LEAP WIRELESS INTERNATIONAL INC
Form 10-Q
August 05, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-34865
Leap Wireless International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	33-0811062
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5887 Copley Drive, San Diego, CA	92111
(Address of Principal Executive Offices)	(Zip Code)

(858) 882-6000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer R	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
	(Do not check if a smaller reporting company)		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No R

The number of shares outstanding of the registrant's common stock on July 29, 2011 was 78,696,465.

LEAP WIRELESS INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended June 30, 2011

TABLE OF CONTENTS

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and cash equivalents	$508,119	$350,790
Short-term investments	215,895	68,367
Inventories	101,022	104,241
Deferred charges	46,233	47,343
Other current assets	137,972	91,010
Total current assets	1,009,241	661,751
Property and equipment, net	1,976,394	2,036,645
Wireless licenses	1,943,244	1,968,075
Assets held for sale (Note 9)	27,677	—
Goodwill (Note 2)	31,654	31,094
Intangible assets, net	52,315	64,843
Other assets	63,535	72,415
Total assets	$5,104,060	$4,834,823
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$308,712	$346,869
Current maturities of long-term debt	8,500	8,500
Other current liabilities	233,789	221,077
Total current liabilities	551,001	576,446
Long-term debt	3,217,089	2,832,070
Deferred tax liabilities	314,379	295,703
Other long-term liabilities	141,430	114,534
Total liabilities	4,223,899	3,818,753
Redeemable non-controlling interests	119,060	104,788
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock - authorized 10,000,000 shares, $.0001 par value; no shares issued and outstanding	—	—
Common stock - authorized 160,000,000 shares, $.0001 par value; 78,664,667 and 78,437,309 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	8	8
Additional paid-in capital	2,150,404	2,155,712
Accumulated deficit	(1,388,622)	(1,243,740)
Accumulated other comprehensive loss	(689)	(698)
Total stockholders' equity	761,101	911,282

Total liabilities and stockholders' equity	$5,104,060	$4,834,823

See accompanying notes to condensed consolidated financial statements.

1

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Service revenues	$704,087	$630,804	$1,382,498	$1,245,432
Equipment revenues	56,451	36,542	157,954	105,674
Total revenues	760,538	667,346	1,540,452	1,351,106
Operating expenses:				
Cost of service (exclusive of items shown separately below)	244,870	209,608	480,815	405,348
Cost of equipment	182,677	111,041	412,472	279,094
Selling and marketing	87,161	96,449	197,013	208,333
General and administrative	92,079	88,944	187,488	181,200
Depreciation and amortization	136,137	110,649	262,811	219,895
Impairments and other charges	631	—	631	—
Total operating expenses	743,555	616,691	1,541,230	1,293,870
Loss on sale or disposal of assets	(4,646)	(1,488)	(4,995)	(2,941)
Operating income (loss)	12,337	49,167	(5,773)	54,295
Equity in net income of investees, net	1,010	887	2,189	1,458
Interest income	59	294	123	722
Interest expense	(61,923)	(60,296)	(120,742)	(120,591)
Other income (expense), net	(32)	3,057	(32)	3,072
Loss before income taxes	(48,549)	(6,891)	(124,235)	(61,044)
Income tax expense	(9,893)	(12,397)	(20,647)	(23,691)
Net loss	(58,442)	(19,288)	(144,882)	(84,735)
Accretion of redeemable non-controlling interests and distributions, net of tax	(6,769)	1,050	(16,540)	(1,537)
Net loss attributable to common stockholders	$(65,211)	$(18,238)	$(161,422)	$(86,272)
Loss per share attributable to common stockholders:				
Basic	$(0.85)	$(0.24)	$(2.11)	$(1.14)
Diluted	$(0.85)	$(0.24)	$(2.11)	$(1.14)
Shares used in per share calculations:				
Basic	76,497	75,846	76,436	75,820
Diluted	76,497	75,846	76,436	75,820

