LEAP WIRELESS INTERNATIONAL INC
Form DEFA14A
July 14, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

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))**

¨ Definitive Proxy Statement

x Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

LEAP WIRELESS INTERNATIONAL, 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:

(5) Total fee paid:

¨ 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:

Leap Wireless International, Inc. (Leap) is filing the attached presentation materials, which update the presentation materials filed with the Securities and Exchange Commission (SEC) on July 7, 2011 as Exhibit 99.1 to Leap s current report on Form 8-K, in connection with Leap s solicitation of proxies for proposals to be voted on at its 2011 Annual Meeting of Stockholders. Leap may present the attached materials to stockholders and others on future occasions. The information contained in the attached presentation materials is summary information that is intended to be considered in the context of Leap s filings with the SEC and other public announcements. Leap undertakes no duty or obligation to publicly update or revise this information, although it may do so from time to time.

In connection with the 2011 Annual Meeting, Leap mailed to stockholders its definitive proxy statement filed with the SEC on June 28, 2011 (the Definitive Proxy Statement). In addition, Leap files annual, quarterly and special reports, proxy and information statements and other information with the SEC. Stockholders are urged to read the Definitive Proxy Statement and other information because they contain important information about Leap and the proposals to be presented at the 2011 Annual Meeting. These documents are available free of charge at the SEC s website at *www.sec.gov* or from Leap at *www.leapwireless.com*. The contents of the websites referenced herein are not deemed to be incorporated by reference into the Definitive Proxy Statement.

Leap and its directors, executive officers and certain employees may be deemed to be participants in the solicitation of proxies from stockholders in connection with the election of directors and other proposals to be voted on at the 2011 Annual Meeting. Information regarding the interests, if any, of these directors, executive officers and specified employees is included in the Definitive Proxy Statement filed by Leap with the SEC.

Building Value
July 13, 2011

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Presentation of Financial and Other Important Information

Presentation of Financial Information

Historical financial and operating data in this presentation reflect the consolidated results of Leap Wireless International, Inc. (
joint ventures for the periods indicated. The term voice services refers to the Company s Cricket Wireless, Muve Music a
services refers to the Company s Cricket Broadband service. This presentation includes financial information prepared in ac
United States (GAAP), as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures, w
Customer Addition (CPGA), Cash Cost Per User (CCU) and adjusted operating income before depreciation and amortization (

substitutes for, the information prepared in accordance with GAAP. For definitions of these non-GAAP financial measures and see the information under the heading Financial Reports Non-GAAP Financial Measures in the Investor Relations section

Proxy Solicitation

In connection with the solicitation of proxies, Leap filed with the SEC on June 28, 2011 a definitive proxy statement and has fi proposals to be presented at Leap s 2011 Annual Stockholders Meeting (the 2011 Annual Meeting). Leap also mailed the files annual, quarterly and special reports, proxy and information statements and other information with the SEC. Leap s stock information because they contain important information about Leap and the proposals to be presented at the 2011 Annual Mee website (www.sec.gov) or from Leap (www.leapwireless.com). The contents of the websites referenced herein are not deemed Leap and its directors, executive officers and certain employees may be deemed to be participants in the solicitation of proxies directors and other matters to be proposed at Leap s 2011 Annual Meeting. Information regarding the interests, if any, of these included in the definitive proxy statement filed by Leap with the SEC.

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act o expectations based on currently available operating, financial and competitive information, but are subject to risks, uncertaintie materially from those anticipated in or implied by the forward-looking statements. Our forward-looking statements include our including as a result of our current and future product and service plan offerings, future plans to transition to LTE and expected nominees to the board of directors and are generally identified with words such as believe, think , expect, estimate, should, may and similar expressions. Risks, uncertainties and assumptions that could affect our forward-looking statemen customers in an extremely competitive marketplace; the duration and severity of the current economic downturn in the United rates, consumer credit conditions, consumer debt levels, consumer confidence, unemployment rates, energy costs and other ma the services we provide; the impact of competitors initiatives; our ability to successfully implement product and service plan on our other strategic activities; our ability to obtain and maintain roaming and wholesale services from other carriers at cost-e over financial reporting; our ability to attract, integrate, motivate and retain an experienced workforce, including members of s services, which could exceed our expectations, and our ability to manage or increase network capacity to meet increasing custo future at a reasonable cost or on a timely basis; our ability to comply with the covenants in any credit agreement, indenture or s indebtedness; our ability to effectively integrate, manage and operate our new joint venture in South Texas; failure of our netw expectations and risks associated with the upgrade or transition of certain of those systems, including our billing system; and o included in our periodic reports filed with the SEC, including our Quarterly Report on Form 10-Q for the quarter ended March All forward-looking statements included in this presentation should be considered in the context of these risks. We undertake n statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forw presentation may not occur and actual results could differ materially from those anticipated or implied in the forward-looking s not to place undue reliance on our forward-looking statements.

