

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

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.
- 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:

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(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):

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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, 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](http://www.sec.gov) or from Leap at [www.leapwireless.com](http://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. (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 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 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 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 Meeting 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 of 1995, which are based on expectations based on currently available operating, financial and competitive information, but are subject to risks, uncertainties and other factors 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 performance, including as a result of our current and future product and service plan offerings, future plans to transition to LTE and expected future financial performance, and the names of our nominees to the board of directors and are generally identified with words such as believe, think, expect, estimate, anticipate, may, could, should, may and similar expressions. Risks, uncertainties and assumptions that could affect our forward-looking statements include: our ability to attract and retain customers in an extremely competitive marketplace; the duration and severity of the current economic downturn in the United States; changes in 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 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 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 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

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