

LEAP WIRELESS INTERNATIONAL INC  
Form DEF 14A  
April 30, 2013  
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**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)

# Edgar Filing: LEAP WIRELESS INTERNATIONAL INC - Form DEF 14A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**5887 Copley Drive**

**San Diego, California 92111**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on June 6, 2013**

To the Stockholders of Leap Wireless International, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Leap Wireless International, Inc., a Delaware corporation ( Leap ), will be held at 8:30 a.m., Central Time, on June 6, 2013, at the JW Marriott, 5150 Westheimer Road, Houston, Texas 77056, for the following purposes:

1. To elect the following nine director nominees to hold office until the next Annual Meeting of Stockholders or until their successors have been elected and have qualified:

John D. Harkey, Jr.	Robert V. LaPenta	Richard R. Roscitt
S. Douglas Hutcheson	Mark A. Leavitt	Robert E. Switz
Ronald J. Kramer	Mark H. Rachesky, M.D.	Michael B. Targoff

2. To approve, on an advisory basis, named executive officer compensation.

3. To approve the Leap Wireless International, Inc. Amended and Restated Employee Stock Purchase Plan.

4. To ratify the selection of PricewaterhouseCoopers LLP as Leap s independent registered public accounting firm for the fiscal year ending December 31, 2013.

5. To transact such other business as may properly come before the Annual Meeting or any continuation, adjournment or postponement thereof.

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

The Board of Directors has fixed the close of business on April 12, 2013 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any continuation, adjournment or postponement thereof.

By Order of the Board of Directors

S. Douglas Hutcheson

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*Chief Executive Officer*

San Diego, California

May 2, 2013

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR THAT PURPOSE. EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM THE RECORD HOLDER.

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**5887 Copley Drive**

**San Diego, California 92111**

**PROXY STATEMENT**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

The Board of Directors (the "Board") of Leap Wireless International, Inc., a Delaware corporation ("Leap"), is soliciting the enclosed proxy for use at the Annual Meeting of Stockholders to be held on June 6, 2013, at 8:30 a.m., Central Time (the "Annual Meeting"), or at any continuation, adjournment or postponement thereof, for the purposes set forth herein and in the associated Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the JW Marriott, 5150 Westheimer Road, Houston, Texas 77056. If you need directions to the location of the Annual Meeting, please contact Leap's Investor Relations department at (858) 882-9876. The approximate date on which this proxy statement is first being furnished or sent to stockholders is May 2, 2013. As used in this proxy statement and accompanying appendices, the terms "we," "us," "our," "ours" and the "Company" refer to Leap and its wholly owned subsidiaries, including Cricket Communications, Inc. ("Cricket").

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on June 6, 2013.**

Pursuant to rules promulgated by the Securities and Exchange Commission ("SEC"), we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. The proxy statement and our 2012 Annual Report are available at [proxy.leapwireless.com](http://proxy.leapwireless.com).

**Voting Rights and Outstanding Shares**

Stockholders of record at the close of business on April 12, 2013 (the "Record Date") are entitled to receive notice of and to vote at the Annual Meeting. At the close of business on the Record Date, Leap had 79,038,187 shares of common stock outstanding and entitled to vote. Stockholders of record on such date will be entitled to one vote on all matters to be voted upon for each share of common stock held. If you are a stockholder of record and plan to attend the Annual Meeting and wish to vote in person, you will be given a ballot at the Annual Meeting.

If you are a beneficial owner of shares held by a broker, bank or other nominee, your shares are held in "street name" and the organization holding your shares is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As the beneficial owner, you have the right to direct your broker, bank or other nominee regarding how to vote your shares. However, since you are not the stockholder of record, you may not vote in person at the Annual Meeting unless you bring to the Annual Meeting a legal proxy from the record holder of the shares (your broker, bank or other nominee) authorizing you to vote at the Annual Meeting.

**Quorum, Abstentions and Broker Non-Votes**

A quorum is necessary for the transaction of business at the Annual Meeting. A quorum exists when holders of a majority of the total number of outstanding shares of common stock entitled to vote at the meeting are present in person or by proxy. At the Annual Meeting, the inspector of election appointed for the Annual Meeting will determine the presence of a quorum and tabulate the results of the voting by stockholders. The inspector of election will separately tabulate affirmative and negative votes, abstentions and broker non-votes.





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Generally, a broker non-vote occurs when your shares are held by a broker, bank or other nominee and are not voted with respect to a particular proposal because the organization that holds your shares has discretionary voting power with respect to routine matters but cannot vote on non-routine matters. Only the proposal for the ratification of the selection of PricewaterhouseCoopers LLP as Leap's independent registered public accounting firm for fiscal 2013 will be considered a routine matter under applicable rules. **Therefore, unless you provide voting instructions to any broker, bank or other nominee holding shares on your behalf, they will not have discretionary authority to vote your shares on any of the proposals described in this proxy statement other than the ratification of Leap's independent registered public accounting firm.** Please vote your proxy or provide voting instructions to the broker, bank or other nominee holding your shares so your vote on these matters will be counted.

Abstentions and broker non-votes are counted towards a quorum but are not considered as votes cast in determining whether a matter has been approved and will therefore have no effect on the outcome of any proposal.

## **Revocability of Proxies**

Any stockholder giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. Proxies may be revoked by authorizing a new proxy on a later date over the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the Annual Meeting will be counted) or by filing with the Corporate Secretary of Leap at Leap's principal executive offices, 5887 Copley Drive, San Diego, California 92111, a written notice of revocation or a duly executed proxy bearing a later date. A stockholder of record at the close of business on the Record Date may vote in person if present at the Annual Meeting, whether or not he or she has previously given a proxy. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

## **Solicitation**

We will bear the cost of soliciting proxies for the upcoming Annual Meeting, including the cost of preparing, printing and mailing the proxy statement and any other materials used in our solicitation of proxies. We will ask banks, brokerage houses, fiduciaries and custodians holding stock in their names for others to send proxy materials to and obtain proxies from the beneficial owners of such stock, and we will reimburse them for their reasonable expenses in doing so. We have retained Innisfree M&A Incorporated to act as a proxy solicitor in conjunction with the Annual Meeting and have agreed to pay that firm a fee of up to \$10,000, plus reasonable expenses, costs and disbursements, for proxy solicitation services. We and our directors, officers and regular employees may supplement the proxy solicitor's solicitation of proxies by mail, personally, by telephone, by press release, by facsimile transmission or by other electronic means. No additional compensation will be paid to our directors, officers or other regular employees for such services.

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### **PROPOSAL 1**

#### **ELECTION OF DIRECTORS**

Leap's Board has nominated nine nominees for election at the Annual Meeting. Each of the current members of Leap's Board is standing for re-election by the stockholders. If elected at the Annual Meeting, each of the nine nominees will serve until Leap's next annual meeting of stockholders, in each case until his successor is elected and has qualified, or until such director's earlier death, resignation or removal. Each person nominated for election has agreed to serve if elected, and the Board does not believe that any nominee will be unable to serve.

Leap's Amended and Restated Certificate of Incorporation provides that the number of directors that shall constitute the whole Board shall be fixed exclusively by one or more resolutions adopted from time to time by the Board. The authorized number of directors currently is nine.

All of our nominees will bring significant leadership, expertise and diverse backgrounds and perspectives to our Board as a result of their professional experience and service as executives and/or board members of other companies. The process undertaken by the Nominating and Corporate Governance Committee in recommending director candidates is described below under Board of Directors and Board Committees Director Nomination Process. Set forth below is biographical information for each person nominated as a director, including a description of certain experience, qualifications and skills that led our Board to conclude that these individuals should serve as our directors.

#### **Nominees for Election**

**John D. Harkey, Jr.**, 52, has served as a member of our Board since March 2005. Mr. Harkey brings significant operational and financial expertise to our Board through his role as an executive of and investor in companies in diverse and various industries, including retail, hospitality and telecommunications. Since 1998, Mr. Harkey has served as chief executive officer and chairman of Consolidated Restaurant Companies, Inc. From 1992 to 1998, Mr. Harkey was a partner with the law firm Cracken & Harkey, LLP. Mr. Harkey was founder and managing director of Capstone Capital Corporation and Capstone Partners, Inc. from 1989 until 1992. Mr. Harkey also has significant expertise and perspective as a member of the boards of directors of private and public companies in various industries, including telecommunications, energy and pharmaceuticals. He currently serves as chairman of the board of directors of Regency Energy Partners LP (NYSE: RGP) and also serves on the boards of directors and audit committees of Loral Space & Communications Inc. (NASDAQ: LORL) and Energy Transfer Equity, L.P. (NYSE: ETE) and serves on the board of directors of Emisphere Technologies, Inc. (NASDAQ: EMIS). Mr. Harkey also previously served as a member of the boards of directors of Energy Transfer Partners, L.P. (NYSE: ETP), Pizza Inn (NASDAQ: PZZI) and Fox & Hound Investment Group (NASDAQ: FOXX) (which was previously named Total Entertainment Restaurant Corp. (NASDAQ: TENT)). Mr. Harkey obtained a B.B.A. in finance and a J.D. from the University of Texas at Austin and an M.B.A. from the Stanford University School of Business.

**S. Douglas Hutcheson**, 57, has served as our chief executive officer, or CEO, and a member of our Board since February 2005. Mr. Hutcheson provides our Board with significant operational and financial expertise in the telecommunications industry, as well as extensive experience with our business operations, having joined us as a member of our founding management team in September 1998. Since September 1998, Mr. Hutcheson has held a number of positions with us, having served as our president between February 2005 and November 2012, as our chief financial officer, or CFO, between August 2002 and February 2005 and again between September 2007 and June 2008, and in a number of vice president roles between September 1998 and January 2004 with responsibility for areas including strategic planning and product and business development. From February 1995 to September 1998, Mr. Hutcheson served as vice president, marketing in the Wireless Infrastructure Division at Qualcomm Incorporated. Mr. Hutcheson currently serves as a member of the board of directors of Pitney Bowes Inc. (NYSE: PBI). Mr. Hutcheson holds a B.S. in mechanical engineering from California Polytechnic University and an M.B.A. from the University of California at Irvine.

**Ronald J. Kramer**, 54, has served as a member of our Board since November 2009. Mr. Kramer brings significant operational and financial expertise to our Board given his background as an executive of companies in

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various industries, including finance, manufacturing and gaming. Since April 2008, Mr. Kramer has served as chief executive officer of Griffon Corporation (NYSE: GFF), a diversified holding company, and has served as a member of Griffon's board of directors since 1993. From 2002 to 2008, Mr. Kramer served as president and director of Wynn Resorts, Ltd. (NASDAQ: WYNN), a developer, owner and operator of hotel and casino resorts. From 1999 to 2001, Mr. Kramer was a managing director at Dresdner Kleinwort Wasserstein, an investment banking firm, and at its predecessor Wasserstein Perella & Co. Mr. Kramer also has significant expertise and perspective as a member of the boards of directors of private and public companies in various industries. He formerly served on the boards of directors of Monster Worldwide, Inc. (NYSE: MWW), Sapphire Industrials Corporation (AMEX: FYR.UN), Lakes Entertainment, Inc. (NASDAQ: LACO), Republic Property Trust (formerly NYSE: RPB) and New Valley Corporation (NASDAQ: NVAL). Mr. Kramer holds a B.S. in economics from the Wharton School of the University of Pennsylvania and an M.B.A. from New York University.