Executive Overview

Industry Perspective
Rapid Growth of Prepaid

Business Update
On Trajectory to Grow Stockholder Value

Board of Directors
Experienced and Independent

Pentwater Proposal and Proxy Contest
Opportunistic and Non-Compliant

Conclusion
Vote FOR
Leap s nominees on the WHITE Proxy Card
3
Agenda

Leap
implemented
significant
changes
in
2010
to

better
position
business
-
Simple, all-inclusive service plans
-
New device portfolio, including smartphones
-
Nationwide voice and data coverage
-
Additions to senior management to better align with customers and improve execution
-
Completion of significant back-office system enhancements

Believe
initiatives
delivered
dramatic
improvements
in
operating
performance,
demonstrated
by:
-
Customer churn at lowest levels in nearly a decade, with voice churn of 2.8% in 1Q11
-
Smartphones and accompanying $55 service plan comprised approximately 40% of our sales mix at 1Q11, with customer upgrades and migrations continuing at unprecedented rates
-
Significant improvements in average revenue per user (ARPU), driven by adoption of smartphones and higher-revenue service plans

Believe
changes
position
Leap
for
improved
financial
results
and
increased
stockholder
value
-
Leap
stock
up
54%

between
August
4,
2010

after
new
initiatives
presented
at
Leap s
Analyst
Day

and
July
12,
2011
-
Board and management continuing to implement additional initiatives to continue momentum and position the Company for the future

Leap
is
led
by
an
experienced
and
independent
Board
of
Directors
4
Executive Overview
Leap
Keep Leap on track for improved stockholder value
vote FOR
Leap s nominees on the WHITE proxy card

Pentwater lacks any strategy for the Company

beyond
actions
Leap
is
already
pursuing

Pentwater
is
interested
only
in
short-term
profit

and
has
reduced
its
net
holdings
in
Leap
stock
by ~40%
since announcing proxy fight

What Pentwater Didn t Do

-
Discuss
operational
proposals/suggestions
with
the
Company
prior
to
initiating
proxy
fight

-
Disclose all material information when nominating directors

-
Commence
action
in
Delaware
for
months
after

being informed on March 31 that they didn t comply with Bylaws

- Ask for a waiver under Leap s NOL preservation plan to purchase 5% or more of Leap stock

What Pentwater Did Do

- Submitted what Leap believes is a non-compliant nomination one day before end of notice period
- Reduced its net holdings in Leap stock by ~40% in the three months after announcing proxy fight, including

selling on day they filed initial proxy statement
-
Established
short
position
covering
more
than
1.6M
Leap
shares,
equal
to
~67%
of
its
2.4M
shares
held
as
of
6/20/11

Votes
for
Pentwater
will
not
be
counted
absent
contrary
Delaware
court
judgment
5
Executive Overview
Pentwater Capital Management
Keep Leap on track for improved stockholder value
vote FOR
Leap s nominees on the WHITE proxy card
st

INDUSTRY PERSPECTIVE
Rapid Growth of Prepaid
6

7

Innovative, leading prepaid wireless carrier in U.S.
with ~6 million customers

Nation s 7th largest wireless carrier

Offers unlimited voice, text and data services and

national coverage under Cricket brand; flat rates and
no contracts

Targets young, ethnically diverse and value-
conscious customer base
among the fastest
growing market segments

Leverages industry-leading cost structure to provide
services at prices below most competitors

Holds spectrum licenses in 35 of top 50 U.S. markets

Offers nationwide service via existing network and
strategic roaming partnerships
Leap Snapshot
Prepaid Wireless Industry Leader

2006
2013E
CAGR:
14%
3%
Prepaid
Postpaid
Prepaid

% of total
19%
33%
Share of Net Adds (%)
Subscribers (M)
Source: Oppenheimer Equity Research Industry Update, dated March 8, 2011
8
27%
Prepaid Segment Drives Wireless Industry Growth

Wireless subscribers increasingly using devices for data services, internet access and mobile applications

Mobile data traffic in North America expected to grow 80% annually through 2015

Explosive Growth of Mobile-Only Internet Users
Smartphone Opportunity for Prepaid Carriers

To date, smartphones have been sold predominantly to higher-end customers

With increased adoption of data services and smartphones by the mass market, significant opportunity exists for prepaid carriers
Number of Users in North America (M)
4Q10 Smartphone Penetration
9
Source: Morgan Stanley Research Report, dated April 18, 2011
Source: Cisco Visual Networking Index: Global Mobile Data Forecast, February 2011
Smartphones are a Significant Opportunity for Prepaid

Leap s Prepaid Penetration
10
Prepaid
Subscribers
/
Covered
POP
as

of
1Q11
(1)
6%
3%
5%
7%
9%
Leap
T-Mobile
Sprint
Tracfone
MetroPCS
(1)
Based upon results for the quarter ended March 31, 2011, as reported in filings on Form 10-Q and/or earnings releases for Leap
Sprint, America Movil and MetroPCS; covered POPs data assumes 95M for Leap, 99M for MetroPCS and 280M for T-Mobile
America Movil
(2)
Based on America Movil s earnings release for the quarter ended March 31, 2011

Leap s penetration in the prepaid segment is greater than Sprint and T-Mobile

Although Tracfone has the largest number of prepaid subscribers, it has the lowest EBITDA margin (7%) and lowest ARPU ($14) among prepaid competitors
(2)
Subs.
(MM)
(1)
5.8
7.7
13.1
18.5
8.9

Leap Has Increased ARPU Near Highest In Industry
11
Prepaid ARPU ($)
Leap
Sprint
T-Mobile
1Q10
1Q11

MetroPCS
1.5%
3.4%
3.2%
5.6%
% Increase
Tracfone
27.3%
Source: Results for the quarter ended March 31, 2011, as reported in filings on Form 10-Q and/or earnings releases for Leap, MetroPCS, Sprint, T-Mobile and America Movil

