rules promulgated by the Securities and Exchange Commission (the "SEC"). Proposals of stockholders of the Company intended to be presented for consideration at the Company's 2003 Annual Meeting of Stockholders must be received by the Company no later than December 16, 2002 in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting. All notices of proposals by stockholders, whether or not included in the Company's proxy materials, should be sent to Nextel Partners, Inc., 4500 Carillon Point, Kirkland, Washington 98033, Attention: Corporate Secretary.

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**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth certain information with respect to the beneficial ownership of shares of the Company's Common Stock as of December 31, 2001 by:

each stockholder known to the Company to be a beneficial owner of more than 5% of the outstanding shares of the Company's Common Stock;

each of the Company's directors;

each of the Company's named executive officers; and

all of the Company's executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares subject to options, warrants and securities convertible into Common Stock held by that person that are exercisable as of December 31, 2001 or exercisable within 60 days thereof are deemed outstanding. Except as indicated in the footnotes to this table, the Company believes that each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name, except to the extent shared by a spouse under applicable law. This table is based on information supplied by officers, directors, principal stockholders and Schedules 13G filed with the SEC. As of December 31, 2001, there were 244,618,870 shares of Common Stock outstanding, of which 165,562,642 shares of Class A Common Stock were outstanding and 79,056,228 shares of Class B Common Stock were outstanding.

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Unless otherwise noted, the address for each stockholder below is: c/o Nextel Partners, Inc., 4500 Carillon Point, Kirkland, WA 98033.

Name and Address	Number of Shares of Common Stock	Number of Shares Underlying Options	Percentage of Common Stock Outstanding
Parties to Amended and Restated Shareholders Agreement(1) Nextel WIP Corp. 2001 Edmund Halley Drive Reston, VA 20191	177,290,377	680,001	72.6%
Entities affiliated with Credit Suisse First Boston(2) Uetlibergstrasse 231 P.O. Box 900 CH-870 Zurich, Switzerland	79,056,228		32.3
Madison Dearborn Capital Partners II, L.P. Three First National Plaza, Suite 3800 Chicago, IL 60602	28,534,054		11.7
Eagle River Investments, LLC 2300 Carillon Point Kirkland, WA 98033	27,218,904		11.1
Motorola, Inc. 1303 East Algonquin Road, 11th Floor Schaumburg, IL 60196	19,500,012		8.0
William H. Gates III(3) One Microsoft Way Redmond, WA 98052	13,076,376		5.3
Wellington Management Company, LLP(4) 75 State Street Boston, MA 02109	9,022,906		3.7
John Chapple(5)	8,970,440		3.7
John Thompson(6)	3,461,024	90,000	1.5
David Thaler	1,668,214	156,667	*
David Aas	1,254,000	56,667	*
Perry Satterlee(7)	1,068,425	60,000	*
Andrew Rush(8)	1,005,876	100,000	*
Dennis Weibling(9)	28,534,054		11.7
Timothy Donahue(10)	98,559,840		40.3
Andrew Sinwell(11)	79,229,228		32.4
Steven Dodge	27,218,904		11.1
Directors and officers as a group (12 persons)(12)	25,000	13,333	*
	163,810,151	760,001	67.1%

\* Less than 1%

- (1) The following stockholders are parties to a shareholders' agreement that contains an agreement by all of the parties, except DLJ Merchant Banking (as defined below), to vote for certain of the Company's directors and imposes restrictions with respect to the sale, transfer or other disposition of the Company's capital stock by these parties: Nextel WIP, DLJ Merchant Banking, Madison Dearborn Capital Partners II, L.P. ( Madison Dearborn Partners ), Eagle River Investments, LLC ( Eagle River Investments ), Motorola, Inc. ( Motorola ) and all of the Company's senior management stockholders other than Donald Manning. See Proposal One-Election of Directors-General for a description of this agreement. All parties to this agreement disclaim beneficial ownership of shares not owned directly by them or by an entity otherwise affiliated with them.