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Six Months Ended June 30,	
	2011	2010
Operating activities:		
Net cash provided by operating activities	$101,639	$204,406
Investing activities:		
Acquisition of a business	(850)	—
Purchases of property and equipment	(186,186)	(195,405)
Change in prepayments for purchases of property and equipment	(2,953)	(2,836)
Purchases of wireless licenses and spectrum clearing costs	(2,845)	(1,827)
Proceeds from sales of wireless licenses and operating assets	468	—
Purchases of investments	(297,430)	(301,399)
Sales and maturities of investments	149,767	427,287
Purchase of membership units of equity investment	—	(967)
Change in restricted cash	(420)	378
Net cash used in investing activities	(340,449)	(74,769)
Financing activities:		
Proceeds from issuance of long-term debt	396,772	—
Repayment of long-term debt	(15,089)	(4,000)
Payment of debt issuance costs	(6,680)	—
Purchase of non-controlling interest	—	(20,973)
Proceeds from issuance of common stock, net	712	904
Proceeds from sale lease-back financing	23,891	—
Other	(3,467)	(979)
Net cash provided by (used in) financing activities	396,139	(25,048)
Net increase in cash and cash equivalents	157,329	104,589
Cash and cash equivalents at beginning of period	350,790	174,999
Cash and cash equivalents at end of period	$508,119	$279,588
Supplementary disclosure of cash flow information:		
Cash paid for interest	$(102,328)	$(115,528)
Cash paid for income taxes	$(2,974)	$(2,977)
Non-cash investing and financing activities:		
Contribution of wireless licenses in exchange for an equity interest	$—	$2,381

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. The Company

Leap Wireless International, Inc. (“Leap”), a Delaware corporation, together with its subsidiaries and consolidated joint ventures, is a wireless communications carrier that offers digital wireless services in the United States under the “Cricket®” brand. Cricket service offerings provide customers with unlimited nationwide wireless services for a flat rate without requiring a fixed-term contract or a credit check. The Company's primary service is Cricket Wireless, which offers customers unlimited nationwide voice and data services for a flat monthly rate. Leap conducts operations through its subsidiaries and has no independent operations or sources of income other than interest income and through dividends, if any, from its subsidiaries.

Cricket service is offered by Cricket Communications, Inc. (“Cricket”), a wholly-owned subsidiary of Leap. Cricket service is also offered in South Texas by the Company's joint venture, STX Wireless Operations, LLC (“STX Operations”), which Cricket controls through a 75.75% controlling membership interest in its parent company STX Wireless, LLC (“STX Wireless”). In addition, Cricket owns an 85% non-controlling membership interest in Savary Island Wireless, LLC (“Savary Island”), which holds wireless spectrum in the upper Midwest portion of the U.S. and which leases a portion of that spectrum to Cricket. For more information regarding the ventures described above, see “Note 9. Significant Acquisitions and Other Transactions.”

Leap, Cricket and their subsidiaries and consolidated joint ventures are collectively referred to herein as the “Company.”

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared without audit, in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes required by accounting principles generally accepted in the United States of America (“GAAP”) for a complete set of financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments necessary for a fair presentation of the Company's results for the periods presented, with such adjustments consisting only of normal recurring adjustments. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from management's estimates and operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

Principles of Consolidation

The condensed consolidated financial statements include the operating results and financial position of Leap and its wholly-owned subsidiaries and consolidated joint ventures. The Company consolidates its non-controlling interest in Savary Island in accordance with the authoritative guidance for the consolidation of variable interest entities because Savary Island is a variable interest entity and the Company has entered into an agreement with Savary Island's other member which establishes a specified purchase price in the event that it exercises its right to sell its membership interest to the Company. The Company consolidates STX Wireless in accordance with the authoritative guidance for consolidations based on the voting interest model. All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

Segment and Geographic Data

The Company operates in a single operating segment and a single reporting unit as a wireless communications carrier that offers digital wireless services in the United States. As of and for the three and six months ended June 30, 2011, all of the Company's revenues and long-lived assets related to operations in the United States.

Revenues

The Company's business revenues principally arise from the sale of wireless services, devices (handsets and broadband modems) and accessories. Wireless services are provided primarily on a month-to-month basis. The Company's customers are required to pay for their service in advance and the Company does not require customers to sign fixed-term contracts or pass a credit check. Service revenues are recognized only after payment has been received and services have been rendered.