Leap Has Significantly Lowered Churn to Best in Industry
12
MetroPCS
Leap
1Q10
1Q11
Prepaid Churn (%)
Sprint

Increase /
Decrease (bps)
T-Mobile
Tracfone
Source: Results for the quarter ended March 31, 2011, as reported in filings on Form 10-Q and/or earnings releases for Leap, MetroPCS, Sprint, T-Mobile and America Movil

BUSINESS UPDATE
On Trajectory to Grow Stockholder Value
13

Significant Business Initiatives in 2010
to Meet Evolving Customer Needs
14

Introduced all-inclusive, unlimited
nationwide voice and broadband
service plans

Eliminated activation fees and
telecommunications taxes to improve
customer experience

Experienced significant customer
adoption and migration to new
service plans
at YE10, two-thirds of
customer base had migrated to new
plans

Introduced robust, new line-up of
affordable devices, including
smartphones, touchscreens, feature
phones and broadband devices

Increasing customer demand for new
smartphones driving selection of higher-
revenue service plans and increased
ARPU
40% of new handset sales in
1Q11 were for smartphones

Entered into nationwide roaming
agreements to allow nationwide product
and service offerings

Entered into nationwide wholesale
agreement to supplement 95M CPOP
network with Sprint s nationwide 3G
network

Believe agreements improve competitive
position and enable Leap to strengthen
brand, attract new customers and
enhance and expand nationwide retail
distribution
New Plans
New Devices
Nationwide Reach

Other Key Initiatives Furthering Leap Performance

Transitioned executive management team to more closely align with customers and improve execution
-
Appointed new EVP/COO to lead customer focused support organizations
-
Appointed new EVP, Field Operations and appointed three area presidents to improve field execution
-

Added other senior management leaders focused on vision and execution

Fundamentally overhauled back-office systems
-
Replaced billing, inventory and point-of-sale systems
-
Believe new systems significantly improved planning, forecasting, supply chain and procurement capabilities

Continued management of balance sheet for liquidity and growth
-
Refinanced $1.1B of senior unsecured debt to 2020, reducing cash interest expense by $10M annually
-
Recently issued $400M of senior notes to provide additional working capital for growth initiatives

Entered into key strategic transactions
-
Formed new joint venture in South Texas, acquiring ~323,000 former customers of Pocket Communications to create Leap s i
deeply-penetrated market
-
Acquired complete ownership and control of Cricket markets in Chicago, Southern Wisconsin and Oregon
-
Believe transactions improved competitive position by increasing our strength and scale while expanding offerings to

customers

Better utilization of spectrum resources

-

Entered into agreement to swap 10-MHz of unused spectrum in exchange for 10-MHz of additional spectrum in 7 existing Cric
markets

Developed
and
launched
unique
Muve
Music
service

-

Unlimited music-download service designed specifically for mobile devices

-

Expect service will provide Leap with differentiated product in nationwide, mass-merchant retail channels

15

TM

New Initiatives Driving Churn Down
16

1Q11 churn reached lowest level in
almost 10 years:

Consolidated churn of 3.1%, improving
140 basis points Y-O-Y

1Q11 voice churn of 2.8%, improving
170 basis points Y-O-Y

Churn improvements believed to be
direct result of changes management
implemented:

All-inclusive pricing

Smartphones at affordable prices

Nationwide voice and data coverage

Believe lower levels of churn signal
productive, structural business change

May experience some near-term
moderation in churn improvement
Voice Churn
2011
2010
2009
2008
Y-O-Y Change in Voice Churn
Worse
Better
2010
2011
Source: Leap earnings releases for each of the fiscal quarters in 2008, 2009 and 2010 and for the quarter ended March 31, 201
other internal data

And Improving ARPU
17
Average Revenue Per User
2010
2011

1Q11 ARPU increased over $1 Y-O-Y and Q-O-Q due to:

Improved device portfolio

All-inclusive service plans

Improved voice churn

Expect ARPU improvements to continue in coming quarters due to:

Increased smartphone penetration

Higher Broadband ARPU and potential Muve Music uptake

Source: Leap s quarterly reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010, September 30, 2010 an
March 31, 2011 and Leap s annual report on Form 10-K for the year ended December 31, 2010

Putting Leap On Trajectory for
Improved Financial Performance
18
2011
2010
$5.1
$49.2

($478.1)
($27.0)
($18.1)
$614.6
$630.8
$600.6
$636.6
$678.4
Operating Income
(Loss)
Adjusted OIBDA
Broadband Services
Adjusted OIBDA
(Investment)
Voice Services
Adjusted OIBDA
($ in millions)
Service Revenues

Q-O-Q improvements in 1Q11
service revenues due to:

Subscriber growth

Uptake of higher-ARPU service
plans

Y-O-Y decrease in 1Q11 adjusted
OIBDA reflects:
All-in-monthly pricing which
eliminated ~$130M of annual
revenue from late/other fees
Investments in equipment subsidy
and product cost to support
transition to smartphones and
national coverage

Believe beginning to benefit from
cost leverage

Expect adjusted OIBDA margin
improvement in the coming quarters
Source: Leap s quarterly reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010, September 30, 2010 and March 31, 2011 and Leap s annual report on Form 10-K for the year ended December 31, 2010; note minor calculation differences in reported numbers due to rounding
(1)Includes one-time ~$3M expense associated with South Texas joint venture
Adjusted OIBDA
$127.5
$154.6
$111.1