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- (2) Based on information provided by Credit Suisse First Boston, a Swiss bank (the Bank ), on behalf of itself and its subsidiaries, to the extent that they constitute part of the investment banking business ( CSFB ) of the Credit Suisse First Boston business unit (the CSFB business unit ) in an amendment to Schedule 13G filed February 14, 2002. According to the amendment to Schedule 13G, the CSFB business unit is also comprised of an asset management business (the Asset Management business unit ). The ultimate parent company of the Bank is Credit Suisse Group ( CSG ), a corporation formed under the laws of Switzerland. In addition to the CSFB business unit, CSG and its consolidated subsidiaries are comprised of the Credit Suisse Financial Services business unit (the Credit Suisse Financial Services business unit ). CSG, for purposes of the federal securities laws, may be deemed ultimately to control the Bank and CSFB. CSG, its executive officers and directors, and its direct and indirect subsidiaries (including the Asset Management business unit and the Credit Suisse Financial Services business unit) may beneficially own shares of the securities of the Company (the Shares ) and, according to the amendment to Schedule 13G, such Shares were not reported in the Schedule 13G. CSG disclaims beneficial ownership of Shares beneficially owned by its direct and indirect subsidiaries, including CSFB. CSFB disclaims beneficial ownership of Shares beneficially owned by CSG, Asset Management and the Credit Suisse Financial Services business unit.
- (3) Based on information provided by William H. Gates III in a Schedule 13G filed February 19, 2002, the reported shares are owned by Cascade Investment, LLC ( Cascade ) and by Mente, LLC ( Mente ). Mr. Gates is the sole member of Cascade and Mente, and has shared voting and dispositive power with respect to all of the reported shares, which represent 5.45% of the outstanding shares of Class A Common Stock.
- (4) Based on information provided by Wellington Management Company, LLP ( WMC ) in a Schedule 13G filed February 12, 2002, WMC, in its capacity as investment adviser, has shared voting power with respect to 6,566,740 of these shares and shared dispositive power with respect to all of these shares. The shares reported are owned of record by clients of WMC, and represent 5.42% of the outstanding shares of Class A Common Stock. Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. According to the Schedule 13G, none of WMC s clients is known to have such right or power with respect to more than five percent of the Company s securities.
- (5) Includes 736,666 shares held by JRC Coho LLC, an entity controlled by Mr. Chapple, and 125,000 shares held by Panther Lake LLC, an entity controlled by Messrs. Chapple and Thompson.
- (6) Includes 509,166 shares held by JDT-JRT, LLC, an entity controlled by Mr. Thompson, and 125,000 shares held by Panther Lake LLC, an entity controlled by Messrs. Chapple and Thompson.
- (7) Includes 165,000 shares held by PSS-MSS L.P., an entity controlled by Mr. Satterlee.
- (8) Consists of shares held by entities affiliated with the Bank, some of which are funds managed by DLJ Merchant Banking Partners II, L.P. ( DLJ Merchant Banking ), of which Mr. Rush is a Managing Director. Mr. Rush disclaims beneficial ownership of such shares.
- (9) Consists of shares held by Eagle River Investments, of which Mr. Weibling serves as vice-chairman, and by Nextel WIP, of which Mr. Weibling serves as a director. Mr. Weibling disclaims beneficial ownership of such shares. Also includes 3,600 shares held by On Eagle s Wings Investments, an entity controlled by Mr. Weibling and his spouse.
- (10) Includes shares held by Nextel WIP, of which Mr. Donahue is president, chief executive officer and a director. Mr. Donahue disclaims beneficial ownership of such shares. Also includes 50,000 shares held by Five Net Three LLC, an entity in which Mr. Donahue and his spouse have a 25% interest, and 5,000 shares held by Al Donahue Soundview Trust, an entity in which Mr. Donahue has a 50% interest. Also includes 93,000 shares held by Mr. Donahue and 25,000 shares held by Mr. Donahue s spouse.
- (11) Consists of shares held by Madison Dearborn Partners, of which Mr. Sinwell serves as a director. Mr. Sinwell disclaims beneficial ownership of such shares.

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- (12) See footnotes 3 through 11 above. Includes John Chapple, John Thompson, David Thaler, David Aas, Perry Satterlee, Andrew Rush, Dennis Weibling, Timothy Donahue, Andrew Sinwell, Steven Dodge, Mark Fanning and Donald Manning.

**PROPOSAL ONE  
ELECTION OF DIRECTORS**

**General**

The Company's board of directors is comprised of six directors. Except for DLJ Merchant Banking, the parties to the Company's amended and restated shareholders' agreement have agreed to vote their shares of Common Stock to elect as directors the persons listed below:

one person selected by Madison Dearborn Partners: currently, Andrew Sinwell;

one person selected by Nextel WIP: currently, Timothy Donahue;

one person selected by Eagle River Investments: currently, Dennis Weibling; and

the Company's chief executive officer: currently, John Chapple.