**Robert V. LaPenta**, 67, has served as a member of our Board since March 2005. Mr. LaPenta provides our Board with significant operational and financial expertise as an executive of several companies in diverse and various industries, including telecommunications and defense. Mr. LaPenta is chairman, chief executive officer and founder of Aston Capital, LLC, a private investment company specializing in investments in secure military communication companies and companies with green technologies. Mr. LaPenta has also served as chairman of Revolution Lighting Technologies, Inc. (NASDAQ: RVLN) since September 2012 and as its chief executive officer since January 2013. From August 2006 to August 2011, Mr. LaPenta served as chairman, president and chief executive officer of L-1 Identity Solutions, Inc. (formerly NYSE: ID), a provider of technology solutions for protecting and securing personal identities and assets, which was acquired by Safran. From April 2005 to August 2006, Mr. LaPenta served as the chairman and chief executive officer of L-1 Investment Partners, LLC, an investment firm seeking investments in the biometrics area. Mr. LaPenta served as president, chief financial officer and director of L-3 Communications Holdings, Inc. (NYSE: LLL), a company he co-founded, from April 1997 until his retirement from those positions effective April 1, 2005. From April 1996, when Loral Corporation was acquired by Lockheed Martin Corporation, until April 1997, Mr. LaPenta was a vice president of Lockheed Martin and was vice president and chief financial officer of Lockheed Martin's C3I and Systems Integration Sector. Prior to Lockheed Martin's acquisition of Loral in April 1996, Mr. LaPenta was Loral's senior vice president and controller. Mr. LaPenta previously served in a number of other executive positions with Loral after joining that company in 1972. Mr. LaPenta received a B.B.A. in accounting and an honorary degree in 2000 from Iona College in New York.

**Mark A. Leavitt**, 54, has served as a member of our Board since July 2011. Mr. Leavitt brings significant financial and telecommunications expertise to our Board due to his extensive investment banking experience, primarily with companies in technology, media and communications businesses. Mr. Leavitt joined Piper Jaffray in April 2008 as a managing director and the head of media and telecommunications investment banking and currently heads the firm's global technology, media and telecommunications group. Prior to Piper, he served as a managing director and head of the media and communications group at Jefferies & Company, Inc. from May 2005 to April 2008. Prior to that, Mr. Leavitt held similar positions with several investment banking firms from 1987 to 2005, including Robertson Stephens and Prudential Securities. Mr. Leavitt also brings significant expertise and perspective through his prior service as a member of the boards of directors of private and public companies in various industries, including telecommunications. Mr. Leavitt holds a B.S. from Trinity College and an M.B.A. from the University of Chicago Graduate School of Business.

**Mark H. Rachesky, M.D.**, 54, has served as a member and Chairman of our Board since August 2004. Dr. Rachesky brings significant corporate finance and business expertise to our Board due to his background as an investor and fund manager. Dr. Rachesky is the founder and since 1996 has been president of MHR Fund Management LLC, which is an investment manager of various private investment funds that invest in inefficient market sectors, including special situation equities and distressed investments. Dr. Rachesky also has significant expertise and perspective as a member of the boards of directors of private and public companies in various industries, including telecommunications, pharmaceuticals and media. Dr. Rachesky serves as a member and chairman of the boards of directors of Loral Space & Communications Inc. (NASDAQ: LORL), Telesat Canada and Lions Gate Entertainment Corp. (NYSE: LGF), and as a member of the boards of directors of Navistar International Corporation (NYSE:NAV) and Emisphere Technologies, Inc. (NASDAQ: EMIS). Dr. Rachesky previously served as a director of NationsHealth, Inc. (formerly NASDAQ: NHRX), Neose

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Technologies, Inc. (formerly NASDAQ: NTEC) and Novadel Pharma, Inc. (OTCBB: NVDL). Dr. Rachesky holds a B.A. in molecular aspects of cancer from the University of Pennsylvania, an M.D. from the Stanford University School of Medicine and an M.B.A. from the Stanford University School of Business.

**Richard R. Roscitt**, 61, has served as a member of our Board since July 2011. Mr. Roscitt brings significant operational and industry expertise to our Board given his background as an executive of various telecommunications companies. From August 2007 until January 2010 Mr. Roscitt served as chairman and chief executive officer of SMobile Systems, Inc., a software company focused on smart phone and tablet security solutions for the enterprise, service provider and consumer markets which was acquired by Juniper Networks, Inc. Prior to that, Mr. Roscitt served as president and chief operating officer of MCI, Inc. and as president, chief executive officer and chairman of ADC Telecommunications Inc. (formerly NASDAQ: ADCT), a supplier of broadband network equipment and software. Prior to his leadership roles at these companies, Mr. Roscitt worked for 28 years in various roles at AT&T. Mr. Roscitt previously served as a director of ICT Group, Inc. (formerly NASDAQ: ICTG). Mr. Roscitt holds a B.E. from Stevens Institute of Technology and an M.B.A. from the Sloan School of Management at the Massachusetts Institute of Technology.

**Robert E. Switz**, 66, has served as a member of our Board since July 2011. Mr. Switz brings significant operational and financial expertise to our Board given his background as an executive of various technology companies. Mr. Switz served as president, chief executive officer and a director of ADC Telecommunications, Inc. (formerly NASDAQ: ADCT), a supplier of broadband network equipment and software, from August 2003 until December 2010, when it was acquired by Tyco Electronics Ltd. From 1994 to 2003, Mr. Switz held numerous leadership roles with ADC. Prior to joining ADC, Mr. Switz was employed by Burr-Brown Corporation. Mr. Switz also serves as chairman of the board and member of the audit committee of Micron Technology, Inc. (NASDAQ: MU) and also serves on the boards of directors of GT Advanced Technologies Inc. (NASDAQ: GTAT) and Broadcom Corporation (NASDAQ: BRCM). Mr. Switz holds a B.S. in business administration from Quinnipiac University and an M.B.A. from the University of Bridgeport.

**Michael B. Targoff**, 68, has served as a member of our Board since September 1998. Mr. Targoff has significant operational and financial expertise as an investor in and executive of telecommunication companies. Since November 2005, Mr. Targoff has served as vice chairman and a member of the board of directors of Loral Space & Communications Inc. (NASDAQ: LORL) and served as its chief executive officer from March 2006 to December 2012. From 1998 to February 2006, Mr. Targoff was founder and principal of Michael B. Targoff & Co., a private investment company focused on telecommunications and related industry early stage companies. From 1996 to 1998, Mr. Targoff was the president and chief operating officer of Loral Space & Communications Ltd., having previously served as senior vice president and secretary of Loral Corporation. Before joining Loral Corporation in 1981, Mr. Targoff was a partner with the law firm of Willkie Farr & Gallagher LLP. Mr. Targoff also has significant expertise and perspective as a member of the boards of directors of private and public companies in various industries, including telecommunications. Mr. Targoff previously served on the boards of directors of CPI International, Inc. (NASDAQ: CPII), ViaSat, Inc. (NASDAQ: VSAT) and Infocrossing, Inc. (formerly NASDAQ: IFOX). Mr. Targoff holds a B.A. from Brown University and a J.D. from the Columbia University School of Law.

## **Vote Required**

Directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nine nominees named above. In no event may such shares be voted for the election of more than nine nominees. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as the Board may propose.

## **Voting Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR**

**EACH OF LEAP'S NINE NOMINEES NAMED ABOVE**

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### **BOARD OF DIRECTORS AND BOARD COMMITTEES**

#### **Board Meetings**

Leap's Board held ten meetings, including telephonic meetings, during the 2012 fiscal year. During the past fiscal year, each incumbent director attended at least 75% of the total number of meetings of the Board and committees of the Board on which he served, other than Mr. Harkey who attended 69% of such meetings and Mr. Leavitt who attended 64% of such meetings.

Prior to the 2012 fiscal year, Mr. Harkey had attended at least 75% of the total number of meetings of the Board and committees of the Board on which he served in each year since his election to Leap's Board in March 2005. As of April 1, 2013, Mr. Harkey had attended all of the meetings of the Board and committees of the Board on which he serves during the current fiscal year.

Mr. Leavitt, who was elected to Leap's Board in July 2011, attended at least 75% of the total number of meetings of the Board and committees of the Board on which he served during the remainder of the 2011 fiscal year. As of April 1, 2013, Mr. Leavitt had attended all of the meetings of the Board and meetings of the committees of the Board on which he serves during the current fiscal year.

#### **Director Attendance at Annual Meetings of Stockholders**

Leap's policy is to encourage the members of its Board to attend Leap's annual meetings of stockholders. All of Leap's directors attended the 2012 annual meeting of stockholders held on May 17, 2012.

#### **Communications with Our Board**

Any stockholder may communicate with the Board and its committees by addressing his or her communication to the Board, the independent directors, a committee of the Board, or an individual director by sending a communication addressed to the recipient group or individual at:

Leap Wireless International, Inc.

Attn: Board of Directors

c/o Corporate Secretary

5887 Copley Drive

San Diego, CA 92111

Copies of written communications received by the Corporate Secretary will be provided to the relevant director(s) unless such communications are considered, in the reasonable judgment of the Corporate Secretary, to be improper for submission to the intended recipient(s). Examples of stockholder communications that would be considered improper for submission include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to Leap or its business, or communications that relate to improper or irrelevant topics. Any such improper communication will be made available to any non-employee director upon request.

#### **Director Independence**

The Board has determined that, except for Mr. Hutcheson, all of its members are independent directors as defined by the NASDAQ Stock Market listing standards. Mr. Hutcheson is not considered independent because he is employed by us as our CEO.

#### **Board Leadership Structure**

Our Corporate Governance Guidelines provide that our Chairman is to be selected by our Board in accordance with Leap's Amended and Restated Bylaws (our "Bylaws"). The Board considers its leadership structure and the role and responsibilities of its Chairman based upon the needs of the Company, with the objective of providing effective, independent oversight of management. Since 2004, the Board has separated the positions of Chairman and CEO. The Board believes that this leadership structure is appropriate at this time to maximize the effectiveness of its oversight of management and to provide a perspective that is separate and distinct from that of management.



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### **Standing Committees of the Board of Directors**

Our Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

*Audit Committee.* Our Audit Committee currently consists of Mr. Targoff (Chairman), Mr. LaPenta and Mr. Leavitt. Each member of the Audit Committee is an independent director, as defined by the NASDAQ Stock Market listing standards. Our Board has determined that each member of the Audit Committee qualifies as an audit committee financial expert as that term is defined in the rules and regulations established by the SEC. The functions of this Committee include:

appointment, compensation, retention and oversight of our independent registered public accounting firm and senior internal audit executive;

pre-approval of audit and non-audit services to be rendered by our independent registered public accounting firm;

review of the independence and quality control procedures of our independent registered public accounting firm and the experience and qualifications of the senior personnel from our independent registered public accounting firm providing audit services to us;

meeting with our management, our independent registered public accounting firm and our senior internal audit executive in connection with our annual audit to discuss: (i) the scope of the audit, the procedures to be followed and the staffing of the audit; (ii) major issues regarding accounting principles and financial statement presentations, complex or unusual transactions and other special financial issues; (iii) analyses prepared by management or the independent registered public accounting firm of significant financial reporting issues and judgments made in connection with the preparation of our financial statements; and (iv) the effect of recent regulatory and professional accounting pronouncements and off-balance sheet structures on our financial statements;

reviewing our financial statements and periodic reports and discussing these statements and reports with our management and our independent registered public accounting firm, and considering whether such statements and reports are complete and consistent with information known to the Audit Committee members;

meeting separately with representatives from the independent registered public accounting firm: (i) regarding any problems or difficulties encountered during the course of the audit work; (ii) to discuss the report the independent registered public accounting firm is required to make to the Audit Committee; and (iii) to discuss the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended;

generally reviewing and approving related party transactions;

discussing with management the Company's policies with respect to risk assessment and risk management; and

determining whether to recommend to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year subject to the audit.