$82.6
$90.3
($4.5)
$17.4
$12.1
$24.5
$22.2
1Q
2Q
3Q
4Q
1Q
$123.0
$123.2
$172.0
$107.0
$112.5
(1)

Positive Trends Continuing
19
Outlook Discussed at 1Q11 Earnings Conference Call
Current 2Q11
Outlook
Expect positive voice net additions in 2Q11 and voice gross additions closer to 2Q10 reported levels
Expect decrease in number of Broadband customers
Expect adjusted OIBDA margin improvement from 1Q11 to 2Q11

Upgrade activity and associated cost expected to decline seasonally in 2Q11
Expect ARPU improvements to continue at pace similar to recent improvements
Churn expected to follow 2008 patterns but at reduced levels
-
2Q11 Update: Y-O-Y churn improvement in 2Q11, with improvement moderated
Expect Cash Cost Per User (CCU) to flatten or decline from 1Q11 to 2Q11
Cost
Per
Gross
Customer
Addition
(CPGA)

Expect
device
subsidy
expense
to
increase
due
to
change
in
dealer
compensation
-
2Q11 Update: Increased subsidy expense in 2Q11 will also reflect successful promotional activity in the quarter
CPGA
Expect sales & marketing spending levels to remain similar quarter over quarter
Expect to have over 100,000 Muve Music customers soon

Strategic Initiatives To Drive Growth in Voice Customers
20
Expanded
Branded
Distribution
Competitive
Devices, Service
Plans & Coverage

Expansion of
Unlimited Music
Product
Improved
Customer
Awareness
LG Optimus C
Ground-breaking music service
Unlimited access to millions of full-track songs and ringtones that reside on mobile device, as part of $55/month service plan
Believe will provide Leap with differentiated product in national retail
Broadened marketing efforts
Expanding marketing programs outside of traditional customer demographic to appeal to all value-conscious consumers
Leap s retail presence is growing
Expanding distribution in Cricket-branded stores and national retail
Expect significant portion of retail expansion in time for holiday selling season
Improved offerings to increase competitive position
Building on introduction of all-in monthly service plans and nationwide coverage with introduction of new and evolving smartphone devices

MVNO Agreement
Rapid Path to Nationwide Scale

National retail playing increasingly
important role in prepaid wireless
-
Scale becoming a competitive advantage

MVNO agreement with Sprint entered into in August 2010 expected to provide Leap with nationwide reach and scale

-

Believe rapid, efficient means for Leap to gain major presence in national retail

-

Believe provides more cost-effective path to launching service in additional markets

Launch expected in second half of 2011

Facilitates launch of Muve Music nationwide

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22
Optimizing our Network for Multiple
Product Opportunities
Utilizing Data Network Capacity
Source: Internal Leap projections of network capacity and current and expected customer data product usage and performance, which are subject to change.
Continue to see strong demand
for data services due to continued

strength of smartphone service
plans
Expanding and managing network
capacity through:
-
Device mix, market-level focus
-
Network management
initiatives
-
Additional equipment and cell
sites
-
Potential for session-based
data
Consumer trends driving strong
uptake in smartphones and other
higher-ARPU services
-
Opportunity to generate
significant cash flow
~1M
~2.8M
~1.8M
Approximate capacity usage as of 1Q11
4Q10 Capacity Forecast
1Q11 Capacity Forecast

Strategically Implementing LTE to
Support Next Phase of Growth
23
Leap s LTE implementation being managed through gradual ramp-up and
phased
to
be
in

place
when
costs
of
LTE
devices
reach
attractive
levels
for
our
customers
Leap is launching its own LTE network beginning in 2011 and
expects to supplement its LTE facilities coverage through roaming arrangements
Industry Milestones
2013
2012
2011
2010
Leap Milestones
First LTE
markets in the
U.S.
First LTE smartphone
launches
Integrated LTE
chipset available
Integrated LTE
devices introduced
Device costs begin hitting
broadly appealing
consumer price points
Leap launches
R&D market
Expected launch of first
Leap LTE trial market
Expected Leap commercial LTE deployment
Expected growth of
4G on prepaid

Leap s Strategy Widely Supported
24
 Leap executed well by driving growth mainly through smartphone adoption while containing opex. Despite upcoming seasonal net add softness in 2Q and 3Q, we **expect the benefits** of rising ARPU to translate into EBITDA margin expansion

from 17% in 1Q11 to 22% in 4Q11.

- Deutsche Bank, 5/6/11

We believe that given the high ASPs for LTE handsets coupled with the painfully slow smartphone experience of 1xRTT speeds, Metro finds itself between a rock and a hard place. **Leap, on the other hand, might have found itself in a sweet spot, where** it could take advantage of falling 3G handset prices and leverage smartphone growth (and the Android platform) to grow EBITDA and margins faster than consensus anticipates in 2012.

- Citadel, 5/25/11

We **expect continued success in existing markets plus** ramping execution in new markets will allow Leap to generate a 16%+ EBITDA CAGR 2011-2014 which at the current 2012E EBITDA multiple leaves the company, in our view, among the most attractively valued growth-based investments in our coverage universe.

- Bank of America Merrill Lynch, 5/5/11

We believe the **increased smartphone** penetration coupled with the All-Inclusive plan will continue to improve churn as such, we are trimming 2011E churn by 20 bps to 3.6%.