The parties who have agreed to vote in this manner together owned approximately 61% of the Company's outstanding Common Stock as of December 31, 2001. Prior to the initial public offering of the Company's Class A Common Stock, DLJ Merchant Banking had the right to designate two directors, one of whom was in turn designated by Madison Dearborn Partners, and all of the parties to the shareholders' agreement had agreed to vote to elect such designees as directors. On February 18, 2000, the shareholders' agreement was amended and restated in order to, among other things, terminate the obligation of the other parties to the shareholders' agreement to vote in favor of the DLJ Merchant Banking designee. The parties to the amended and restated shareholders' agreement agreed that DLJ Merchant Banking may nominate a director for election by the Company's stockholders, but that such nominee would otherwise be elected in accordance with the Company's restated certificate of incorporation and bylaws. Andrew Rush was elected to the Company's board of directors as a result of his designation by DLJ Merchant Banking prior to the effective date of the amended and restated shareholders' agreement, and has been nominated by DLJ Merchant Banking for election by the Company's stockholders at the Annual Meeting. In addition, a first amendment to the amended and restated shareholders' agreement was executed effective February 22, 2000 in order to, among other things, remove several stockholders from the amended and restated shareholders' agreement. The current parties to the amended and restated shareholders' agreement now include Nextel WIP, DLJ Merchant Banking and its affiliated entities (the DLJ Entities), Madison Dearborn Partners, Eagle River Investments, Motorola and all of the Company's senior management stockholders other than Donald Manning.

All directors will hold office until the next annual meeting of stockholders and until their successors are duly elected.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's nominees named below. The proxies cannot be voted for a greater number of persons than the number of nominees named. In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present board of directors to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as will assure the election of as many of the nominees listed below as possible, and in such event, the specific nominees to be voted for will be determined by the proxy holders.

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If a quorum is present and voting, the six nominees receiving the highest number of votes will be elected to the board of directors. The board of directors has nominated John Chapple, Steven B. Dodge, Timothy Donahue, Andrew Rush, Andrew Sinwell and Dennis Weibling to serve as directors.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED BELOW.**

**Nominees**

The names of the nominees and certain information about them as of the Record Date are set forth below:

<b>Name of Nominee</b>	<b>Age</b>	<b>Positions with the Company</b>	<b>Director Since</b>
John Chapple	48	President, Chief Executive Officer and Chairman of the Board	1998
Steven B. Dodge(1)	56	Director	2000
Timothy Donahue	53	Director	1999
Andrew Rush(1)	44	Director	1999
Andrew Sinwell(1)	37	Director	1999
Dennis Weibling	50	Director	1999

(1) Member of the Audit Committee

**John Chapple** worked to organize the Company throughout 1998 and has been the president, chief executive officer and chairman of the board of the Company and its subsidiaries since August 1998. Mr. Chapple was elected to the board of directors pursuant to the terms of the amended and restated shareholders' agreement. Mr. Chapple, a graduate of Syracuse University and Harvard University's Advanced Management Program, has over 23 years of experience in the wireless communications and cable television industries. From 1978 to 1983, he served on the senior management team of Rogers Cablesystems before moving to American Cablesystems as senior vice president of operations from 1983 to 1988. From 1988 to 1995, he served as executive vice president of operations for McCaw Cellular Communications and subsequently AT&T Wireless Services following the merger of those companies. From 1995 to 1997, Mr. Chapple was the president and chief operating officer for Orca Bay Sports and Entertainment in Vancouver, B.C. Orca Bay owned and operated Vancouver's National Basketball Association and National Hockey League sports franchises in addition to the General Motors Place sports arena and retail interests. Mr. Chapple is the past chairman of Cellular One Group and the Personal Communications Industry Association, past vice-chairman of the Cellular Telecommunications and Internet Association and has been on the Board of Governors of the NHL and NBA. Mr. Chapple is currently on the Syracuse University Maxwell School Board of Advisors.

**Steven B. Dodge** has been a director of the Company and Nextel Partners Operating Corp., a wholly owned subsidiary of the Company, since February 2000. In addition, Mr. Dodge is currently the chairman and chief executive officer of American Tower Corporation, a leading independent owner and operator of communications towers in the United States. American Tower Corporation was organized in July 1995 as a subsidiary of American Radio Systems Corporation, of which Mr. Dodge was the founder and chief executive officer. In June 1998, American Tower Corporation was spun off to the American Radio stockholders at the time of American Radio's merger with CBS. At that time, American Tower Corporation began trading publicly. Prior to his involvement with American Radio, Mr. Dodge was the founder and chief executive officer of American Cablesystems, a publicly traded cable television company which was merged into Continental Cable in 1988, now Media One. Mr. Dodge also serves on the boards of directors of Sotheby's Holdings, Inc., an auctioneer of fine arts, antiques and collectibles, Citizens Financial Group, Inc., a financial services holding company, and Sensitech, Inc., a supplier of

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environmentally sensitive products. Mr. Dodge also serves as a trustee of the Dana Farber Cancer Institute.

