

LEAP WIRELESS INTERNATIONAL INC
Form DEFA14A
July 19, 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

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-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):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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(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, the presentation materials filed with the SEC on July 13, 2011 on Schedule 14A, and the presentation materials filed with the SEC on July 15, 2011 on Schedule 14A, 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 18, 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. (the Company) and its wholly owned subsidiaries and joint ventures for the periods indicated. The term "voice services" refers to the Company's Cricket Wireless, Muve Music and other voice services. The term "data services" refers to the Company's Cricket Broadband service. This presentation includes financial information prepared in accordance with United States Generally Accepted Accounting Principles (GAAP), as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures, which include Customer Addition (CPGA), Cash Cost Per User (CCU) and adjusted operating income before depreciation and amortization (AOI), are presented for informational purposes only and should not be considered as a substitute for GAAP financial information.

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 of our website. **Proxy Solicitation**

In connection with the solicitation of proxies, Leap filed with the SEC on June 28, 2011 a definitive proxy statement and has filed proposals to be presented at Leap's 2011 Annual Stockholders' Meeting (the "2011 Annual Meeting"). Leap also mailed the proxy statement, annual, quarterly and special reports, proxy and information statements and other information with the SEC. Leap's stockholders should review the information because they contain important information about Leap and the proposals to be presented at the 2011 Annual Meeting. You may obtain a copy of the proxy statement from Leap's website (www.sec.gov) or from Leap (www.leapwireless.com). The contents of the websites referenced herein are not deemed to constitute part of this presentation. Leap and its directors, executive officers and certain employees may be deemed to be participants in the solicitation of proxies for the 2011 Annual Meeting. Information regarding the interests, if any, of these participants is 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 of 1995. These statements are based on expectations based on currently available operating, financial and competitive information, but are subject to risks, uncertainties and assumptions that may cause actual results to differ materially from those anticipated in or implied by the forward-looking statements. Our forward-looking statements include our expectations regarding our future product and service plan offerings, future plans to transition to LTE and expected financial performance, our ability to attract and retain key personnel and nominees to the board of directors and are generally identified with words such as "believe," "think," "expect," "estimate," "anticipate," "should," "may" and similar expressions. Risks, uncertainties and assumptions that could affect our forward-looking statements include: our ability to attract and retain key customers in an extremely competitive marketplace; the duration and severity of the current economic downturn in the United States; interest rates, consumer credit conditions, consumer debt levels, consumer confidence, unemployment rates, energy costs and other macroeconomic factors; the services we provide; the impact of competitors' initiatives; our ability to successfully implement product and service plan offerings; our ability to obtain and maintain roaming and wholesale services from other carriers at cost-effective rates; our ability to attract, integrate, motivate and retain an experienced workforce, including members of our sales and marketing services, which could exceed our expectations, and our ability to manage or increase network capacity to meet increasing customer demand; our ability to manage our debt and maintain our indebtedness; our ability to comply with the covenants in any credit agreement, indenture or other financing instrument; our ability to effectively integrate, manage and operate our new joint venture in South Texas; failure of our network to meet our performance expectations and risks associated with the upgrade or transition of certain of those systems, including our billing system; and other risks and uncertainties included in our periodic reports filed with the SEC, including our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011. All forward-looking statements included in this presentation should be considered in the context of these risks. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking statements included in this presentation may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. You should not 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 most 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, 2011 and 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 and 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

21

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

31

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

SG&A Per Covered POP 1Q09
1Q11
45

Leap currently operates in 65 markets and MetroPCS operates in 13

Relative quarterly spending varies depending on companies
respective market launch activities and

promotional efforts

Increased sales and marketing expense for Leap in 1Q09 due to market launch activities in Philadelphia and Chicago

Increased promotional efforts for Leap in 3Q09 in response to competitive Boost Mobile activity

Despite significant difference in number of markets, only a 6% average difference in SG&A per covered POP over last four quarters

Source:

Leap's
and
MetroPCS
annual
reports
on
Form
10-K,
quarterly
reports
on
Form
10-Q
and/or
earnings
releases
for
the
periods
presented.

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)

46

Size of Leap's Operating Markets Has Grown

Source: Internal Leap information

Leap has launched markets in three primary waves: 36 original markets; 17 additional markets acquired in Auction#58; and 12 additional markets acquired in Auction #66

The average size of each market (as measured in covered POPs/market) has steadily increased

Number of Markets

36

17

12

Avg. CPOP

Per Market

(Early 2000 s)

(2006)

(2008)

47

% 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

48

Leap's Adjusted Capital Efficiency Better than MetroPCS

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

29%

31%

Leap

PCS

2008-10 Adj. Capital Efficiency (%)

(1)

(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

"Mid-

Teens"

16-20%

Leap

PCS

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)

In 2008-2010, Leap invested in 3G network upgrade, which provided foundation for Company's initial Broadband product and expanding smart device offerings

Other carriers that skipped initial 3G investment now spending capital in 2011 to upgrade 2G networks to improve limited customer experience for 3G smartphones on their networks

Leap and those other carriers will spend additional capital to upgrade networks: Leap for LTE to support future device offerings and other carriers for 3G to support current device offerings

49

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

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

50

Similar Capital Efficiency for 2008-10 Even Without
Inclusion of MetroPCS Capital Lease Assets

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
51