Representatives from our independent registered public accounting firm and our internal audit department regularly meet privately with the Audit Committee and have unrestricted access to this committee. The Audit Committee held four meetings during the 2012 fiscal year. A copy of the Audit Committee Charter adopted by Leap's Board is posted in the Investor Relations section of Leap's website at [www.leapwireless.com](http://www.leapwireless.com). The information on our website is not part of this proxy statement or any other report or registration statement that we furnish to or file with the SEC.

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*Compensation Committee.* Our Compensation Committee currently consists of Dr. Rachesky, Mr. Roscitt and Mr. Targoff. All members of the Compensation Committee are independent directors, as defined by the NASDAQ Stock Market listing standards. The functions of this Committee include:

reviewing our compensation philosophy and our employee compensation and benefit plans;

reviewing and approving corporate goals and objectives relating to the compensation of our CEO, and evaluating the performance of, and determining and approving the compensation of, our CEO;



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evaluating the performance of our other executive officers, and reviewing and approving, or modifying, the recommendations of our CEO regarding compensation of such executive officers;

reviewing and approving any employment contracts and special employment arrangements to be entered into by Leap with any executive officer;

granting awards under, and setting and evaluating performance targets under, annual bonus and long-term incentive compensation plans for our executive officers; and

reviewing and approving, as well as reviewing and discussing with our management, the Compensation Discussion and Analysis to be included in our Annual Report on Form 10-K and proxy statement.

The Compensation Committee held seven meetings during the 2012 fiscal year. A copy of the Compensation Committee Charter adopted by Leap's Board is posted in the Investor Relations section of Leap's website at [www.leapwireless.com](http://www.leapwireless.com). Under the Compensation Committee Charter, the Compensation Committee may delegate any or all of its responsibilities to a subcommittee of the Compensation Committee, and may delegate to one or more officers of Leap any or all of the Committee's responsibilities to grant awards under Leap's stock incentive plans to eligible participants (other than to Leap's executive officers).

*Nominating and Corporate Governance Committee.* Our Nominating and Corporate Governance Committee currently consists of Dr. Rachesky (Chairman), Mr. Harkey, Mr. Kramer and Mr. Roscitt. All members of the Nominating and Corporate Governance Committee are independent directors, as defined by the NASDAQ Stock Market listing standards. The functions of this Committee include:

identifying qualified candidates to become members of our Board;

recommending to the Board candidates for nomination for election as directors at each annual meeting of stockholders (or special meeting of stockholders at which directors are to be elected);

recommending the membership of committees of the Board;

recommending to the Board candidates for appointment to fill vacancies on our Board;

overseeing the annual evaluation of the performance of the Board; and

overseeing our corporate governance guidelines.

The Nominating and Corporate Governance Committee held three meetings during the 2012 fiscal year. A copy of the Nominating and Corporate Governance Committee Charter adopted by Leap's Board is posted in the Investor Relations section of Leap's website at [www.leapwireless.com](http://www.leapwireless.com).

## **Director Nomination Process**

### ***Director Qualifications***

The Nominating and Corporate Governance Committee's goal is to assemble a Board that brings to our company a variety of perspectives and skills derived from high quality business and professional experience. In evaluating director nominees, the Nominating and Corporate

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Governance Committee considers the following criteria, among others that the committee deems appropriate:

personal and professional integrity, ethics and values;

experience in corporate management, such as serving as an officer or former officer of a publicly held company, and a general understanding of marketing, finance and other elements relevant to the success of a publicly traded company in today's business environment;

experience in our industry;

experience as a board member of another publicly held company;

academic expertise in an area of our operations; and

practical and mature business judgment, including the ability to make independent analytical inquiries.

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The Nominating and Corporate Governance Committee has no stated minimum criteria for director nominees. In evaluating director nominees, in addition to the criteria described above, the Nominating and Corporate Governance Committee may consider other factors that it deems to be appropriate and in the best interests of Leap and its stockholders. The Nominating and Corporate Governance Committee considers each nominee in the context of the Board as a whole, with the objective of assembling a group that can best contribute to the success of our business and represent stockholder interests through the exercise of sound judgment, using its diversity of perspectives, skills and experiences.

The Nominating and Corporate Governance Committee also believes it is appropriate for at least one, and preferably several, members of our Board to meet the criteria for an audit committee financial expert as defined by SEC rules, and that a majority of the members of our Board be independent directors, as defined under the NASDAQ Stock Market listing standards. At this time, the Nominating and Corporate Governance Committee also believes it is appropriate for our CEO to serve as a member of our Board. As indicated above, our Board has determined that all of the members of our Audit Committee are audit committee financial experts and that all of its members (except for Mr. Hutcheson) are independent directors.

### ***Process for Identification and Evaluation of Nominees for Director***

*Nominating and Corporate Governance Committee Process.* The Nominating and Corporate Governance Committee identifies nominees for director by first evaluating the current members of the Board willing to continue in service. Current members with qualifications and skills that are consistent with the Nominating and Corporate Governance Committee's criteria for Board service and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining new perspectives. If any member of the Board does not wish to continue in service or if the Board decides not to re-nominate a member for re-election, the Nominating and Corporate Governance Committee identifies the desired skills and experience of a new nominee in light of the criteria above. In such a case, the Nominating and Corporate Governance Committee generally polls the Board and members of management for their recommendations. The Nominating and Corporate Governance Committee may also seek input from industry experts or analysts. Once candidates are identified, the Nominating and Corporate Governance Committee reviews the qualifications, experience and background of the candidates. Final candidates are then interviewed by the Nominating and Corporate Governance Committee and certain other of our independent directors and executive management. In making its determinations, the Nominating and Corporate Governance Committee evaluates each individual in the context of our Board as a whole, with the objective of assembling a group that can best perpetuate our success and represent stockholder interests through the exercise of sound judgment. After review and deliberation of all feedback and data, the Nominating and Corporate Governance Committee makes its recommendation to the Board. From time to time, the Nominating and Corporate Governance Committee has also engaged the services of a professional search firm to assist in identifying and recruiting potential candidates.

*Recommendations from Stockholders.* The Nominating and Corporate Governance Committee's policy is to consider and evaluate nominees recommended by stockholders in the same manner as it evaluates other nominees. We have not received any director candidate recommendations from our stockholders to date. However, any recommendations received from stockholders will be evaluated in the same manner that potential nominees suggested by Board members, management or other parties are evaluated.

Stockholders wishing to recommend a candidate for nomination for election as a director must do so in writing addressed to the Corporate Secretary of Leap. The stockholder must submit a detailed resume of the candidate and an explanation of the reasons why the stockholder believes this candidate is qualified for service on our Board. The stockholder must also provide such other information about the candidate as would be required by SEC rules to be included in a proxy statement about the candidate. In addition, the stockholder must include the written consent of the candidate and describe any arrangements or undertakings between the stockholder and the candidate regarding the recommendation or nomination. In order to give the Nominating and Corporate Governance Committee sufficient time to evaluate a recommended candidate, the recommendation must be received by our Corporate Secretary at our principal executive offices by the deadline for submitting proposals to be included in the proxy statement for the next annual meeting of stockholders, as described below in the section entitled *Stockholder Proposals*. Recommendations received after such date will not be timely for consideration in connection with that year's annual meeting of stockholders.

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*Nominations by Stockholders.* Nominations of persons for election to the Board may be made at the Annual Meeting by any stockholder who is entitled to vote at the meeting and who has complied with all of the procedures set forth in Article II, Section 8 of the Bylaws. These procedures require stockholders to give timely notice in writing and in proper form to the Corporate Secretary of Leap. Any such notice must contain the information about both the nominee and the nominating stockholder required by the Bylaws, as well as the nominee's written consent to being named in the proxy and to serving as a director if elected. Stockholders are encouraged to review the Bylaws for a complete description of the procedures. Nominations that do not comply with the requirements set forth in the Bylaws will not be considered for presentation at the Annual Meeting. You may contact the Corporate Secretary of Leap for a copy of the relevant bylaw provisions regarding the requirements for nominating persons for election to the Board.

## **Risk Oversight**

The Board has an active role, as a whole and at the committee level, in overseeing management of the Company's risks. The Board is regularly updated regarding risks that we face, including those that may impact our financial and operational performance, our credit and liquidity profile and other elements of our strategic plans. The Audit Committee assists the Board in this function and is charged with oversight of our policies regarding risk assessment and management, including our policies regarding management of financial risk exposure and review of related party transactions. The Board's other standing committees also have responsibilities with respect to risk oversight. The Compensation Committee is responsible for overseeing the management of risks relating to executive compensation plans and arrangements. The Nominating and Corporate Governance Committee manages risks associated with the independence of the Board, including considering whether any director nominees have relationships or potential conflicts of interest that could affect their independence. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is informed of risks we face through reports from our committees and management.

**Table of Contents****EXECUTIVE OFFICERS**

Biographical information for the executive officers of Leap as of the date of this proxy statement (other than Mr. Hutcheson) is set forth below. There are no family relationships between any director or executive officer and any other director or executive officer. Executive officers serve at the discretion of the Board and until their successors have been duly elected and qualified, unless sooner removed by the Board.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Jerry V. Elliott	54	President and Chief Operating Officer
William D. Ingram	56	Executive Vice President, Strategy
R. Perley McBride	47	Executive Vice President and Chief Financial Officer
Robert A. Strickland	51	Executive Vice President and Chief Technical Officer
Robert J. Irving, Jr.	57	Senior Vice President, Chief Administrative Officer, General Counsel and Secretary

Anne M. Liu	52	Senior Vice President and Chief Accounting Officer
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*Jerry V. Elliott* has served as our president and chief operating officer, or COO, since November 2012. Mr. Elliott previously served as our executive vice president and CFO from May 2012 to December 2012. Prior to joining us, from 2009 to 2011 Mr. Elliott served as chief financial officer and chief administrative officer of The Weather Channel, Inc. In 2009, Mr. Elliott served as chief financial officer at Virgin Media, Inc., where he led all aspects of finance, strategy and planning, purchasing, facilities and information services. In 2008, he served as chief operating officer and chief financial officer of Cengage Learning, Inc., a digital and print provider of higher education materials. Prior to that, from 2006 until it was acquired by Crown Castle in 2007, Mr. Elliott served as the president and chief executive officer of Global Signal, Inc., an owner, lessor and manager of communication towers and other communications sites. From 2002 to 2006, he served as chief financial officer, and later as president and a director, of Frontier Communications, a provider of communication services. From 1987 to 2002, Mr. Elliott held a number of financial, legal and management roles in the investment banking and legal fields. Mr. Elliott holds a B.B.A. in Accounting and Finance and a J.D. from Baylor University and an LL.M. in Taxation from New York University.

*William D. Ingram* has served as our executive vice president, strategy since February 2012. Mr. Ingram previously served as acting CFO from March 2012 to May 2012, as senior vice president, strategy from April 2008 through February 2012, as senior vice president, financial operations from February 2008 to April 2008, and as a consultant to us from August 2007 to February 2008. Prior to joining us, Mr. Ingram served as vice president and general manager of AudioCodes, Inc., a telecommunications equipment company from July 2006 to March 2007. Prior to that, Mr. Ingram served as the president and chief executive officer of Nuera Communications, Inc., a provider of VoIP infrastructure solutions, from September 1996 until it was acquired by AudioCodes, Inc. in July 2006. Prior to joining Nuera Communications in 1996, Mr. Ingram served as the chief operating officer of the clarity products division of Pacific Communication Sciences, Inc., a provider of wireless data communications products, as president of Ivie Industries, Inc., a computer security and hardware manufacturer, and as president of KevTon, Inc., an electronics manufacturing company. Mr. Ingram holds an A.B. in economics from Stanford University and an M.B.A. from Harvard Business School.