*Timothy Donahue* has been a director of the Company and its subsidiaries since January 1999. Mr. Donahue was elected to the board of directors as the designee of Nextel WIP pursuant to the terms of the amended and restated shareholders' agreement. Mr. Donahue has been a director of Nextel since June 1996, was the president and chief operating officer from February 1996 to July 1999, and has been the president and chief executive officer since July 1999. From 1986 to January 1996, Mr. Donahue held various senior management positions with AT&T Wireless Services. Mr. Donahue has served on the boards of directors of Spectrasite Holdings, Inc. since April 1999 and of Eastman Kodak Company since October 2001. In addition, Mr. Donahue is the vice chairman of the board of directors of the Cellular Telecommunications and Internet Association.

*Andrew Rush* has been a director of the Company and Nextel Partners Operating Corp. since January 1999. Mr. Rush was elected to the board of directors as the designee of DLJ Merchant Banking pursuant to the terms of the amended and restated shareholders' agreement. Mr. Rush has been a managing director of DLJ Merchant Banking, an affiliate of Credit Suisse First Boston, since January 1997, where he is responsible for leading DLJ Global Communications Partners, the telecommunications investment arm of DLJ Merchant Banking. From 1992 to 1997, Mr. Rush was an officer of DLJ Merchant Banking and its predecessors. Mr. Rush currently serves as a member of the boards of directors of 360networks, Inc., a provider of fiber optic networks, and several private companies including Axis Specialty Ltd., a Bermudian insurance company, Louis Dreyfus Communications, a telecommunications company, Telseon, Inc., a provider of optical network services, and IP Communications, an independent broadband service provider.

*Andrew Sinwell* has been a director of the Company and Nextel Partners Operating Corp. since January 1999. Mr. Sinwell was elected to the board of directors as the designee of Madison Dearborn Partners pursuant to the terms of the amended and restated shareholders' agreement. Mr. Sinwell is a managing director of Madison Dearborn Partners, a private equity firm and stockholder of Nextel Partners, which he joined in August 1996. From 1994 to 1996, Mr. Sinwell was a senior policy advisor at the Federal Communications Commission. He currently serves on the boards of directors of Axiowave Networks, Inc., a developer of optical networking equipment, Focal Communications Corporation, a provider of telecommunications services, Looking Glass Networks, Inc., a provider of data transport services, and Western Integrated Network, LLC, a provider of broadband communications services.

*Dennis Weibling* has been a director of the Company and Nextel Partners Operating Corp. since January 1999. Mr. Weibling was elected to the board of directors as the designee of Eagle River Investments, an investment management firm, pursuant to the terms of the amended and restated shareholders' agreement. Mr. Weibling was the president of Eagle River Investments from October 1993 through December 2001 and is now the vice-chairman. Mr. Weibling is a director of Nextel and a member of the operations, audit, finance and compensation committees for Nextel. In addition, Mr. Weibling serves on the board of Nextel International, Inc., a company providing Nextel services in the international market. Mr. Weibling has been a director of XO Communications, Inc. (formerly NEXTLINK), a provider of broadband communications services, since January 1997 and also serves on the boards of Teledesic Corporation, a satellite telecommunications company, and ICO Global Communications (Holding) Limited, a narrowband satellite communication company.

## **Board Meetings and Committees**

The board of directors of the Company held a total of four meetings during fiscal 2001. The board of directors has an audit committee. The Company does not currently have a compensation committee, and, instead, the entire board of directors makes compensation determinations. In addition, the board of directors does not have a nominating committee or any similar committee performing such functions.

The audit committee discusses with the Company's independent auditors the overall scope and plans for their respective audits. The Committee meets with the independent auditors, with and without

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management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The audit committee held two meetings during fiscal 2001.

No director attended fewer than 75% of the aggregate of the meetings of the board of directors and committees thereof, if any, upon which such director served during the period for which he has been a director or committee member.