-
RBC Capital, 5/6/11
Leap **showed solid execution of its**
turnaround strategy
that began back in
August 10. While we continue to believe Leap
has good potential, in the near term, its go-to-
market strategy is still in transition and is
carrying substantial near term costs. **LEAP s**
focus on smart phones is beginning to
show benefits in ARPU, churn, and
subscriber
growth
-
SunTrust, 5/6/11
,
;
.

BOARD OF DIRECTORS
Experienced and Independent
25

Leap s Independent Slate of Nominees
26

Leap s Commitment to Good Corporate Governance
27
All directors (other than CEO) are independent under NASDAQ rules; all have alignment of interests with stockholders
Wide range of relevant operational and financial expertise represented
Non-executive Chairman of the Board
Directors are elected annually

Each board committee composed entirely of independent directors
All directors attended more than 75% of Board and committee meetings in 2010
Company has adopted and disclosed Corporate Governance Guidelines

Leap s Board Continually Looks To
Deliver Increased Value To Stockholders

In 2007, Leap **engaged in discussions with MetroPCS** following its unsolicited public offer

Board determined Metro s offer allocated disproportionate synergy value to Metro and offered essentially no premium to Leap stockholders

Leap and Metro s discussions also limited by Leap s 4Q07 restatement and FCC-mandated M&A quiet period for spectrum auction participants

In 2008 and 2009, Leap approached Metro regarding possible joint opportunities, including partnerships to own/operate certain markets

but significant discussions did not develop

Leap also engaged in discussions with AWS spectrum holders and others regarding strategic and operating opportunities

In 2010, Leap undertook comprehensive review of strategic

alternatives
to
build
stockholder
value

Board added additional independent directors to help oversee process and ensure broad perspective

Appointed Special Committee of independent directors to oversee review

Special Committee and its financial advisors initiated discussions with numerous parties regarding potential strategic opportunities, including MetroPCS

Leap also began developing important new product and service plan offerings, which it believed would significantly improve operational performance

Special Committee and Board unanimously determined to pursue Leap s current operational strategy rolled out in 2010, which Leap believes has yielded significant results
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Leap s **compensation**
program
tied
to
corporate
performance,
aligning

interests
of
management with those of stockholders

Substantial majority of total compensation opportunity consists of annual cash bonus and long-term equity, which are tied to corporate and individual performance

2010 was period of continued, intense competition within wireless industry and ongoing transition in Leap s business, as new initiatives were implemented to improve competitive positioning and operational performance

Because many of Leap s new initiatives were introduced in 2H10, they did not significantly impact full-year 2010 results but are now leading to improved financial and operational performance

Compensation earned by senior management, including CEO, reflects
business
and
responsible
executive
compensation
program

No increases in CEO s $750K base salary or annual target bonus in 2010 or 2011, which were significantly below 50th percentile
provided by peer companies

CEO recommended that he receive **no cash bonus award for 2010**
based upon Company s business
transition and expected near-term business performance

More than **two-thirds of CEO s total compensation for 2010 consisted of long-term equity**
compensation,
primarily
consisting
of
performance-vested
restricted
shares
with
vesting
tied
to
stock
price appreciation

Remaining executive officers received no increase to 2010 or 2011 base salaries, cash bonus awards well-below target bonus levels and equity compensation consisting primarily of performance-vested restricted shares
29
Responsible Executive Compensation Program

transition
of
Leap s

PENTWATER PROPOSAL
AND PROXY CONTEST
Opportunistic and Non-Compliant
30

Since
announcing
proxy
fight,
Pentwater
has
reduced

its net holdings in Leap stock by ~40% (even selling on day it filed its initial proxy statement) (1)(2)

Established short position covering more than 1.6M Leap shares, equal to ~67% of its 2.4M shares held as of 6/20/11 (2)

Announced public proxy fight without first discussing operational proposals or suggestions with the Company (and promptly started selling as stock price rose)

Waited until end of nomination period to attempt to nominate directors

In Leap s view, did not comply with bylaw requirements

Failed to disclose material facts about Pentwater and its nominees, including that one nominee is related to Pentwater portfolio manager and true size of its short position

Has offered only backward-looking critiques with no specific strategy for the Company beyond what management is already doing

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Pentwater Interested Only In Short-Term Profits

Pentwater Capital Management is an opportunistic investor with no long-term commitment to Leap and interests that differ from other stockholders

(1)
According to Pentwater s definitive proxy statement filed with the SEC on July 5, 2011, Pentwater sold 22,600 Leap shares and purchased 2,600 Leap shares on June 20, 2011.

(2)
See Pentwater s definitive proxy statement filed with the SEC on July 5, 2011 for additional disclosure regarding Pentwater s activity in Leap common stock and options.

Leap welcomes stockholder input on all topics,

including
director
nominations

Leap s
bylaws
designed
to
provide
fairness
and
transparency,
allowing
stockholders
to
fully evaluate
nominees
independence and qualifications

In
Leap s
view,
Pentwater s
nominations
did
not
comply
with
bylaws
in
critical
respects
going
to the
heart
of
transparency,
independence
and
alignment
of
stockholder
interests:
-
Failed
to
disclose
that
one
nominee

is
father
of
a
Pentwater
portfolio
manager
and
nature
of
agreements/understandings between nominees and Pentwater
-
Failed
to
adequately
disclose
that
its
ownership
position
in
Leap
common
stock
was
substantially
hedged
by put options
-
Failed
to
disclose
whether
it
had
formed
group
with
other
activist
investors
who
have
recently
acquired
Leap common stock and who have acted in concert with Pentwater in past