*R. Perley McBride* has served as our executive vice president and CFO since December 2012. Prior to joining us, from September 2011 to December 2012 Mr. McBride served as the executive vice president of finance at The Weather Company, or TWC (which consists of The Weather Channel television network, The Weather Channel digital properties (weather.com and The Weather Channel mobile), Weather Underground, and the professional division, which includes Weather Services International and Weather Central), overseeing the company's accounting, tax, treasury, procurement, real estate, facilities, financial planning and analysis, operational and strategic planning, risk and insurance, and corporate development functions. Prior to that, Mr. McBride served in senior vice president positions at TWC from April 2010 to September 2011, overseeing treasury, procurement, real estate, facilities, financial planning and analysis, operational and strategic planning,

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and corporate development functions. From August 1999 to April 2010, Mr. McBride served in finance roles at Frontier Communications, a provider of communication services, including as vice president of financial planning and analysis. Prior to that, from April 1994 to August 1999 Mr. McBride held accounting and finance roles with Sprint PCS and Citizens Communications. Mr. McBride holds a B.S. from Mount Allison University in Canada and an M.B.A. from the University of Houston.

*Robert A. Strickland* has served as our executive vice president and chief technical officer since February 2012. Prior to joining us, Mr. Strickland ran his own consulting firm, providing strategic IT and go-to-market operational planning as well as enterprise IT validation to companies and their customers. From 2006 to 2010, he served as senior vice president and chief information officer at T-Mobile USA, responsible for all software development (including handsets and related infrastructure elements), the company's billing, customer care and other related systems and all telecommunications platforms. Prior to joining T-Mobile USA, he served as senior vice president and chief information officer at EchoStar Communications from 2005 to 2006. From 2004 to 2005 he served as president and chief operating officer of Silas Technologies Holdings, leading the company through a reorganization and new business plan. From 2001 to 2004 he served as chief executive officer of Xperts, an IT integration and services company. From 1998 to 2001, Mr. Strickland held several chief technology officer positions with Landmark Communications, a privately-owned holding company. From 1984 to 2004, Mr. Strickland held a number of IT, engineering and programming roles in the cable, education and computer industries. Mr. Strickland graduated from Brandeis University with a B.A. in mathematics.

*Robert J. Irving, Jr.* has served as our senior vice president, chief administrative officer, general counsel and secretary since November 2012. Mr. Irving previously served as our senior vice president, general counsel and secretary from May 2003 and November 2012, as our vice president, legal from August 2002 to May 2003, and as our senior legal counsel from September 1998 to August 2002. Prior to that, Mr. Irving served as administrative counsel for Rohr, Inc., a corporation that designed and manufactured aerospace products from 1991 to 1998, and prior to that served as vice president, general counsel and secretary for IRT Corporation, a corporation that designed and manufactured x-ray inspection equipment. Before joining IRT Corporation, Mr. Irving was an attorney at Gibson, Dunn & Crutcher. Mr. Irving was admitted to the California Bar Association in 1982. Mr. Irving holds a B.A. from Stanford University, an M.P.P. from The John F. Kennedy School of Government of Harvard University and a J.D. from Harvard Law School.

*Anne M. Liu* has served as our senior vice president and chief accounting officer since November 2012. Ms. Liu previously served as our vice president and controller from December 2008 to November 2012 and as our assistant controller from December 2006 to December 2008. Prior to joining us, Ms. Liu served in a number of accounting and finance roles with Science Applications International Corporation (SAIC), a scientific, engineering, and technology applications company, between March 1990 and November 2006, including as vice president of finance. Between September 1983 and March 1990, Ms. Liu held various audit positions with Deloitte (formerly Touche Ross). Ms. Liu holds a B.A. in government from Pomona College and is a certified public accountant.

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### **COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis, or CD&A, describes the principles and objectives of our executive compensation program, how we applied those principles in compensating our named executive officers for 2012 and how our compensation programs are linked to the Company's financial and operational performance, the individual performance of our named executive officers and the Company's stock price performance.

Our named executive officers for 2012 (as set forth in the table below entitled "Summary Compensation") include:

S. Douglas Hutcheson, our CEO;

R. Perley McBride, our executive vice president and CFO;

Jerry V. Elliott, our president and COO;

William D. Ingram, our executive vice president, strategy;

Robert A. Strickland, our executive vice president and chief technical officer; and

Robert J. Irving, Jr., our senior vice president, chief administrative officer, general counsel and secretary.

Our named executive officers for 2012 also include the following former officers: Robert A. Young, our former executive vice president and chief marketing officer; Walter Z. Berger, our former executive vice president and CFO; and Raymond J. Roman, our former executive vice president and COO.

### **Executive Summary**

Our executive compensation program is designed to attract, motivate and retain talented executives and to provide incentives to them to drive our financial and operational objectives and create long-term stockholder value. The Company's executive compensation philosophy is that executive officers' pay should be closely aligned to both corporate and individual performance.

### ***Results of 2012 Say-on-Pay Vote***

Under the current methodology approved by our Board, stockholders approve, on an advisory basis, the compensation of our named executive officers on an annual basis—often referred to as a "say-on-pay" vote. At our 2012 annual meeting of stockholders, we received votes "FOR" our executive compensation program from 86% of the votes cast. This approval rate represented a significant increase from our 2011 annual meeting, where we received "FOR" votes from approximately 66% of the votes cast. We believe that this increase reflects recognition from our stockholders of the significant changes we made to our executive compensation programs, including our increased focus on providing performance-based compensation described further below.

Following our 2012 annual meeting, the Compensation Committee again evaluated our executive compensation program to ensure that it remained consistent with the Compensation Committee's philosophy and objectives, including providing incentives to accomplish significant corporate, individual and stock price performance. We also continued to consider stockholder input and feedback regarding our executive compensation practices. As part of our general investor outreach, management routinely meets with stockholders throughout the year to discuss input or concerns they may have, which may include discussions regarding our financial and operational performance as well as our executive compensation practices.

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To assist with the review of our executive compensation programs, the Compensation Committee worked with Mercer (US), Inc., or Mercer, its independent compensation consultant. As a result of this re-evaluation, the Compensation Committee decided to generally retain our existing approach to executive officer compensation, which emphasizes variable compensation that rewards our most senior executives when they deliver value for our stockholders and long-term incentive awards in the form of performance-based vehicles.



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### ***2012 Financial and Operational Performance***

For the Company, 2012 was a year of continued intense competition within the wireless industry and further transition in our business. Growth continued to slow in the prepaid wireless segment that we serve and consumer demand for higher-priced devices shifted momentum back toward postpaid wireless carriers, which offer lower out-the-door device pricing by locking customers into two-year contracts. We have continued to take actions to address the evolving competitive and economic environment and position the Company for improved financial and operating performance, including focus on the following strategic priorities:

*Deliver Superior Customer Experience.* Because we offer monthly services without a fixed-term contract, we are required to earn our customers' business every month. In 2012, we introduced new customer experience initiatives, including improving our device activation process, significantly improving the quality of our device portfolio through the introduction of higher-end smartphones such as the iPhone® and Samsung Galaxy handsets, and improving the in-store and call-center experience provided to our customers.

*Retain and Expand Our Customer Base by Providing Value.* In 2012, we continued to update our product and service offerings to better meet the needs of our current customers and to attract and retain new ones, including by improving our Muve Music® service, which is now offered for no additional cost in service plans for our Android-based smartphones, and expanding our Lifeline service offerings, which provide qualifying low-income customers with a subsidized discount on their wireless service. In addition, we introduced a third-party device leasing program in certain of our markets to help customers manage the cost of purchasing a handset, and we plan to expand the availability and type of handset financing programs we offer in 2013.

*Focus on Smart Investments.* Our strategy is to be disciplined in pursuing investment initiatives and to remain focused on our position as a low-cost provider of wireless telecommunications. During 2012, we increased pricing on our handsets in an effort to better manage device subsidies and promote the addition of longer-tenured customers, and we began to streamline and reduce our number of direct and indirect dealer locations to increase the productivity of more attractive locations. We also continued to deploy next-generation 4G LTE network technology, with approximately 21 million potential customers in our network footprint covered by the end of fiscal 2012. The increased competitive environment and changes we introduced in our business impacted our 2012 financial and operational results:

*Increased Revenues and ARPU* We generated total revenues of \$3,142 million and service revenues of \$2,947 million, which increased 2.3% and 4.2%, respectively, over fiscal 2011. In addition, average service revenue per user per month, or ARPU, for fiscal 2012 increased to \$42.22, up from \$40.72 for fiscal 2011, reflecting increased customer uptake of higher-priced service plans for our smartphones and Muve Music service. For a definition of ARPU and a reconciliation of ARPU to service revenues, please see Appendix A to this proxy statement.

*Increased Adjusted OIBDA* We produced \$601.2 million of adjusted operating income before depreciation and amortization, or OIBDA, during fiscal 2012, a 7% increase over fiscal 2011, reflecting benefits from our continued cost management efforts. For a definition of adjusted OIBDA and a reconciliation of adjusted OIBDA to operating income (loss), please see Appendix A to this proxy statement.

*Customer Results* We lost approximately 637,000 net customers in fiscal 2012, compared to the approximately 416,000 net customers that we gained in the prior year.

### ***2012 Compensation Decisions***

The compensation earned by our named executive officers for 2012 reflected the Compensation Committee's overall pay philosophy, including its objective to provide competitive compensation opportunities and its emphasis on providing a substantial portion of executive pay in the form of variable or at-risk



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compensation that links the value of executive pay to corporate, individual and stock price performance. Compensation amounts earned by our named executive officers in 2012 were significantly influenced by the Company's financial and operational performance, reflected by the following:

*Total Direct Compensation Heavily Weighted Towards Variable Compensation Elements* For 2012, approximately 85% of the CEO's total target compensation was variable or at-risk and between approximately 65% to 80% of the total target compensation of the other named executive officers was variable or at-risk.

*Modest Increases to Base Salaries* In 2012, Mr. Hutcheson's base salary was increased to \$850,000, which together with his target annual cash bonus was between the 25th and 50th percentile of the total cash compensation opportunity provided to chief executive officers by those companies against which we measured our compensation. Most other named executive officers received modest base salary increases in 2012 of approximately 4%. Messrs. Ingram and Irving also received base salary increases in connection with expansions of their respective internal roles and responsibilities.

*Below-Target Bonus Awards for Officers* Target amounts for 2012 annual cash bonuses were unchanged from the prior year, again based upon the Compensation Committee's determination that such targets were reasonable and appropriate. Based upon the Company's financial and operational performance in 2012, our named executive officers received bonus awards at less than 50% of the target levels for such awards.

*Long-Term Incentive Compensation Tied to Leap Performance* A significant portion of the named executive officers' 2012 compensation consisted of long-term incentive compensation tied in a meaningful way to stock price performance and/or Company performance, thus further aligning our executive officers' interests with those of our stockholders.

*Stock Options.* Approximately 30% of the refresh awards granted to our named executive officers in 2012 (40%, in the case of our CEO) consisted of stock options granted pursuant to our 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan, as amended, or the 2004 Plan. These option awards vest in annual installments over four years and have an exercise price equal to the fair market value of Leap common stock on the grant date (\$10.10 per share), thus providing value to our executive officers only to the extent that we realize increases in our stock price. On April 1, 2013, the last reported sales price of Leap common stock on the NASDAQ Global Select Market was \$5.81 per share.