**Audit Committee Report**

The audit committee currently consists of Messrs. Rush, Sinwell and Dodge. Each of Messrs. Rush, Sinwell and Dodge is an independent director as defined in Rule 4200(a)(14) of the National Association of Securities Dealers, Inc. listing standards. The audit committee operates pursuant to a written charter and is responsible for monitoring and overseeing the Company's internal controls and financial reporting processes, as well as the independent audit of the Company's consolidated financial statements by the Company's independent auditors during fiscal 2001, Arthur Andersen LLP (Arthur Andersen). As part of fulfilling its responsibilities, the audit committee reviewed and discussed the audited consolidated financial statements for fiscal 2001 with management and discussed those matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees) with Arthur Andersen. The audit committee received the written disclosures and the letter required by Independent Standards Board Standard No. 1 (Independence Discussions with Audit Committee) from Arthur Andersen, discussed that firm's independence with representatives of the firm and considered the compatibility of non-audit services with the auditors' independence. In addition, the audit committee reviewed its Charter, a copy which was attached as Appendix A to the proxy statement for the Annual Meeting of Stockholders held in May 2001, and determined that no changes were necessary.

Based upon the audit committee's review of the audited consolidated financial statements and its discussions with management and Arthur Andersen, the audit committee recommended that the board of directors include the audited consolidated financial statements for the fiscal year ended December 31, 2001 in the Company's Annual Report on Form 10-K filed with the SEC.

Respectfully submitted,

Andrew Rush  
Andrew Sinwell  
Steven B. Dodge

**Director Compensation**

To date, none of the Company's directors has received compensation for services provided to the Company as a director other than Mr. Dodge. The Company has granted to Mr. Dodge the following options to purchase shares of Class A Common Stock:

<b>Date of Grant</b>	<b>Number of Shares</b>	<b>Vesting Schedule</b>	<b>Exercise Price</b>
February 2000	25,000	Three equal annual installments commencing February 2001	\$20.00 per share
December 2000	15,000	Three equal annual installments commencing December 2001	\$16.81 per share
October 2001	7,500	Four equal annual installments commencing October 2002	\$ 5.35 per share
January 2002	7,500	Four equal annual installments commencing January 2003	\$ 8.00 per share

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As a non-employee and non-strategic stockholder director, Mr. Dodge will also receive compensation for 2001 of \$2,500 per quarter during 2001, plus \$1,000 for each of the four board meetings he attended in person, for a total of \$14,000. Mr. Dodge will receive the same quarterly and meeting-specific compensation in 2002. All directors are reimbursed for their out-of-pocket expenses in serving on the board of directors.

**PROPOSAL TWO**

**AMENDMENT OF STOCK OPTION PLAN**

On January 17, 2002 the board of directors unanimously approved an amendment to the Company's existing 1999 Nonqualified Stock Option Plan to increase the number of shares issuable under the plan as described below, and on March 15, 2002, the board of directors unanimously approved an amendment to extend the period during which options may be granted under the plan from January 1, 2003 to January 1, 2008. The 1999 Nonqualified Stock Option was amended and restated by the Company's board of directors on May 15, 2000, and was further amended on October 17, 2001. The 1999 Nonqualified Stock Option Plan, as amended, is referred to herein as the "Nonqualified Stock Option Plan" or the "Plan". Stockholders are being asked to approve an amendment to the Plan to increase the number of shares reserved for issuance under the Plan and to extend the period during which options may be granted under the Plan. The complete text of the Second Amended and Restated Nonqualified Stock Option Plan, as proposed to be amended, is attached to this proxy statement as *Exhibit A*.

**Purpose and Effect of Proposed Amendments**

The proposed amendments to the Nonqualified Stock Option Plan will extend the period during which options may be granted under the plan from January 1, 2003 to January 1, 2008 and will increase from 16,545,354 to 28,545,354 the aggregate number of shares of Class A Common Stock that may be issued upon the exercise of options awarded under the Plan. The Company recognizes the importance of attracting and retaining the best talent possible at all levels of the Company, and the board of directors believes that our Nonqualified Stock Option Plan is critical to recruit and retain such employees and to stimulate their active interest in the Company's growth, development and financial success by closely aligning their interests with those of the Company.

The Company is seeking to increase the number of shares of Class A Common Stock available for issuance under the Nonqualified Stock Option Plan and to extend the period during which options may be granted because the original plan and the number of shares available for grant under that plan were not intended to last beyond 2001. The Company has grown, since its inception, from a startup to over 2,000 employees. Of the Company's current employees, approximately 80% own shares in the Company. As a result, prior grants and awards have utilized a substantial number of the shares of Class A Common Stock available under the Plan. As of March 28, 2002 there remained available for issuance only approximately 818,364 shares of Class A Common Stock under the Nonqualified Stock Option Plan out of the 16,545,354 presently authorized. The absence of an adequate number of shares of Class A Common Stock available for issuance under the Nonqualified Stock Option Plan and the impending expiration at the end of 2002 of the period during which options may be granted under the Plan restrict the Company's ability and flexibility to effectively attract, retain, compensate, provide performance incentives and reward the most qualified employees. As a result, the board of directors believes that it is both necessary and desirable to increase from 16,545,354 to 28,545,354 the aggregate number of shares of Class A Common Stock available for issuance under the Nonqualified Stock Option Plan and to extend the period during which options may be granted under the Plan from January 1, 2003 to January 1, 2008 in order to continue to maintain the Plan's effectiveness.