When the Company activates service for a new customer, it typically sells that customer a device along with a period of service. In accordance with the authoritative guidance for revenue arrangements with multiple deliverables, the sale of a device along with service constitutes a multiple element arrangement. Under this guidance, once a company has determined the fair value of the elements in the sales transaction, the total consideration received from the customer must be allocated among those elements on a relative fair value basis. Applying the guidance to these transactions results in the Company recognizing the total consideration received, less amounts allocated to the wireless service period (generally the customer's monthly rate plan), as equipment revenue.

Amounts allocated to equipment revenues and related costs from the sale of devices are recognized when service is activated by new customers. Revenues and related costs from the sale of devices and accessories to existing customers are recognized at the point of sale. The costs of devices and accessories sold are recorded in cost of equipment. In addition to devices that the Company sells directly to its customers at Cricket-owned stores, the Company sells devices to third-party dealers, including mass-merchant retailers. These dealers then sell the devices to the ultimate Cricket customer, similar to the sale made at a Cricket-owned store. Sales of devices to third-party dealers are recognized as equipment revenues only when service is activated by customers, since the level of price reductions and commissions ultimately available to such dealers is not reliably estimable until the devices are sold by such dealers to customers. Thus, revenues from devices sold to third-party dealers are recorded as deferred equipment revenue and the related costs of the devices are recorded as deferred charges upon shipment of the devices by the Company. The deferred charges are recognized as equipment costs when the related equipment revenue is recognized, which occurs when service is activated by the customer.

Through a third-party provider, the Company's customers may elect to participate in an extended warranty program for devices they purchase. The Company recognizes revenue on replacement devices sold to its customers under the program when the customer purchases the device.

Sales incentives offered to customers and commissions and sales incentives offered to the Company's third-party dealers are recognized as a reduction of revenue when the related service or equipment revenue is recognized. Customers have limited rights to return devices and accessories based on time and/or usage, and customer returns of devices and accessories have historically been insignificant.

Amounts billed by the Company in advance of customers' wireless service periods are not reflected in accounts receivable or deferred revenue since collectability of such amounts is not reasonably assured. Deferred revenue consists primarily of cash received from customers in advance of their service period and deferred equipment revenue related to devices sold to third-party dealers.

Universal Service Fund, E-911 and other telecommunications-related regulatory fees are assessed by various federal and state governmental agencies in connection with the services that the Company provides to its customers. Regulatory fees and telecommunications taxes collected from customers are recorded in service revenues and amounts owed and remitted to government agencies are recorded in cost of service. During the three and six months ended June 30, 2011, the total amount of regulatory fees and telecommunications taxes separately billed and collected from customers and recorded in service revenues was $9.5 million and $21.0 million, respectively. During the three and six months ended June 30, 2010, the total amount of regulatory fees and telecommunications taxes separately billed and collected from customers and recorded in service revenues was $32.2 million and $60.8 million, respectively. Sales, use and excise taxes for all service plans are reported on a net basis.

Restricted Cash, Cash Equivalents and Short-Term Investments

The Company has set aside certain amounts of cash, cash equivalents and short term investments to satisfy certain contractual obligations and has classified such amounts as restricted in its condensed consolidated balance sheets. Restricted cash, cash equivalents and short-term investments are included in either other current assets or other assets, depending on the nature of the underlying contractual obligation. As of June 30, 2011, the Company had approximately $3.6 million and $8.2 million of restricted cash, cash equivalents and short-term investments, included in other current assets and other assets, respectively. As of December 31, 2010, the Company had approximately $3.6 million and $7.8 million of restricted cash, cash equivalents and short-term investments, included in other current assets and other assets, respectively.

Goodwill

The Company records the excess of the purchase price over the fair value of net assets acquired in a business combination as goodwill. As of December 31, 2010, goodwill of $31.1 million represented the excess of the purchase price over the fair values of the assets acquired (net of liabilities assumed, including the related deferred tax effects) by STX Wireless in connection with the formation of the joint venture. For more information regarding the joint venture, see "Note 9. Significant Acquisitions and Other Transactions."