*Performance-Based Deferred Stock Units and Cash Awards.* Approximately 30% of the refresh awards granted to our named executive officers in 2012 (40%, in the case of our CEO) consisted of performance-based deferred stock units granted pursuant to the 2004 Plan and approximately 40% of the refresh awards (20% in the case of our CEO) consisted of performance-based cash awards. The number of shares to be issued with respect to the deferred stock units and the amount of the cash awards to be paid will range from 0% to 200% of the target amount of the awards, depending upon the extent to which the Company meets performance measures for each of 2012 and 2013. For 2012, financial and operational performance was determined relative to two key metrics—adjusted OIBDA and net customer additions. The Compensation Committee chose to link the opportunities available under our long-term incentive program to these metrics because they are important criteria that we and our investors use to analyze our performance, and achievement of these measures depends in many respects upon the efforts and contributions of our named executive officers. In addition, the awards were issued subject to a requirement that in order for any cash awards to be distributed at the end of the two-year performance period, and, with respect to certain of the executive officers that received deferred stock units, for any shares to be issued in respect of those deferred stock units, the average of the closing prices of Leap common stock for the 30-calendar day period prior to the vesting dates must be greater than \$10.10 per share, the closing price of Leap common stock when the awards were originally granted. Otherwise, no cash awards would be eligible for distribution nor would any shares be issued with respect to those deferred stock units, until the average of the closing prices of Leap



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common stock for any subsequent 30-calendar day period is greater than such amount. If the average of the closing prices of Leap common stock has not exceeded such amount for a 30-calendar day period within one year following the applicable vesting date, that portion of the deferred stock units or cash award would terminate. This minimum share price requirement did not apply to the deferred stock units granted to our CEO nor does it apply to deferred stock units held by executive officers who have elected to amend their severance agreements with the Company to broaden the definition of "cause" under such agreements. Due to the fact that the Company did not meet the threshold performance targets for 2012 for purposes of these performance-based awards, our named executive officers did not receive any vesting credit for 2012 performance under these awards.

### **Compensation Philosophy and Objectives**

As described above, our compensation and benefits programs are designed to attract and retain key employees necessary to support our business plans and to create and sustain a competitive advantage for us in the market segment in which we compete. For all of our executive officers, a substantial portion of total compensation is performance-based. We believe that compensation paid to executive officers should be closely aligned with our performance on both a short-term and long-term basis and linked to specific, measurable results intended to create value for stockholders.

In particular, our fundamental compensation philosophies and objectives for executive officers include the following:

Using total compensation to recognize each individual officer's scope of responsibility within the organization, experience, performance and overall contributions to our company.

Providing incentives to accomplish significant corporate, individual and stock price performance by linking incentive award opportunities to achievement in these areas.

Using external compensation data from similarly-sized telecommunications and technology companies as part of our due diligence in determining base salary, target bonus amounts and long-term incentive compensation for our individual officers.

Using long-term incentive compensation awards to align employee and stockholder interests and to attract, motivate and retain employees and enable them to share in our long-term success.

### **Procedures for Determining Compensation Awards**

#### ***The Compensation Committee***

The Compensation Committee has primary authority to determine and recommend the compensation payable to our executive officers. In fulfilling this oversight responsibility, the Compensation Committee reviews the performance of our senior executive management team on an annual basis in light of the Company's compensation philosophies and objectives described above. To aid the Compensation Committee in making its compensation determinations, our CEO, assisted by our chief administrative officer, provides recommendations to the Compensation Committee regarding the compensation of the other executive officers. Our CEO does not participate in decisions regarding his own compensation.

In addition, the Compensation Committee has retained Mercer, a consulting firm specializing in executive compensation matters, to assist the committee in evaluating our compensation programs, policies and objectives and to provide advice and recommendations on the amount and form of executive and director compensation. Mercer began providing these services to the Compensation Committee in January 2006. Mercer's fees for providing services to us in 2012 were approximately \$195,000. In addition, certain affiliates of Mercer provided us with brokerage advisory services in 2012 for which we paid fees of approximately \$28,000. After review and consultation with Mercer, the Compensation Committee has determined that Mercer is independent and there is no conflict of interest resulting from retaining Mercer currently or during the year ended December 31, 2012. In reaching these conclusions, the Compensation Committee considered the factors set forth in Rule 10C-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and NASDAQ listing standards.



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### ***Comparison of Compensation to Market Data and Determination Process***

The Compensation Committee strives to provide compensation opportunities that are competitive with the market in which Leap competes for executive talent. Consistent with this goal, the Compensation Committee regularly reviews the compensation we provide to our officers to that provided by other companies against which we compete for executive talent. To aid the Compensation Committee in this review, management and/or Mercer periodically prepares a comparison of executive compensation levels at similarly-sized telecommunications and technology companies. This comparison typically includes statistical summaries of compensation information derived from a number of large, third-party studies and surveys, which, for purposes of considering 2012 compensation for our executive officers, included the Radford Executive Survey and the Culpepper U.S. Survey. These summaries and databases contain executive compensation information for telecommunications, wireless and other companies, although the surveys do not provide the particular names of those companies whose pay practices are surveyed with respect to any particular position being reviewed. In addition to this third-party survey information, Mercer also presented comparative compensation information for a select number of other telecommunications companies. As part of its review of compensation for 2012, the Compensation Committee reviewed comparative data prepared by Mercer with respect to executive officer compensation provided by the following companies: American Tower, CenturyLink, Crown Castle International, Frontier Communications, MetroPCS Communications, NII Holdings, Telephone and Data Systems, TW Telecom, U.S. Cellular and Windstream. This peer group represented a select group of companies in the telecommunications industry against which we compete for executive talent, with revenues of between approximately \$1 billion and \$7 billion.

Our Compensation Committee generally compares the total compensation opportunity we provide to our executive officers consisting of base salary, annual performance bonuses and long-term incentive awards to compensation levels at the 25th, 50th and 75th percentile of compensation awarded to executive officers with similar positions at comparable companies. Comparative compensation levels, however, are only one of several factors that our Compensation Committee considers in determining compensation levels for our executive officers, and the individual elements of an executive officer's targeted overall compensation opportunity vary relative to these percentiles based on other considerations, including the executive officer's experience and tenure in his or her position, his or her relative importance to the Company and his or her individual performance, leadership and other skills. The extent to which actual compensation to be received by an executive may materially deviate from the targeted total compensation opportunity will also depend upon Leap's corporate and operational performance and the individual performance of the particular officer for the year. This approach is intended to ensure that there is a direct relationship between Leap's overall financial and operational performance and each individual named executive officer's total compensation.

In general, we seek to provide executive officers who have the greatest influence on our financial and operating success with compensation packages in which their long-term incentive awards provide a significant portion of their total compensation opportunity. Thus, we make the most substantial incentive awards to our senior executive management team, comprised of our CEO, president, executive vice presidents and senior vice presidents. In addition, we seek to provide vice presidents and other employees who have significant influence over our operating and financial success with equity incentives that provide high retention value and alignment of these managers' interests with those of our stockholders. For 2012, a substantial portion of each named executive officer's potential compensation opportunity was comprised of his annual performance bonus and long-term incentive awards. We have not, however, adopted any other formal or informal policies or guidelines for allocating compensation between long-term and short-term incentives, between cash and non-cash compensation, or among different forms of non-cash compensation. We have adopted stock ownership guidelines for our directors and executive officers, which are described further below.

Because the compensation levels of our named executive officers reflect, in part, compensation levels associated with the varying roles and responsibilities of corporate executives in the marketplace, there were differences in the 2012 compensation amounts awarded to our named executive officers. These differences generally arose from the relatively higher compensation opportunities provided to our CEO, president and executive vice presidents relative to other officers, as well as the significant equity awards provided to Messrs. Elliott, Strickland and McBride in 2012 upon their joining the Company.

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### **Elements of Executive Compensation**

Leap's executive officer compensation program is comprised of three primary components: base salary; short-term incentive compensation in the form of an annual cash bonus; and long-term incentive compensation, primarily in the form of stock options, restricted stock awards, deferred stock units and performance-based deferred stock units and/or cash awards. We also provide certain additional employee benefits and retirement programs to our executive officers, as well as severance and change in control benefits.

#### ***Base Salary***

The base salary for each executive officer is generally established through negotiation at the time the executive is hired, taking into account the executive's qualifications, experience, prior salary and competitive salary information. As discussed above, in determining base salaries for our executive officers, the Compensation Committee considers compensation paid to officers at comparable companies. In addition, each year the Compensation Committee determines whether to approve merit increases to our executive officers' base salaries based upon the Company's prior year performance, the officer's individual performance, competitive salary information for comparable companies and the recommendations of our CEO.

At the beginning of 2012, the Compensation Committee increased Mr. Hutcheson's base salary from \$750,000 to \$850,000 in recognition of its assessment of his performance during the prior year and to bring his annual cash compensation closer to the median of that provided to chief executive officers at comparable companies. Even with the increase, Mr. Hutcheson's base salary and his annual target bonus were collectively between the 25th and 50th percentile of total cash compensation opportunity provided by those companies against which we measured our compensation. The Compensation Committee also increased Mr. Ingram's base salary from \$300,000 to \$350,000 in connection with his promotion to executive vice president and his agreement to serve as acting CFO while the Company searched for a permanent CFO (during which approximate two-month period, Mr. Ingram received a base salary of \$450,000). At the end of 2012, the Compensation Committee also increased Mr. Irving's base salary from \$320,000 to \$420,000 in connection with the expansion of his responsibilities and his promotion to chief administrative officer. Our other named executive officers received base salary increases in 2012 of approximately 4%.

Our named executive officers' base salaries for 2012 are set forth in the table below entitled "Summary Compensation" and are prorated to reflect changes in their base salaries during the year.

#### ***Annual Performance Bonus***

We provide an annual cash performance bonus opportunity to our executive officers. The purpose of these bonus awards is to provide an incentive to our executive officers to assist us in achieving our principal financial and operating objectives.

#### ***Determination of Target Bonus Amounts***

Target and maximum bonus amounts payable to our executive officers are established by the Compensation Committee early in the year as a percentage of each individual executive officer's base salary. For 2012, the target amounts of the bonuses were generally unchanged from 2011 levels, again based upon the Compensation Committee's determination that such targets were reasonable and appropriate. The target amounts were set at 100% of base salary for our CEO, 80% of base salary for our executive vice presidents and 65% of base salary for our senior vice presidents. The Compensation Committee also established a target amount of 90% for our president and COO when he was originally hired by the Company in May 2012.

The actual bonus award payable to the executive officers can range from 0% to 200% of the target based on relative corporate and individual performance, subject to the Compensation Committee's discretion to increase or decrease such amount. These target and maximum bonus amounts are based, in part, on the Compensation Committee's review of cash bonus opportunities provided to similarly-situated executives of other comparable and surveyed companies, as described above. In determining the potential bonus opportunity for an executive officer for a given year, the Compensation Committee generally intends that approximately 75% of the targeted amount be based upon Leap's corporate performance and that approximately 25% be based upon the officer's individual performance.



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### *Determination of Actual Bonus Amounts*

As indicated above, an important objective of our compensation program is to provide incentives to our executives to accomplish significant strategic, financial and individual performance. As a result, the actual amount of a bonus earned by an executive officer for a given year depends upon corporate and individual performance. Our corporate performance has historically been reviewed by reference to two key performance metrics: (i) a financial measure we call adjusted OIBDA, which we define as operating income (loss) before depreciation and amortization, adjusted to exclude the effects of: gain/(loss) on sale, exchange or disposal of assets, net; impairments and other charges; and share-based compensation expense or benefit; and (ii) our number of net customer additions. We believe that achievement of these performance metrics is dependent in many respects upon the efforts and contributions of our named executive officers and their individual performance. When reviewing Leap's annual corporate performance, the Compensation Committee has the ability to consider any significant investments or special projects undertaken during the year which may have impacted or not been reflected in the Company's financial or operational results.