**Description of the Nonqualified Stock Option Plan**

The following description of the Nonqualified Stock Option Plan is qualified in its entirety by reference to the Second Amended and Restated Nonqualified Stock Option Plan, as proposed to be

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amended and attached as *Exhibit A* to this proxy statement. The Nonqualified Stock Option Plan as currently in effect incorporates amendments adopted by the board of directors on May 15, 2000 (to clarify and update the Plan and to allow greater flexibility in administering the Plan) and October 17, 2001 (to increase vesting under the Plan from three to four years). For more details, see the following discussion and *Exhibit A* to this proxy statement. (Terms used in this description are used as defined in the Plan.)

*Shares Available under our Nonqualified Stock Option Plan.* Upon approval of the proposed amendments to the Nonqualified Stock Option Plan, the number of shares of Class A Common Stock that may be covered by outstanding awards granted under the Nonqualified Stock Option Plan and issued upon exercise shall not in the aggregate exceed 28,545,354 shares; provided that this number (i) shall be increased by the number of shares that have been issued pursuant to any of the Restricted Stock Purchase Agreements and subsequently purchased by the Company upon termination of a senior manager; and (ii) may be increased, at the discretion of the board of directors, by the number of shares of Class A Common Stock that are purchased by the Company pursuant to Section 4.05 of the Company's amended and restated shareholders agreement.

*Eligibility.* All of the Company's employees are currently eligible to participate in the Plan.

*Option Rights.* Unless the board of directors (or a committee thereof) determines otherwise, the board of directors (or a committee thereof) may grant option rights that entitle the optionee to purchase shares of Class A Common Stock at a price equal to the fair market value on the date of grant. The fair market value of a share of Class A Common Stock was \$6.02 on March 28, 2002, which was the closing price of a share of the Class A Common Stock as reported by the Nasdaq Stock Market on that date.

Unless otherwise provided by the terms of a specific option agreement, option rights that were granted under the Plan prior to the October 17, 2001 amendment vest over three years in three equal annual installments and options that were granted after the October 17, 2001 amendment vest over four years in four equal annual installments, in each case beginning one year from the date of grant. The board of directors (or a committee thereof), however, may in its discretion, upon the occurrence of a defined change of control of the Company, accelerate the vesting of some or all of the unvested option rights being held by employees (but not those held by senior managers).

The option price is payable in full at the time of exercise (i) in cash or by check, or, (ii) with the consent of the board of directors (or a committee thereof), (a) by the transfer to the Company of shares of Class A Common Stock that are already owned by the optionee with an aggregate fair market value at the time of exercise equal to the option price, or (b) by any combination of the foregoing methods of payment.

No option right may be exercised by an optionee: (i) more than 10 years from the date of grant; (ii) except where such termination is by reason of death or disability or for cause upon (a) the expiration of three months from the date of the optionee's termination of employment for employees who are not required to file Forms 3, 4 and 5 under Section 16 of the Exchange Act or upon (b) the expiration of seven months from the date of the optionee's termination of employment for officers who are required to file Forms 3, 4 and 5 under Section 16 of the Exchange Act; (iii) the expiration of one year from the date of optionee's termination of employment where the termination is due to disability or death; or (iv) the date of termination where the optionee's termination is for cause.

Any option that has not been exercised, exchanged or converted, as the case may be, at or prior to the closing of the purchase by Nextel WIP of all of the Company's outstanding capital stock (pursuant to and in accordance with Sections 4.01, 4.02, 7.03 or 7.04 of the Company's amended and restated shareholders agreement and the corresponding provisions of the Company's restated certificate of incorporation), shall be canceled and become unexercisable upon such closing.