Revised
bylaw
requirements

were
adopted
in
December
2010,
months
ahead
of
director nomination
period
and prior to Company s receipt of any stockholder proposals

Shares
voted
for
Pentwater
nominees
will
not
be
counted
at
the
Annual
Meeting
absent
contrary
judgment by Delaware courts

Leap
believes
its
advance
notice
bylaws
are
fair
and
reasonable
and
similar
to
bylaws
of
many other
companies
including:
-
Allstate Corp., Boeing, eBay, Home Depot, FTI Consulting Inc., Fortune Brands, Hewlett Packard, Gilead Sciences, Inc., Juniper Networks, McGraw-Hill, PepsiCo, Safeway, Texas Instruments, United Continental Holdings, and VMWare

32

Leap s Bylaws Ensure Disclosure of
Material Information and Overall Fairness

Cumulative
Ownership
(1)
(Millions of shares)
Pentwater s Actions Are Opportunistic and
Reveal Weak Long-Term Commitment to Leap
Pentwater s Short-Term Interest in Leap

Not Aligned with Other Stockholders
(1)
See Pentwater s definitive proxy statement filed with the SEC on July 5, 2011 for additional disclosure regarding Pentwater s trading activity in Leap common stock and options.
(2)
According to Pentwater s definitive proxy statement filed with the SEC on July 5, 2011, Pentwater sold 22,600 Leap shares and purchased 2,600 Leap shares on June 20, 2011.
10/15/10: Pentwater sold
1.04M shares in one day
From 3/15/11 to 6/20/11
Pentwater sold 37%
of its Leap shares
33

Pentwater **did not own any** Leap shares as recently as one year ago

Has **actively traded in and** out of stock over last 17 months

Sold 1.4M shares in the three months prior to its initial proxy statement filing reducing its net position by

~40%
(1)

Even on 6/20/11 (date of
Pentwater s initial proxy filing)
reduced net position by
20,000
shares
(2)

Had **short position covering**
more than 1.6M Leap shares
as recently as 6/20/11
Pentwater held
zero shares
February 5, 2010
June 20, 2011
8/3/10: Investor Day
3/10/11: Announced Proxy Fight

Lacks any strategy
for the Company beyond actions Leap already pursuing

Comments
are
backward-looking;

ignore
Leap s
strong
position
today,
recent strong operating performance and prospects for improved performance
in 2011 and beyond

Nominees do not have same level of experience/expertise
as directors
they are trying to replace

Criticisms
of
Leap s
corporate
governance
are
mis-informed
and
inaccurate
34
Pentwater s Actions Are Ill-timed, Mis-informed and
Would Not Benefit Leap s Stockholders
Pentwater
appears
to
be
interested
in
only
short-term
profit

and
has
reduced
its net holdings in Leap stock by ~40% since announcing proxy contest

Pentwater s Claims
versus the Reality
Governance
Pentwater s Claims
Reality
35
Leap s Board lacks strong
corporate governance and

perspective
Four Leap directors have ties
to MHR and acted improperly
as directors of Loral Space
and Communications
Leap s 2010 executive
compensation was
unreasonable

All
directors
elected
on
annual
basis

All
directors
NASDAQ-independent
(other
than
CEO),
with
wide
range
of
operational and financial expertise

Board
expanded
to
eight
in
2009
to
bring
additional
skills
and
perspectives

Two
new
candidates
bring
highly
relevant
skills
and
expertise

to
help
Leap
at this stage of growth

MHR s 19.8% stake aligns its interests with other stockholders.
Unlike Pentwater,
MHR
has
never
reduced
its
stake
or
shorted
Leap s
stock

Loral s
stock
price
has
increased
~440%
since
Loral
decision
in
September
2008
and Dr. Rachesky, Mr. Harkey and Mr. Targoff all served on the Loral Board
during this time period

2010
executive
compensation
responsible
and
appropriate
in
light
of
corporate
performance and business transition

No
increase
to
2010
or

2011
base
salaries,
no
cash
bonus
award
for
CEO
and awards well below target bonus levels for other executives, and equity
compensation
primarily
in
performance-vested
restricted
shares

Pentwater s Claims
versus the Reality
Governance (cont d)
Pentwater s Claims
Reality
36
Leap adopted poison pill
to

entrench management and
stifle the voices of
stockholders

Tax benefit preservation plan **adopted to deter potential ownership** change
under tax laws that would jeopardize ~$2B of Leap s NOLs

Generally ownership change
occurs when greater than 50% change in
ownership by 5% stockholders in any rolling 3-year period. When Plan implemented, Leap believed cumulative ownership change
was in the **mid-40s**

Plan restricted acquisition of 5% or more of stock by new holders without exemption by Board, but also restricted existing 5% holders (including MHR Fund Management) from acquiring additional shares

When Plan adopted, no stockholder had indicated it would be nominating directors

On June 16, 2011, when finalizing items for 2011 Annual Meeting, Board:

reviewed cumulative ownership change
by 5% stockholders, which had
decreased to 29%

as a result of decrease, determined Plan was no longer necessary; and

terminated Plan
after more than 2 months of silence from
Pentwater and before Pentwater filed proxy statement to pursue

contest

Pentwater never requested a waiver to acquire greater than 5% of Leap shares; in fact, Pentwater **sold Leap shares** while Plan was in place