Individual performance is determined for our CEO and other executive officers based upon the Compensation Committee's qualitative assessment of their performance for the year. For executive officers other than our CEO, the Compensation Committee also considers ratings assigned to each individual by our CEO in connection with his assessment of their performance during the year.

### *2012 Performance Bonus Awards*

For 2012, the goals to permit each of our named executive officers to receive 100% of their target bonus for corporate performance were: (i) \$675 million of adjusted OIBDA; and (ii) 600,000 net customer additions. The threshold levels, below which no performance bonus would be paid, were: (i) approximately 84% of the adjusted OIBDA target; and (ii) approximately 70% of the net customer additions target. For the year ended December 31, 2012, the Company achieved approximately 89% of its adjusted OIBDA target, but did not meet its net customer additions target. As a result, the Compensation Committee approved bonuses for the named executive officers relating to our corporate performance that represented approximately 32% of their target bonuses. These amounts are set forth in the table below entitled "Summary Compensation" in the column entitled "Non-Equity Incentive Plan Compensation."

With respect to the portion of the bonus based upon individual performance, the Compensation Committee determined the amount of the bonus based, in part, upon a rating assigned to each individual by our CEO based upon his assessment of such individual's achievement of performance goals, as well as the Compensation Committee's more subjective and qualitative assessment of his overall performance. In particular, the Compensation Committee considered, among other things, the following accomplishments and achievements of our named executive officers:

Mr. Hutcheson's leadership of the Company's senior management team and his development and oversight of strategic and operational initiatives;

Mr. Elliott's oversight of the Company's finance, accounting and investor relations functions as our CFO, his promotion to our president and COO and the transition to him of responsibility for the Company's sales and operations;

Mr. Ingram's management of the Company's strategic initiatives and business development activities, his service to the Company as interim CFO and the transition to him of leadership for the Company's Muve Music product offering;

Mr. Strickland's leadership of the Company's network operations and IT infrastructure, including our deployment of next-generation LTE services to approximately 21 million potential customers in our network footprint by the end of 2012;

Mr. Irving's oversight of the Company's legal department and government affairs functions and the transition to him of responsibility for the Company's human resources and investor relations departments; and

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Mr. Young's leadership of the Company's field and sales operations and his oversight over the improved distribution of the Company's products and services.

However, due to the fact that the Company achieved the threshold level for only one of the two corporate performance measures, the Compensation Committee reduced in half the amount of each executive officer's individual performance bonus. The amounts paid to the named executive officers based upon their individual performance are set forth in the table below entitled "Summary Compensation" in the column entitled "Bonus."

The aggregate cash bonuses paid to our named executive officers based on corporate performance and individual contributions were as follows (constituting the respective percentage of their target bonus opportunities indicated in parentheses): Mr. Hutcheson: \$363,781 (43%); Mr. Elliott, \$166,648 (45%); Mr. Ingram, \$120,932 (43%); Mr. Strickland, \$143,559 (43%); Mr. Irving, \$96,076 (43%); and Mr. Young, \$129,381 (37%). Mr. McBride joined us as executive vice president and CFO in November 2012 and was not eligible to receive a cash bonus award for 2012. Messrs. Berger and Roman left the Company prior to the end of 2012 and did not receive cash bonus awards for the year.

### ***Long-Term Incentive Compensation***

We generally provide long-term incentive compensation to our executive officers and other selected employees through the 2004 Plan. The 2004 Plan was approved and adopted by the Compensation Committee in 2004 pursuant to authority delegated to it by the Board and is generally administered by the Compensation Committee. See "2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan" for additional information regarding the 2004 Plan. In February 2009, we adopted the 2009 Employment Inducement Equity Incentive Plan of Leap Wireless International, Inc., or the 2009 Inducement Plan, to make awards to new employees as an inducement to commence employment with us. The 2009 Inducement Plan was approved by the Board and is also administered by the Compensation Committee. See "2009 Employment Inducement Equity Incentive Plan" for additional information regarding the 2009 Inducement Plan.

Under these plans, we grant our executive officers and other selected employees non-qualified stock options at an exercise price equal to (or greater than) the fair market value of Leap common stock (as determined under the plans) on the date of grant. Historically, we have granted restricted stock at a nominal purchase price or for no purchase price in exchange for services previously rendered to Leap or its subsidiaries by the recipient. Beginning in 2012, we began to issue deferred stock units to our executive officers and other selected employees in lieu of restricted stock awards. We amended the terms of our 2004 Plan at our 2012 annual meeting to allow us, among other things, to settle these deferred stock units in either cash or shares of Leap common stock. We also amended the 2004 Plan to provide Leap with the flexibility to grant various cash-based awards.

The size and timing of long-term incentive awards are based on a variety of factors, including Leap's overall performance, the recipient's individual performance and competitive compensation information, including the value of awards granted to comparable executive officers as set forth in the statistical summaries of compensation data for comparable companies prepared for the Compensation Committee. We believe that the awards under these plans help us to reduce officer and employee turnover and to retain the knowledge and skills of our key employees.

In October 2008, the Compensation Committee adopted guidelines regarding the granting of equity awards to executive officers, employees or consultants. Under these guidelines, equity awards are generally granted and effective, to the extent practicable, on the 14th calendar day of the month following their approval by the Board or Compensation Committee (or, if that day is not a day on which Leap common stock is actively traded on an exchange, on the next trading day). In addition, the guidelines provide that any stock options to be awarded to existing or newly-promoted executive officers and other senior vice presidents are generally to be approved and granted, to the extent practicable, during periods when trading in Leap common stock is permitted under our insider trading policy or are to be approved with the grant contingent upon, subject to and effective two trading days after, the release of any applicable, material non-public information.

The Compensation Committee has traditionally granted awards of stock options and restricted stock or deferred stock unit awards to executive officers and other eligible employees when they initially join us. These

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awards generally vest over a four year period, with options vesting in equal 25% annual increments and shares of restricted stock or deferred stock units vesting in 25% increments on the second and third anniversaries of the date of grant and 50% on the fourth anniversary of the date of grant. In addition to the initial awards of stock options and restricted stock or deferred stock units, the Compensation Committee has traditionally made annual refresh awards to our executive officers and other eligible employees in order to help us achieve our executive compensation objectives noted above, including the long-term retention of members of our senior management team.

### *2012 Long-Term Incentive Awards*

Consistent with prior years, a significant portion of the compensation opportunity provided to our named executive officers in 2012 consisted of long-term incentive awards. The Compensation Committee considered a variety of factors in determining the size and amount of the awards, including the number of shares available by the Company for grant, the amount and value of unvested equity awards held by our officers and each officer's individual performance, leadership and other skills. The Compensation Committee also reviewed the value of grants made by those companies against which the Company compares its compensation, although the Compensation Committee did not seek to grant awards at any predetermined levels relative to such other companies.

### *New Hire Awards*

The Company granted long-term incentive awards to new executive officers that joined us in 2012. Messrs. Strickland, Elliott and McBride received stock options and grants of restricted stock or deferred stock units in connection with the commencement of their employment. The awards are subject to a four-year vesting schedule, with the options vesting in equal 25% annual increments and the restricted stock or deferred stock units vesting in 25% increments on the second and third anniversaries of the date of grant and 50% on the fourth anniversary of the date of grant. Messrs. Elliott and Strickland also received performance-based cash awards on the terms described below. These awards were made to our named executive officers pursuant to the 2004 Plan or 2009 Plan in the amounts set forth in the table under the heading 2012 Grants of Plan-Based Awards.

### *Performance-Based Refresh Awards*

The Compensation Committee granted additional long-term incentives to our named executive officers in March 2012 consisting of stock options, performance-based deferred stock units and performance-based cash awards. These long-term incentives were intended to tie future compensation opportunities available to our executive officers to the performance of Leap common stock and the Company's financial and operational performance, thus further aligning management's interests with those of our stockholders.

Approximately 30% of the refresh awards granted to our named executive officers in 2012 (40%, in the case of our CEO) consisted of stock options granted pursuant to our 2004 Plan. These option awards vest in annual installments over four years and have an exercise price equal to the fair market value of Leap common stock on the date of grant, thus providing value to our executive officers only to the extent that we realize increases in our stock price.

Approximately 30% of the refresh awards granted to our named executive officers in 2012 (40%, in the case of our CEO) consisted of performance-based deferred stock units granted pursuant to the 2004 Plan and approximately 40% of the awards in 2012 (20% in the case of our CEO) consisted of performance-based cash awards. Each deferred stock unit represents the right to receive one share of Leap common stock, subject to performance-based adjustments as follows:

*Calculation of Deferred Stock Units and Cash Awards.* The number of shares to be issued with respect to the deferred stock units and the amount of the cash awards will depend upon the Company's achievement of certain performance goals over a two-year performance period. If the average percentage attainment relative to the performance goals at the end of the two-year period exceeds 50%, then a certain percentage of shares underlying the units will be issued and a certain amount of the cash award will be distributed (each up to 200% of the target amount of the awards). The Company's 2012 performance goals for purposes of these awards related to the Company's adjusted OIBDA and net customer additions. The

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goals to provide our named executive officers with 100% performance for 2012 were as follows: (i) \$675 million of adjusted OIBDA; and (ii) 600,000 net customer additions. The threshold levels, below which officers would receive 0% credit for 2012 performance were: (i) approximately 92% of the adjusted OIBDA target; and (ii) approximately 85% of the net customer additions target. The Company did not achieve these minimum thresholds for 2012 and the named executive officers did not receive any vesting credit for 2012 performance for purposes of these awards.

*Vesting and Payment Dates.* One-half of any shares issuable with respect to the deferred stock units and one-half of the cash award that is earned will vest immediately and be issued to the executive on the date immediately following the date we file our Annual Report on Form 10-K for the year ended December 31, 2013, subject to the employee's continued employment with us through that date. The remaining one-half of the eligible awards will vest and be issued to the executive on or after December 31, 2014, subject to the employee's continued employment with us through that date.

*Satisfaction of Stock Price Gate.* The awards were issued subject to a stock price gate, so that in order for any cash awards to be paid on a scheduled vesting date, and, with respect to certain executives, for any shares to be issued in respect of their deferred stock units, the average of the closing prices of Leap common stock for the 30-calendar day period prior to the vesting date must be greater than the closing price of Leap common stock on the date on which the awards were originally granted (\$10.10 per share for the awards granted on March 16, 2012). Otherwise, no cash awards would be eligible for distribution nor would any shares be issued with respect to those deferred stock units until the average of the closing prices of Leap common stock for any subsequent 30-calendar day period is greater than such amount. If the average of the closing prices of Leap common stock have not exceeded the initial stock price for a 30-calendar day period within one year following the applicable vesting date, that portion of the cash award or deferred stock units would terminate. This minimum share price requirement, however, did not apply to the deferred stock units granted to our CEO nor does it apply to deferred stock units held by other executive officers that have elected to amend the terms of their severance arrangements with us to broaden the definition of cause such that they could be terminated and not receive a severance payment if they do not meet performance expectations for their role, as determined by our CEO. Messrs. Ingram and Irving have entered into these amendments, so the stock price gate is no longer applicable to the 2012 deferred stock units held by each of them. The other named executive officers who received these grants of deferred stock units have retired or resigned and those awards have terminated.