On January 3, 2011, the Company acquired a customer assistance call center from various entities doing business as Pocket Communications ("Pocket") for $850,000. The Company accounted for this transaction as a business purchase combination in accordance with the authoritative guidance for business combinations. A portion of the purchase price was assigned to property and equipment and the remaining amount was allocated to goodwill.

Goodwill is tested for impairment annually as well as when an event or change in circumstance indicates an impairment may have occurred. In addition, on a quarterly basis, the Company evaluates the triggering event criteria outlined in the authoritative guidance for the impairment or disposal of long-lived assets to determine whether events or changes in circumstances indicate that an impairment condition may exist. The following table summarizes the changes in the carrying amount of the Company's goodwill during the six months ended June 30, 2011 (in thousands):

	Six Months Ended June 30, 2011
Beginning balance, January 1	$31,094
Goodwill acquired	560
Ending balance, June 30	$31,654

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-04, “Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs,” (“ASU 2011-04”). ASU 2011-04 redefines many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is effective for the Company beginning in the first quarter of 2012 and is to be applied prospectively. The Company anticipates that the adoption of this standard will not materially expand its consolidated financial statement footnote disclosures.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income,” (“ASU 2011-05”). ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in equity. ASU 2011-05 requires that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This new guidance is effective for the Company beginning in the first quarter of 2012 and is to be applied retrospectively.

6

Note 3. Supplementary Balance Sheet Information (in thousands):

	June 30, 2011	December 31, 2010
Other current assets:		
Accounts receivable, net(1)	$59,321	$50,750
Prepaid expenses	40,258	27,493
Other	38,393	12,767
	$137,972	$91,010
Property and equipment, net:		
Network equipment	$3,160,211	$3,095,793
Computer hardware and software	487,087	342,972
Construction-in-progress	72,018	146,973
Other	115,218	108,273
	3,834,534	3,694,011
Accumulated depreciation	(1,858,140)	(1,657,366)
	$1,976,394	$2,036,645
Intangible assets, net:		
Customer relationships	$57,782	$57,782
Trademarks	37,000	37,000
	94,782	94,782
Accumulated amortization of customer relationships	(24,187)	(12,980)
Accumulated amortization of trademarks	(18,280)	(16,959)
	$52,315	$64,843
Accounts payable and accrued liabilities:		
Trade accounts payable	$152,569	$205,824
Accrued payroll and related benefits	56,464	55,290
Other accrued liabilities	99,679	85,755
	$308,712	$346,869
Other current liabilities:		
Deferred service revenue(2)	$106,400	$101,343
Deferred equipment revenue(3)	30,601	26,564
Accrued sales, telecommunications, property and other taxes payable	31,340	44,942
Accrued interest	56,006	40,804
Other	9,442	7,424
	$233,789	$221,077

---

(1) Accounts receivable, net, consists primarily of amounts billed to third-party dealers for devices and accessories and amounts due from service providers related to interconnect and roaming agreements, net of an allowance for doubtful accounts.

(2) Deferred service revenue consists primarily of cash received from customers in advance of their service period.

(3) Deferred equipment revenue relates to devices sold to third-party dealers which have not yet been purchased and activated by customers.

Note 4. Fair Value of Financial Instruments

Fair Value of Financial Instruments

The authoritative guidance for fair value measurements defines fair value for accounting purposes, establishes a framework for measuring fair value and provides disclosure requirements regarding fair value measurements. The guidance defines fair value as an exit price, which is the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date. The degree of judgment utilized in measuring the fair value of assets and liabilities generally correlates to the level of pricing observability. Assets and liabilities with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and require less judgment in measuring fair value. Conversely, assets and liabilities that are rarely traded or not quoted have less pricing observability and are generally measured at fair value using valuation models that require more judgment. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency of the asset, liability or market and the nature of the asset or liability.