Grants of options to senior managers under the Plan are to be based on criteria established by the board of directors and the chief executive officer and grants to employees other than senior managers shall be made subject to the same performance criteria as senior managers, or such additional or different criteria as the board may establish. The Plan anticipates that approximately twenty-five percent (25%) of

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the options subject to the Plan will be granted in connection with recruitment of new employees other than senior managers and that senior managers shall receive in the aggregate twenty percent (20%) of the total number of options granted in each year. In its current version, the Plan provides that in no event shall more than thirty percent (30%) of the number of authorized options be granted in any calendar year, and that no options shall be granted after January 1, 2003. If the Plan is amended as proposed, it will provide that in no event shall options representing more than 6,000,000 shares of the Class A Common Stock reserved and authorized for issuance under the Plan be granted in any single calendar year and that no options shall be granted after January 1, 2008.

*Transferability.* Unless otherwise determined by the board of directors (or a committee thereof) no options granted under the Plan may be transferred by a participant other than by will or the laws of descent and distribution. Also, except as otherwise determined by the board of directors (or a committee thereof), options may be exercised during a participant's lifetime only by the participant or his or her legal guardian or legal representative. The board of directors (or a committee thereof) may, in its absolute discretion, impose restrictions on the transferability of shares purchasable upon exercise of an option; provided that any such restrictions shall be set forth in the option agreement. Except as set forth in the option agreement, no option or interest or right therein or part thereof may be used to satisfy the debts, contracts or engagements of the optionee or his or her successors in interest. Nor may any option or any portion thereof be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, voluntary or involuntary, or by operation of law, by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy). Any such attempted disposition would be null and void and of no effect.

*Adjustments.* If the board of directors (or a committee thereof) determines that any dividend or other distribution (whether in the form of cash, stock, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of the Company's stock or other securities, or other similar corporate transaction or event affects the Class A Common Stock such that an adjustment is determined by the board of directors (or a committee thereof) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, the board of directors (or a committee thereof) may, in such manner as it deems equitable, adjust any or all of the (i) number of shares of Class A Common Stock with respect to which options may thereafter be granted; (ii) the number of shares of Class Common Stock subject to outstanding options; and/or (iii) the grant or exercise price with respect to any options.

*Administration and Amendments.* The Nonqualified Stock Option Plan is administered by the board of directors, which may delegate all or any part of its authority to a committee consisting of not less than the minimum number of persons required by Rule 16b-3 under the Exchange Act and Section 162(m) of the Internal Revenue Code of 1986, as amended, provided that each member of the committee, to the extent necessary to comply with Rule 16b-3 and Section 162(m) only, is a Non-Employee Director (as defined in Rule 16b-3) and an Outside Director (as defined in Section 162(m)).

The board of directors may amend the Nonqualified Stock Option Plan in whole or in part without obtaining approval from the Company's stockholders except when such approval is required under Rule 16b-3 of Section 16 of the Exchange Act or under any other legal or regulatory requirement; provided that the board of directors may not amend or modify the Plan if the proposed modification or amendment would be materially adverse to the senior managers as a group or to any individual participating employee without obtaining prior written consent.

The board of directors (or a committee thereof) may waive any conditions or rights under, amend the terms of, or alter, suspend, discontinue, cancel or terminate any option granted under the Plan, prospectively or retroactively, provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that adversely affects the rights of an optionee or any holder or beneficiary of any option previously granted shall not become effective without the consent of the affected optionee, holder or beneficiary.



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**Federal Income Tax Consequences of the Nonqualified Stock Option Plan**

The following is a brief summary of certain of the federal income tax consequences of the issuance and exercise of options granted under the Nonqualified Stock Option Plan based on Federal income tax laws in effect on January 1, 2002. This summary is not intended to be exhaustive and does not describe state or local tax consequences.

*Tax Consequences to Optionees.* The grant of an option will not trigger taxable income to the optionee. When any part of the option is exercised, the optionee is deemed to have received ordinary compensation income in an amount equal to the fair market value of the shares of Class A Common Stock received, minus the corresponding option price. If an optionee cannot sell shares acquired through the exercise of an option without incurring liability under Section 16(b) of the Securities Exchange Act of 1934, the recognition of income is delayed (unless the optionee elects otherwise under Section 83(b) of the Internal Revenue Code of 1986, as amended (the Code), within 30 days of the exercise) until the earlier of (i) the end of six months after the purchase of the stock or (ii) the first day the restriction ceases. If a Section 83(b) election is not timely made, any nonrestricted dividends received with respect to shares issued upon exercise of an option during the period in which those shares are subject to the foregoing restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient.