*Effect of Change in Control.* In the event of stockholder approval of a change in control of Leap prior to the end of fiscal 2013, the executives would be entitled to receive a number of shares underlying the deferred stock units and a cash award, in each case equal to the target amounts, and the awards would continue to vest pursuant to the vesting schedule discussed above. However, the awards would immediately vest in the event that the executive's employment was terminated by us without cause or by the executive for good reason within 90 days prior to or 12 months following the change in control.

The foregoing refresh awards were made to our named executive officers in the amounts set forth in the table under the heading 2012 Grants of Plan-Based Awards.

### *Option Cancellations*

On October 11, 2012, pursuant to an amendment to the 2004 Plan that was approved by stockholders at our 2012 annual meeting, we entered into option surrender agreements (Surrender Agreements) with Messrs. Hutcheson, Ingram and Irving, each of whom held options to purchase shares of Leap common stock with exercise prices greater than \$50 per share. Pursuant to the Surrender Agreements, executive officers agreed to surrender to the Company, for no consideration, options to purchase an aggregate of 415,000 shares of the Company's common stock, with exercise prices per share ranging between \$51.50 and \$79.00, in order to assist us in attracting and retaining talented employees. Such surrendered shares are available for future grant or sale under the 2004 Plan.

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### **Adoption of Stock Ownership Guidelines**

In early 2013, in order to further align the interests of our directors and executive officers with those of our stockholders and to further promote our commitment to corporate governance, our board adopted stock ownership guidelines. Under the guidelines, we generally expect that our directors and executive officers will acquire shares of Leap stock and other equity awards with a value equal to the following multiples of their annual retainer or base salary: (i) for our non-employee directors, five times the value of their annual cash retainer; (ii) for our CEO, five times the value of his annual base salary; and (iii) for all other executive officers, three times the value of their annual base salary. The goal of the guidelines is that current directors and executive officers achieve their applicable target levels within five years and that any newly elected or appointed directors or executive officers reach their applicable target levels within five years of their election or appointment. The Compensation Committee will have the authority to administer and determine compliance with the guidelines, including determining those shares of Leap stock and other equity awards that will count for purposes of the targeted ownership levels and determining appropriate actions for any person who has failed to meet or show sustained progress toward meeting his or her targeted ownership level, which may include (without limitation) limiting future long-term incentive grants to be made to such persons, delivering future cash retainers or bonus awards in the form of equity awards and other measures.

### **Adoption of Compensation Clawback Policy**

In early 2013, our Board adopted a compensation clawback policy to address situations in which an executive officer was directly involved in any fraud, intentional misconduct or gross negligence that resulted in a material, negative restatement of the Company's financial statements. In such situations, the Board or its designated committee would review the circumstances that caused the restatement and consider issues of accountability among the Company's executive officers. If it were determined that one or more of the Company's executive officers were directly involved in any fraud, intentional misconduct or gross negligence that resulted in the restatement, the Board or committee would take such actions as it deemed appropriate under the circumstances, which could include, without limitation, requiring the reimbursement or forfeiture of all or a portion of any incentive compensation (including, without limitation, any annual or long-term cash bonus or equity compensation award) previously earned by such executive officers with respect to the period covered by the restatement.

### **Other Benefits**

Leap maintains a 401(k) plan for all employees, and provides a 50% match on employees' contributions, with Leap's matching funds limited to 6% of an employee's base salary. Leap's 401(k) plan allows eligible employees to contribute up to 30% of their salary, subject to annual limits. At our discretion, we may also make additional contributions based upon earnings. Our aggregate contributions for all employees for the year ended December 31, 2012 were approximately \$5,336,500.

Our named executive officers are also eligible to participate in all of our employee benefit plans, such as medical, dental, vision, group life and accidental death and disability insurance, in each case on the same basis as other employees, subject to applicable law. We also provide vacation and other paid holidays to all employees, including our named executive officers. In addition, Leap provides our named executive officers with supplemental health insurance coverage with a maximum benefit of \$750,000 per year per person, the ability to apply for supplemental, company-paid executive disability insurance that provides a benefit of up to \$5,000 per month up to age 65, \$750,000 of supplemental, company-paid executive life insurance, and \$850,000 of executive accidental death and disability insurance. Leap also provides an annual reimbursement benefit of up to \$15,000 for financial, estate and tax planning services with the amount of the annual reimbursement grossed up for applicable taxes. We believe that these additional benefits are reasonable in scope and amount and are typically offered by other companies against which we compete for executive talent. Other than our 401(k) plan, we do not maintain any pension plans or plans that provide for the deferral of compensation.

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### **Policy on Deductibility of Executive Officer Compensation**

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, generally disallows a tax deduction to a publicly-held company for compensation in excess of \$1.0 million paid to its principal executive officer, or PEO, and its three most highly compensated executive officers (other than the PEO and the principal financial officer). Certain compensation arrangements are excluded from this limitation, including the payment of certain performance-based compensation awards tied to the attainment of specific goals, as well as the grant of certain stock options. The Compensation Committee believes that it is advisable, to the extent practicable, for Leap to award our executive officers performance-based awards that qualify as performance-based compensation under Section 162(m) of the Code.

As a result of the foregoing, we adopted the Leap Wireless International, Inc. Executive Incentive Bonus Plan, or the Executive Bonus Plan, which enables us to pay cash bonuses to our executive officers based on Leap's achievement of certain predetermined corporate performance goals that are eligible for treatment as performance-based compensation under Section 162(m), provided certain procedural requirements are satisfied. Stockholders approved the Executive Bonus Plan at our 2007 annual meeting of stockholders and re-approved material terms of the performance goals at our 2012 annual meeting. In addition, the 2004 Plan allows Leap, among other things, to grant options that are exempt from the limits on deductibility under Section 162(m) of the Code. Stockholders approved the 2004 Plan at our 2007 annual meeting of stockholders. In addition, stockholders approved an amendment to the 2004 Plan at our 2012 annual meeting to add performance goals and cash-denominated awards under the plan for the purpose of permitting the Company, to the extent practicable, to make long-term incentive awards that are eligible for treatment as performance-based compensation under Section 162(m). Awards granted under the 2004 Plan will be treated as performance-based compensation under Section 162(m) of the Code only if the awards and the procedures associated with them comply with all requirements of Section 162(m) of the Code. There can be no assurance that compensation attributable to awards granted under the 2004 Plan will be treated as qualified performance-based compensation under Section 162(m) of the Code and thus be deductible by us.

To the extent possible, the Compensation Committee intends to generally administer these plans in the manner required to make future awards that qualify as performance-based compensation under Section 162(m). However, the Board and Compensation Committee will continue to retain the discretion to pay discretionary bonuses or other types of compensation outside of the plans which may or may not be tax deductible.

### **Risk Assessment of Compensation Program**

In early 2013, management assessed the Company's compensation program for the purpose of reviewing and considering any risks presented by our compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

As part of that assessment, management reviewed the primary elements of our compensation program, including base salary, annual short-term incentive compensation, long-term incentive compensation and severance arrangements. Management's risk assessment included a review of the overall design of each primary element of our compensation program and an analysis of the various design features, controls and approval rights in place with respect to compensation paid to management and other employees that mitigate potential risks to the Company that could arise from our compensation program.

Following the assessment, management determined that our compensation policies and practices did not create risks that were reasonably likely to have a material adverse effect on the Company and reported the results of the assessment to the Compensation Committee.

**Table of Contents****Summary Compensation**

The following table sets forth certain information with respect to compensation for the fiscal years ended December 31, 2012, 2011 and 2010 earned by or paid to (i) our CEO, (ii) our CFO, (iii) Messrs. Elliott and Ingram, each of whom served as our CFO during portions of fiscal 2012, (iv) our next three most highly compensated executive officers as of the end of fiscal 2012 and (v) our former CFO and our former COO. We refer to these officers collectively as our named executive officers for 2012.

Name and Principal Position	Year	Salary(1)	Bonus(2)	Non-Equity Incentive Plan Compensation(3)	Stock Awards(4)	Option Awards(5)	All Other Compensation(6)	Total
<b>Current Executive Officers</b>								
S. Douglas Hutcheson	2012	\$844,536	\$158,350	\$205,431	\$1,551,840	\$2,507,213	\$36,376	\$5,303,746
CEO and Director	2011	\$750,000	\$328,945	\$200,742	\$362,000	\$721,898	\$87,219	\$2,450,804
	2010	\$750,000			\$2,205,000		\$71,292	\$3,026,292
R. Perley McBride (7)	2012	\$27,049			\$676,000	\$821,477	\$333	\$1,524,859
Executive Vice President and CFO								
Jerry V. Elliott (8)	2012	\$411,475	\$159,436	\$90,081	\$801,000	\$728,010	\$79,330	\$2,269,332
President and COO								
William D. Ingram(9)	2012	\$359,695	\$52,640	\$68,291	\$228,960	\$372,775	\$27,964	\$1,110,325
Executive Vice President, Strategy	2011	\$299,974	\$165,912	\$52,188	\$101,360	\$166,667	\$21,383	\$807,484
	2010	\$299,974	\$73,746		\$472,500		\$29,498	\$875,718
Robert A. Strickland (10)	2012	\$416,598	\$247,490	\$81,069	\$705,750	\$560,180	\$252,409	\$2,263,496
Executive Vice President and Chief Technical Officer								
Robert J. Irving, Jr.	2012	\$343,148	\$41,821	\$54,255	\$292,360	\$348,072	\$54,581	\$1,134,237
Senior Vice President, Chief Administrative Officer and General Counsel								
<b>Former Executive Officers</b>								
Robert A. Young (11)	2012	\$439,180	\$43,918	\$85,463	\$169,600	\$270,563	\$95,352	\$1,104,075
Executive Vice President and Chief Marketing Officer	2011	\$425,000	\$106,622	\$91,003	\$1,396,000	\$797,035	\$40,402	\$2,856,062
Walter Z. Berger(12)	2012	\$110,055					\$166,715	\$276,770
Former Executive Vice President and CFO	2011	\$530,000	\$209,514	\$113,486	\$841,003	\$285,714	\$99,098	\$2,078,815
		\$530,000	\$156,000		\$945,000		\$48,447	\$1,679,447
	2010							
Raymond J. Roman(13)	2012	\$320,082			\$144,160	\$228,475	\$1,101,235	\$1,793,952
Former Executive Vice President and COO	2011	\$503,288	\$429,466	\$107,766	\$2,163,800	\$954,782	\$85,201	\$4,244,303

(1) Represents base salary rate for the applicable year, prorated for any approved changes in base salary during the applicable year.