Pentwater s Claims
versus the Reality
Strategic Transactions
Leap s Board is entrenched, not
open to a strategic transaction
and should not have rejected
MetroPCS
proposal to merge

with Leap in September 2007
Pentwater s Claims
Reality
37

Leap s
Board
continually
looks
for
opportunities
to
deliver
increased
value
to
stockholders; management has regularly stated that it **sees the logic of further**
consolidation
in the industry

In
2007,
Leap
entered
discussions
with
Metro
following
its
unsolicited
public
offer
Discussions limited by Leap s 4Q07 restatement and FCC-mandated M&A "quiet period"
for spectrum auction participants

In
2008
and
2009,
Leap
approached
Metro
regarding
possible
joint
opportunities,
including
partnerships
to
own/operate

certain
markets

but
significant discussions did not develop

Leap also engaged in **discussions with AWS spectrum holders and others**
regarding strategic and operating opportunities

In
2010,
Leap
undertook
comprehensive
strategic
review
and
initiated
discussions with numerous parties, including Metro
Board added additional independent directors to help oversee process and ensure broad
perspective
After comprehensive review, Special Committee and Board unanimously determined to
pursue Leap s current operational strategy, rolled out in 2010, which Leap believes has
yielded significant results

Pentwater s Claims
versus the Reality
Operations

Leap
introduced
all-inclusive
service

plans
in
response
to
customer
demand
as soon as possible within constraints of prior customer billing
system

Leap
has
experienced
strong
customer
adoption
and
migration
to
new
service plans
at YE10, two-thirds of customer base had migrated to new
plans
Mis-timed move to an all-in
pricing model
Pentwater s Claims
Reality
38
Emphasizing and poorly
executing
a faulty broadband
strategy

Leap
deployed
a
3G
strategy
focused
on
increasing
demand
for
data
services
-
Led initially with broadband due to attractive device pricing
-
Consumers now transitioning rapidly
to smartphones as prices decline

Believe Leap s 3G strategy a success

- Broadband contributed $72.2 of adjusted OIBDA over last 4 quarters
- Believe 3G investment well-timed; initial Broadband product and investment created opportunity for return in smartphone margins Leap now realizing

As a result of slow LTE adoption, competitors now forced to substantially increase 3G activities

Pentwater s Claims
and the Reality
Operations (cont d)
Pentwater s Claims
Reality
39
Mis-managing handset
inventory

Mis-management of cost
structure relative to
competitors

Some
momentum
lost
in
mid-2010,
but
believe
issues
addressed
through
senior management changes and more robust back-office systems and
forecasting

Leap s
underlying
cost
structure
is
similar
to
MetroPCS
when
adjusted
for relative market penetration
Recurring costs per unit (such as non-product network costs) are sensitive to
customer penetration
G&A spend similar when aligned with MetroPCS
reporting format (which
excludes customer care and billing)
See Appendix
o
Leap focused on minimizing absolute spend despite challenges associated with
managing approximately three times as many discrete markets
Higher CPGA costs reflect direct-channel focus
Device subsidy costs are lower due, in part, to lower indirect dealer
compensation costs associated with higher direct sales mix
o
Headcount
reflects
acquisition
of
former
Pocket
markets,
greater
number

of
discrete markets and higher number of direct stores

CONCLUSION
Vote **FOR**
Leap s Nominees on the **WHITE**
Proxy Card
40

Leap
led
by
strong,
experienced
Board
and

management
team
that
are
creating
stockholder value
with strategy delivering results
-
Believe new business initiatives delivering **dramatic operating improvements**

including lower churn,
increased smartphone sales and significant APRU improvements
and position Leap for improved financial
performance and increased stockholder value
-
Changes in executive team and new back-office systems in 2010 improve execution
-
Additional
plans
in
place
to
build
on
momentum
through
expanded
focus
on
value-conscious
customers and expanded nationwide distribution

Pentwater
only
interested
in
short-term
profit

Pentwater has already reduced its net holdings in Leap stock by ~40% since announcing proxy contest

Had short positions covering more than 1.6M shares as recently as 6/20/11

Pentwater s
actions
are
ill-timed,
misinformed
and
would

not
benefit
Leap s
stockholders
-
Pentwater lacks any strategy for the Company beyond actions Leap
already pursuing
-
Pentwater did not comply with Bylaws in Leap s view and their proposals don t stack up against
management s on-going execution

Pentwater
is
not
the
right
choice
41
Leap s Directors Are Creating Stockholder Value and
Committed to Company s Long-Term Success
Do not jeopardize Leap s positive momentum
vote FOR
Leap s
nominees
on
the
WHITE
proxy
card

APPENDIX
42

Frequency of future advisory votes on executive compensation

Leap s
Board
recommends
annual
advisory

vote

Stock option exchange program

Exchange of underwater employee options for lesser number of replacement options with exercise price equal to current FMV

Members of Leap s board and executive officers will not be allowed to participate

Only options with exercise price of $30 or higher are eligible for exchange (well exceeds closing prices of Leap common stock for prior 52-week period)

Black-Scholes value of new options will be substantially less than value of surrendered options; exchange will not result in incremental accounting cost

Replacement options will be subject to three years of additional vesting

Options exchanged will be returned to plans for future grants

Ratification of selection of PWC as Leap s independent

registered
accounting
firm
for
FY 11
43
Other 2011 Annual Meeting Agenda Items

Leap SG&A Comparable to MetroPCS
44

Leap SG&A comparable to Metro SG&A on apples-to-apples comparison

Metro reports SG&A in aggregate (1Q11: $169.8M); identifies selling cost component (1Q11: $91.9M) in CPGA reconciliation