The Company has categorized its assets and liabilities measured at fair value into a three-level hierarchy in accordance with the authoritative guidance for fair value measurements. Assets and liabilities measured at fair value using quoted prices in active markets for identical assets or liabilities are generally categorized as Level 1; assets and liabilities measured at fair value using observable market-based inputs or unobservable inputs that are corroborated by market data for similar assets or liabilities are generally categorized as Level 2; and assets and liabilities measured at fair value using unobservable inputs that cannot be corroborated by market data are generally categorized as Level 3. Assets and liabilities presented at fair value in the Company's condensed consolidated balance sheets are generally categorized as follows:

Level 1:	Quoted prices in active markets for identical assets or liabilities. The Company did not have any Level 1 assets or liabilities as of June 30, 2011 or December 31, 2010.
Level 2:	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's Level 2 assets as of June 30, 2011 and December 31, 2010 included its cash equivalents, its short-term investments in obligations of the U.S. government and government agencies and its short-term investments in commercial paper.
Level 3:	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Such assets and liabilities may have values determined using pricing models, discounted cash flow methodologies, or similar techniques, and include instruments for which the determination of fair value requires significant management judgment or estimation. The Company did not have any Level 3 assets or liabilities as of June 30, 2011 or December 31, 2010.

The following tables set forth by level within the fair value hierarchy the Company's assets and liabilities that were recorded at fair value as of June 30, 2011 and December 31, 2010 (in thousands). As required by the guidance for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Thus, assets and liabilities categorized as Level 3 may be measured at fair value using inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Management's assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

	At Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total

Assets:				
Money market funds	$—	$231,417	$—	$231,417
Commercial paper	—	181,886	—	181,886
U.S. government or government agency securities	—	265,261	—	265,261
Total	$—	$678,564	$—	$678,564

	At Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$—	$168,831	$—	$168,831
Commercial paper	—	17,494	—	17,494
U.S. government or government agency securities	—	108,364	—	108,364
Total	$—	$294,689	$—	$294,689

Assets in the tables above are reported on the condensed consolidated balance sheets as components of cash and cash equivalents, short-term investments, other current assets and other assets.

Unrealized gains (losses) are presented in accumulated other comprehensive loss within stockholders' equity in the condensed consolidated balance sheets. Realized gains (losses) are presented in other income (expense), net in the condensed consolidated statements of operations.

Cash Equivalents and Short-Term Investments

As of June 30, 2011 and December 31, 2010, all of the Company's short-term investments were debt securities with contractual maturities of less than one year and were classified as available-for-sale. The fair value of the Company's cash equivalents, short-term investments in obligations of the U.S. government and government agencies and a majority of its short-term investments in commercial paper is determined using observable market-based inputs for similar assets, which primarily include yield curves and time-to-maturity factors. Such investments are therefore considered to be Level 2 items.

Available-for-sale securities were comprised as follows as of June 30, 2011 and December 31, 2010 (in thousands):

	As of June 30, 2011	
	Cost	Fair Value
Money market funds	$231,417	$231,417
Commercial paper	181,884	181,886
U.S. government or government agency securities	265,251	265,261
	$678,552	$678,564

	As of December 31, 2010	
	Cost	Fair Value
Money market funds	$168,831	$168,831
Commercial paper	17,494	17,494
U.S. government or government agency securities	108,364	108,364
	$294,689	$294,689

Long-Term Debt

The Company reports its long-term debt obligations at amortized cost; however, for disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. The fair value of the Company's outstanding long-term debt is determined primarily by using quoted prices in active markets and was $3,338.5 million and $2,876.8 million as of June 30, 2011 and December 31, 2010, respectively.

Assets Measured at Fair Value on a Nonrecurring Basis

During the period ended June 30, 2011, there were no non-financial assets that were measured and recorded at fair value on a non-recurring basis.

Note 5. Long-Term Debt

Long-term debt as of June 30, 2011 and December 31, 2010 was comprised of the following (in thousands):

	June 30, 2011		December 31, 2010	
Convertible senior notes due 2014	$250,000		$250,000	
Unsecured senior notes due 2015	300,000		300,000	
Non-negotiable promissory note due 2015	30,411		45,500	
Senior secured notes due 2016	1,100,000		1,100,000	
Unamortized discount on $1,100 million senior secured notes due 2016	(32,339	)	(34,962	)
Unsecured senior notes due 2020	1,600,000		1,200,000	
Unamortized discount on $1,600 million unsecured senior notes due 2020	(22,483	)	(19,968	)
	3,225,589		2,840,570	
Current maturities of long-term debt	(8,500	)	(8,500	)

&#16