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- (2) Except as otherwise indicated in the footnotes below, represents the portion of the annual cash bonus awards paid to our named executive officers in recognition of their individual performance for the applicable year.
- (3) Represents the portion of the annual cash bonus awards paid to our named executive officers in recognition of our corporate performance for the applicable year.
- (4) Except as discussed below, represents the grant date fair value of restricted stock awards and deferred stock units granted to our named executive officers in 2012, 2011 and 2010, computed in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718, Stock Compensation. For information regarding assumptions made in connection with this valuation, please see Note 12 to our consolidated financial statements found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

The amounts shown for stock awards for Messrs. Hutcheson, Ingram, Irving, Young and Roman for 2012 reflect the grant date fair value of performance-based deferred stock units granted to them during the year, adjusted for our assessment of the probable outcome of the performance conditions as of the award s grant date. The number of shares to be issued with respect to these deferred stock unit awards may range from 0% to 200% of the target number of units, depending upon (x) the Company s achievement of certain performance goals over a two-year performance period and (y) with respect to the awards granted to the



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named executive officers other than Messrs. Hutcheson, Ingram and Irving, a requirement that the average of the closing prices of Leap common stock for the 30-calendar day period prior to the vesting dates be greater than the closing price of Leap common stock on the date on which the awards were originally granted. We determined the likelihood of satisfying the minimum stock condition as of the grant date utilizing a Monte Carlo -style simulation. The officers received the following number of target units with the following full grant date fair values (at both target and assuming the highest level of performance): (1) Mr. Hutcheson, 183,000 target units, with a full grant date fair value of \$1,848,300 at target and \$3,696,600 assuming the highest level of performance; (2) Mr. Ingram, 27,000 target units, with a full grant date fair value of \$272,700 at target and \$545,400 assuming the highest level of performance; (3) Mr. Irving, 47,000 target units, with a full grant date fair value of \$348,850 at target and \$696,700 assuming the highest level of performance; (4) Mr. Young, 20,000 target units, with a full grant date fair value of \$202,200 at target and \$404,000 assuming the highest level of performance; and (5) Mr. Roman, 17,000 target units, with a full grant date fair value of \$171,700 at target and \$343,400 assuming the highest level of performance. However, due to the fact that the Company did not meet the threshold performance targets for 2012 for purpose of these performance-based deferred stock units, none of the named executive officers receive any vesting credit for 2012 performance for these awards.

- (5) Represents the grant date fair value for 2012, 2011 or 2010 of options to purchase Leap common stock granted to our named executive officers, computed in accordance with FASB ASC Topic 718, Stock Compensation. For information regarding assumptions made in connection with this valuation, please see Note 12 to our consolidated financial statements found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

- (6) Includes the other compensation set forth in the table below:

Name	Year	Matching 401(k) Contributions	Executive Benefits Payments	Financial Planning Services	Housing, Living and Relocation Expenses(a)	Sick Leave/Vacation Payout	Severance Payment (b)	Consulting Fees(c)	Tax Gross-up	Total Other Compensation
S. Douglas Hutcheson	2012	\$7,350	\$12,680			\$16,346				\$36,376
	2011	\$7,350	\$21,567	\$23,687		\$34,615				\$87,219
	2010	\$8,250	\$9,541	\$30,424		\$23,077				\$71,292
R. Perley McBride	2012					\$333				\$333
Jerry V. Elliott	2012	\$4,846	\$3,801			\$10,304			\$60,379	\$79,330
William D. Ingram	2012	\$7,333	\$4,241	\$8,313		\$8,077				\$27,964
	2011	\$7,095	\$7,366			\$6,922				\$21,383
	2010	\$4,984	\$9,010	\$9,735		\$5,769				\$29,498
Robert A. Strickland	2012	\$3,120	\$3,712		\$148,673	\$9,916			\$86,988	\$252,409
Robert J. Irving, Jr.	2012	\$6,691	\$14,509	\$23,689		\$9,692				\$54,581
Robert A. Young	2012	\$7,350	\$8,660	\$7,655		\$71,687				\$95,352
	2011	\$4,162	\$2,285	\$24,147		\$9,808				\$40,402
Walter Z. Berger	2012	\$7,033	\$37,374			\$122,308				\$166,715
	2011	\$7,350	\$30,004	\$49,513		\$12,231				\$99,098
	2010	\$8,250	\$30,005			\$10,192				\$48,447
Raymond J. Roman	2012	\$5,677	\$6,352	\$5,385	\$40,000	\$18,510	\$535,000	\$449,165	\$41,146	\$1,101,235
	2011	\$7,096	\$1,777	\$23,535	\$11,630	\$9,773			\$31,390	\$85,201

- (a) For Mr. Strickland, reflects the reimbursement of relocation expenses and for Mr. Roman represents the reimbursement of \$40,000 of rental payments (grossed up to \$58,038 to cover applicable taxes).
- (b) For Mr. Roman, reflects \$495,000 of severance payments in connection with the termination of his employment and the reimbursement of \$40,000 of relocation and other expenses (grossed-up to \$63,108 to cover applicable taxes).

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- (c) Includes monthly consulting fees totaling \$229,165 and bonus payments following termination of Mr. Roman's consulting agreement totaling \$220,000.

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- (7) Mr. McBride joined us as our executive vice president and CFO in December 2012 and his compensation for 2012 is for the partial year.
- (8) Mr. Elliott joined us as our executive vice president and CFO in May 2012 and his compensation for 2012 is for the partial year. Mr. Elliott's bonus includes a relocation bonus of \$90,000.
- (9) Mr. Ingram's bonus amounts for 2011 and 2010 include retention bonuses of \$35,000 and \$25,000 we agreed to pay him upon the completion of each of his second and third years of employment, respectively.
- (10) Mr. Strickland joined us as our executive vice president and chief technical officer in February 2012 and his compensation for 2012 is for the partial year. His bonus for 2012 includes a sign-on bonus of \$150,000 and a relocation bonus of \$35,000.
- (11) Mr. Young retired as our executive vice president and chief marketing officer effective immediately following December 31, 2012.
- (12) Mr. Berger resigned as our executive vice president and CFO, effective February 29, 2012. Each of his bonus amounts for 2011 and 2010 includes a \$50,000 retention bonus we agreed to pay him upon the completion of each of his second and third years of employment.
- (13) Mr. Roman resigned as our executive vice president and COO on July 31, 2012. Mr. Roman's bonus for 2011 includes a sign-on bonus of \$300,000 and a relocation bonus of \$40,000.

**Table of Contents****2012 Grants of Plan-Based Awards**

The following table sets forth certain information with respect to non-equity and equity incentive plan awards granted during the fiscal year ended December 31, 2012 to the named executive officers.

Name	Grant Date	Approval Date (1)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2)			Estimated Future Payouts Under Equity Incentive Plan Awards (3)			All Other Stock Awards: Number of Shares of Stock or Units (#)(4)	All Other Option Awards: Number of Securities Underlying Options (#)(5)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards \$(6)
			Threshold	Target	Maximum	Threshold	Target	Maximum				
S. Douglas Hutcheson												
Annual cash bonus award			\$ 158,350	\$ 633,402	\$ 1,266,803							
Performance-based deferred stock units	3/16/12	3/16/12				91,500	183,000	366,000				\$ 1,551,840
Performance-based cash award			\$ 425,000	\$ 850,000	\$ 1,700,000							
Stock options	3/16/12	3/16/12								417,000	\$ 10.10	\$ 2,507,213
R. Perley McBride												
Deferred stock units	12/10/12	11/12/12							100,000			\$ 676,000
Stock options	12/10/12	11/12/12								195,000	\$ 6.76	\$ 821,477
Jerry V. Elliott												
Annual cash bonus award (7)			\$ 124,986	\$ 277,746	\$ 555,492							
Performance-based cash award			\$ 300,000	\$ 600,000	\$ 1,200,000							
Restricted stock award	5/14/12	5/4/12							150,000		\$	\$ 801,000
Stock options	5/14/12	5/4/12								225,000	\$ 5.34	\$ 728,010
William D. Ingram												
Annual cash bonus award			\$ 52,640	\$ 210,562	\$ 421,123							
Performance-based deferred stock units	3/16/12	3/16/12				13,500	27,000	54,000				\$ 228,960
Performance-based cash award			\$ 225,000	\$ 450,000	\$ 900,000							
Stock options	3/16/12	3/16/12								62,000	\$ 10.10	\$ 372,775
Robert A. Strickland												
Annual cash bonus award			\$ 62,490	\$ 249,959	\$ 499,918							
Performance-based cash award			\$ 237,500	\$ 475,000	\$ 950,000							
Restricted stock award	3/14/12	2/13/12							75,000		\$	\$ 705,750
Stock options	3/14/12	2/13/12								100,000	\$ 9.41	\$ 560,180
Robert J. Irving, Jr.												
Annual cash bonus award			\$ 41,821	\$ 167,284	\$ 334,569							
Performance-based deferred stock	3/16/12	3/16/12				8,500	17,000	34,000				\$ 144,160

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<i>units</i>	11/14/12	11/12/12		15,000	30,000	60,000		\$	148,200
<i>Performance-based cash awards</i>			\$ 160,000	\$ 320,000	\$ 640,000				
			\$ 100,000	\$ 200,000	\$ 400,000				
<i>Stock options</i>	3/16/12	3/16/12					38,000	\$ 10.10	\$ 228,475
	11/14/12	11/12/12					32,500	\$ 5.905	\$ 119,597
<b>Robert A. Young</b>									
<i>Annual cash bonus award</i>			\$ 65,877	\$ 263,508	\$ 527,016				
<i>Performance-based deferred stock units</i>	3/16/12	3/16/12		10,000	20,000	40,000			\$ 169,600
<i>Performance-based cash awards</i>			\$ 220,000	\$ 440,000	\$ 880,000				
<i>Stock options</i>	3/16/12	3/16/12					45,000	\$ 10.10	\$ 270,563
<b>Raymond J. Roman</b>									
<i>Annual cash bonus award</i>			\$ 82,500	\$ 330,000	\$ 660,000				
<i>Performance-based deferred stock units</i>	3/16/12	3/16/12		8,500	17,000	34,000			\$ 144,160
<i>Performance-based cash awards</i>			\$ 275,000	\$ 550,000	\$ 1,100,000				
<i>Stock options</i>	3/16/12	3/16/12					38,000	\$ 10.10	\$ 228,475

- (1) The equity awards were approved by the Compensation Committee on the dates indicated above and granted on the grant dates listed above pursuant to our equity grant guidelines.
- (2) The amounts listed for Annual cash bonus award represent the portion of the award eligible to be earned by our named executive officers in recognition of our corporate performance for 2012, which is payable pursuant to the Company's Executive Bonus Plan.

The amounts listed for Performance-based cash award represent the right to receive a cash payment upon vesting and settlement based upon (a) the Company's achievement of certain performance goals over a two-year performance period and (b) a requirement that the average of the closing prices of Leap common stock for the 30-calendar day period prior to the vesting dates be greater than the closing price of Leap common stock on the date on which the awards were originally granted. In the event of stockholder approval of a change in control of Leap prior to the end of fiscal 2013, the executive would be entitled to receive a cash award equal to the target amount, and the awards would continue to vest pursuant to the vesting schedule.

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However, the awards would immediately vest in the event that the executive officer's employment was terminated by us without cause or by the executive for good reason within 90 days prior to or 12 months following the change in control.

- (3) Represents performance-based deferred stock units issued pursuant to the Company's 2004 Plan. Each unit represents the right to receive one share of Leap common stock upon vesting and settlement of such unit based upon (a) the Company's achievement of certain performance goals over a two-year performance period and (b) for the named executive officers other than Messrs. Hutcheson, Ingram and Irving, a requirement that the average of the closing prices of Leap common stock for the 30-calendar day period prior to the vesting dates be greater than the closing price of Leap common stock on the date on which the awards were originally granted. In the event of stockholder approval of a change in control of Leap prior to the end of fiscal 2013, the executive would be entitled to receive a number of shares underlying the deferred stock units equal to the target amount, and the awards would continue to vest pursuant to the vesting schedule. However, the awards would immediately vest in the event that the executive officer's employment was terminated by us without cause or by the executive for good reason within 90 days prior to or 12 months following the change in control.
- (4) Represents restricted stock awards or deferred stock units issued pursuant to the Company's 2004 Plan. Except as otherwise indicated, 25% of the awards vest on the second and third anniversaries of the date of grant and 50% on the fourth anniversary of the date of grant. Each award is also subject to certain accelerated vesting upon a termination of the named executive officer's employment by us without cause or by the executive for good reason within 90 days prior to or 12 months following a change in control, as described und