Following the exercise of an option, the optionee will have a tax basis in the shares obtained through exercise of the option equal to the sum of the exercise price paid by the optionee plus the amount taxed as ordinary income (if any) upon exercise of the option. Upon the sale of those shares, the optionee will recognize gain to the extent that the amount received for the shares exceeds the tax basis of the shares. Correspondingly, if the amount received upon sale of those shares is less than the optionee's tax basis in the shares, the optionee will recognize a loss for tax purposes. The taxable gain (or loss) upon sale of the shares will be taxed as long-term capital gain (or loss) if the optionee has held the shares for more than one year. If the optionee has held the shares for one year or less at the time of sale, the gain (or loss) will be taxed as short-term capital gain (or loss).

The Plan provides that upon a Change in Control (as defined in the Plan) the vesting status of outstanding options may be accelerated. In addition, the Plan allows discretion for the board of directors (or a committee thereof) to provide for unique vesting terms in an individual option agreement. To the extent options become vested in connection with a Change in Control, the associated gain may be subject to an additional penalty tax of 20 percent, if the gain constitutes an excess parachute payment. Section 280G of the Code generally defines a parachute payment as compensation paid to officers, shareholders or highly compensated individuals if (a) the amount is more than reasonable compensation, (b) the amount is paid in connection with a change in control, and (c) the amount is in excess of three times the individual's annualized compensation over the preceding five year period (the base amount). The term excess parachute payment is generally defined as the excess of any parachute payment over the portion of the base amount allocated to that payment.

*Tax Consequences to the Company.* The Company may claim a tax deduction equal to the amount of ordinary income realized by the optionee upon exercise of an option. Unless the optionee is an independent contractor or foreign resident, the Company is generally required to withhold the income and employment taxes applicable to the income the optionee recognizes on the exercise of an option. The Company may withhold from regular wages or supplemental wages, or otherwise ensure that the taxes required to be withheld are available for payment, including the withholding of an appropriate number of shares to be issued upon the exercise of the option.

A number of factors may limit the Company's ability to claim a deduction. First, deductibility may not be available to the extent the amount does not constitute reasonable compensation for services rendered. Second, the Company may not deduct amounts that constitute an excess parachute payment (as described above). Finally, Section 162(m) of the Code limits a publicly-held company's ability to deduct compensation in excess of \$1 million paid to its chief executive officer or to any other employee whose compensation is required to be reported to shareholders (in accordance with the Securities

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Exchange Act of 1934) by virtue of being one of the four highest compensated officers for the taxable year (other than the chief executive officer).

**Vote Required for Approval of Amendments**

If a quorum is present and voting, the Nonqualified Stock Option Plan will be amended as proposed if a majority of the stockholders present vote in favor of this proposal. This proposal is not required to be submitted for approval by the Company's stockholders, but is being submitted to a vote because the Company wants to provide its stockholders with full disclosure and information about the Plan and proposed amendments. If the stockholders do not approve the proposed amendments, the board of directors intends to adopt the amendments without stockholder approval and amend the Plan accordingly.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE PROPOSED AMENDMENTS TO THE NONQUALIFIED STOCK OPTION PLAN.

**ADDITIONAL INFORMATION RELATING TO  
DIRECTORS AND OFFICERS OF THE COMPANY**

**Compensation of Executive Officers**

*Summary Compensation Table.* The following table sets forth the compensation paid by the Company for services rendered during the fiscal years ended December 31, 1999, 2000 and 2001 by the Company's chief executive officer and the Company's other four most highly compensated executive officers (collectively, the named executive officers).

Name, Principal Position	Year	Annual Compensation		Long-Term Compensation		All Other Compensation (1)(\$)
		Base Salary (\$)	Bonus (\$)	Restricted Stock Awards (1)(\$)	Securities Underlying Options/SARs(#)	
John Chapple, President and Chief Executive Officer	2001	195,000	93,844		300,000(7)	
	2000	175,000	87,500		60,000(8)	
	1999	150,000		491,111(2)	105,000(9)	87,500
John Thompson, Chief Financial Officer and Treasurer	2001	195,000	93,844		200,000(7)	
	2000	175,000	87,500		50,000(8)	
	1999	150,000		339,444(3)	315,000(10)	87,500
Perry Satterlee, Vice President Sales and Marketing	2001	195,000	93,844		200,000(7)	
	2000	175,000	87,500		60,000(8)	
	1999	150,000		137,222(4)	120,000(9)	44,000
David Thaler, Vice President Business Operations	2001	190,000	91,438		175,000(7)	
	2000	175,000	87,500		50,000(8)	
	1999	150,000		195,000(5)	60,000(9)	87,500
David Aas, Vice President Engineering and Technical Operations	2001	175,000	84,219		150,000(7)	
	2000	160,000	80,000		60,000(8)	
	1999					