Leap separately reports G&A (1Q11: $95.4M) and selling cost (1Q11: $109.8M)

Leap, however, includes Customer Care and Billing expense (1Q11: $33.7M) in reported G&A; Metro does not include in reported G&A but instead includes in Cost of Service

Bar charts above eliminate $33.7M of Leap 1Q11 Customer Care and Billing expense from Leap G&A to align with Metro SG&A reporting methodology

Leap sells greater percentage of handsets in Company-owned stores. Leap Selling Cost reflects expenses related to larger number of retail stores and retail store employees

G&A

Selling Cost

Source: Leap s and MetroPCS s quarterly reports on Form 10-Q and related earnings releases for the quarter ended March 31, 2011. Covered POPs calculations based on 95.3M POPs for Leap and 98.7M POPs for MetroPCS

13
65
Leap
MetroPCS
Leap Operates in More Markets with Less Population
Density than MetroPCS
Covered
POPs

(MM)
(2)
:
95
99
Total Markets
(1)
Based
upon
information
in
MetroPCS s
annual
report
on
Form
10-K
for
the
year
ended
December
31,
2010;
MetroPCS
markets
include
Los
Angeles,
New
York
City,
San
Francisco, Dallas, South Florida, Detroit, Boston/Hartford, Philadelphia, Atlanta, North Florida, Sacramento, Central Florida a
(2)
Covered POPs calculated based on 95.3M POPs for Leap and 98.7M POPs for MetroPCS
7.6
1.5
Leap
MetroPCS
741
874
Leap
MetroPCS
Average Covered POPs
Per Market (MM)
Average Density Per Market
(Covered POPs / Square Mile)
(1)

% of Coverage Overlap with Leap (Based on Square Miles)
Source: CoverageRight from American Roamer Database
Leap Has Minimal Coverage Overlap with MetroPCS vs.
Other Wireless Peers
46

Leap's Adjusted Capital Efficiency Better than MetroPCS
47
29%
31%
Leap
PCS
2008-10 Adj. Capital Efficiency (%)
(1)

"Mid-
Teens"
16-20%
Leap
PCS
(1)
Adjusted Capital Efficiency defined as Adjusted Capex /service revenue; Adjusted Capex defined as capital expenditures plus
(2)
FY2011 LEAP management guidance from 1Q11 conference call; Leap added no assets under capital leases from 2008-2010 a
(3)
FY2011 MetroPCS management guidance from 1Q11 conference call; service revenue of $4.5B estimated per Morgan Stanley
under capital leases in 2011
Projected 2011 Adj. Capital Efficiency (%)
(1)
current capex outlook
remains in the mid teens as a
percent
of
service
revenue
(2)
current estimate for total
2011 capital expenditures is
$700MM
to
$900MM
(3)
Source: Leap s and MetroPCS annual reports on Form 10-K for the years ending December 31,
2008, 2009 and 2010 and information presented in companies 1Q11 conference calls
Leap s
Adjusted
Capital
Efficiency
Better
than
MetroPCS

Adjusted Capital Efficiency Analysis

MetroPCS added $93MM, $92MM, and $77MM of capital lease assets in 2008, 2009, and 2010, respectively, while Leap added none

These capital lease transactions are analogous to capital expenditures

Add assets to balance sheet and increase net debt

Due to capital lease accounting, this kind of lease capex
does not run through the cash flow statement
because at the initial transaction date no cash changes hands

Adjusted Capital Efficiency analysis includes these capital leases for MetroPCS
Source: Leap s and MetroPCS
annual reports on Form 10-K for the years ending December 31, 2008, 2009 and 2010
48
Adjusted Capital Efficiency Calculation
$MM
2008
2009
2010
Total
Metro PCS Adjusted Capital Efficiency Calculation
Service Revenue
2,437
3,130
3,690
9,257
Purchase of Property and Equipment
955
832
790
2,577
Assets Acquired under Capital Leases
93
92
77
262
Adjusted Capex
1,048
924
867
2,839
Adjusted Capital Efficiency
43%
30%
23%
31%
LEAP Adjusted Capital Efficiency Calculation
Service Revenue
1,782
2,242
2,483
6,507
Purchase of Property and Equipment
796
700

399
1,895
Assets Acquired under Capital Leases
Adjusted Capex
796
700
399
1,895
Adjusted Capital Efficiency
45%
31%
16%
29%
Adjusted Capital Efficiency Analysis

Similar Capital Efficiency for 2008-10 Even Without
Inclusion of MetroPCS Capital Lease Assets
49
29%
28%
Leap
PCS
2008-10 Capital Efficiency (%)

(1)
"Mid-
Teens"
16-20%
Leap
PCS
(1)
Capital Efficiency defined as capital expenditures/service revenue
(2)
FY2011 LEAP management guidance from 1Q11 conference call
(3)
FY2011 MetroPCS management guidance from 1Q11 conference call; service revenue of $4.5B estimated per Morgan Stanley
Projected 2011 Capital Efficiency (%)
(1)
current capex outlook remains in the mid teens as a percent of service revenue
(2)
current estimate for total 2011 capital expenditures is $700MM to $900MM
(3)
Source: Leap s and MetroPCS annual reports on Form 10-K for the years ending December 31, 2008, 2009 and 2010 and information presented in companies 1Q11 conference calls
Similar Capital Efficiency for 2008-10 Even Without Inclusion of MetroPCS Capital Lease Assets