LEAP WIRELESS INTERNATIONAL INC
Form 10-Q/A
April 20, 2006

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

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended September 30, 2005

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 0-29752

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.)**
10307 Pacific Center Court, San Diego, CA	**92121**
(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 reported)

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 ninety days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

The number of shares of registrant s common stock outstanding on April 17, 2006 was 61,212,528.

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EXPLANATORY NOTE

The previously issued unaudited condensed consolidated financial statements of Leap Wireless International, Inc. have been amended and restated to correct errors: (i) in the calculation of the tax bases of certain wireless licenses and deferred taxes associated with tax deductible goodwill, (ii) in the accounting for the release of the valuation allowance on deferred tax assets recorded in fresh-start reporting, and (iii) based on the determination that the netting of deferred tax assets associated with wireless licenses against deferred tax liabilities associated with wireless licenses was not appropriate, as well as the resulting error in the calculation of the valuation allowance on the license-related deferred tax assets. These errors arose in connection with our implementation of fresh-start reporting on July 31, 2004. See Note 3 to our condensed consolidated financial statements included in Part I Item 1 of this report for additional information.

We have amended and restated in its entirety each item of the quarterly report on Form 10-Q for the quarter ended September 30, 2005 (the Original Form 10-Q), filed with the Securities and Exchange Commission on November 14, 2005 (the Original Filing Date), that required a change to reflect the restatement. These items include Part I: Item 1. Financial Statements; Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations; and Item 4. Controls and Procedures. We have supplemented Item 6 of Part II to include current certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, filed as Exhibits 31.1, 31.2 and 32 to this amendment.

This amendment contains only the sections and exhibits to the Original Form 10-Q that are being amended and restated, and those unaffected parts or exhibits are not included herein. This amendment continues to speak as of the Original Filing Date, and the Company has not updated the disclosure contained herein to reflect events that have occurred since the Original Filing Date. Accordingly, this amendment should be read in conjunction with the Company s other filings made with the Securities and Exchange Commission subsequent to the filing of the Original Form 10-Q, including the amendments to those filings, if any.

LEAP WIRELESS INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q/A
For the Quarter Ended September 30, 2005

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	Successor Company	
	September 30, 2005 (Unaudited) (As Restated) (See Note 3)	**December 31, 2004 (As Restated) (See Note 3)**
Assets		
Cash and cash equivalents	$ 168,288	$ 141,141
Short-term investments	223,497	113,083
Restricted cash, cash equivalents and short-term investments	21,588	31,427
Inventories	22,979	25,816
Other current assets	28,669	37,531
Total current assets	465,021	348,998
Property and equipment, net	532,744	575,486
Wireless licenses	829,512	652,653
Assets held for sale (Note 7)	9,756	
Goodwill	437,382	457,637
Other intangible assets, net	123,617	151,461
Deposits for wireless licenses		24,750
Other assets	18,244	9,902
Total assets	$ 2,416,276	$ 2,220,887
Liabilities and Stockholders Equity		
Accounts payable and accrued liabilities	$ 76,185	$ 91,093
Current maturities of long-term debt (Note 5)	6,111	40,373
Other current liabilities	59,066	71,770
Total current liabilities	141,362	203,236
Long-term debt (Note 5)	589,861	371,355
Other long-term liabilities	177,105	176,240
Total liabilities	908,328	750,831

Minority interest	1,730	
Commitments and contingencies (Notes 2, 5 and 8)		
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, 61,160,538 and 60,000,000 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively	6	6
Additional paid-in capital	1,511,648	1,478,392
Unearned stock-based compensation	(23,405)	
Retained earnings (accumulated deficit)	16,625	(8,391)
Accumulated other comprehensive income	1,344	49
Total stockholders equity	1,506,218	1,470,056
Total liabilities and stockholders equity	$ 2,416,276	$ 2,220,887

See accompanying notes to condensed consolidated financial statements.

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LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(In thousands, except per share data)

	Successor Company		Predecessor Company
	Three Months Ended September 30, 2005 (As Restated) (See Note 3)	Two Months Ended September 30, 2004 (As Restated) (See Note 3)	One Month Ended July 31, 2004
Revenues:			
Service revenues	$ 193,675	$ 113,011	$ 57,375
Equipment revenues	36,852	24,772	11,749
Total revenues	230,527	137,783	69,124
Operating expenses:			
Cost of service (exclusive of items shown separately below)	(50,304)	(32,873)	(18,161)
Cost of equipment	(49,576)	(31,383)	(12,770)
Selling and marketing	(25,535)	(16,769)	(6,805)
General and administrative	(41,306)	(21,707)	(8,982)
Depreciation and amortization	(49,076)	(29,547)	(26,273)
Impairment of indefinite-lived intangible assets	(689)		
Total operating expenses	(216,486)	(132,279)	(72,991)
Gain on sale of wireless licenses and operating assets (Note 7)	14,593		532
Operating income (loss)	28,634	5,504	(3,335)
Interest income	2,991	608	
Interest expense (contractual interest expense was $22.7 million for the one month ended July 31, 2004)	(6,679)	(5,545)	(464)
Other income (expense), net	2,352	155	303
Income (loss) before reorganization items and income taxes	27,298	722	(3,496)
Reorganization items, net			963,156
Income before income taxes	27,298	722	959,660

Income taxes	(10,901)	(2,556)	(295)
Net income (loss)	16,397	(1,834)	959,365
Other comprehensive income (loss):			
Unrealized holding gains (losses) on investments, net	120	(110)	
Unrealized gains on derivative instruments	2,007		
Comprehensive income (loss)	$ 18,524	$ (1,944)	$ 959,365
Net income (loss) per share:			
Basic	$ 0.27	$ (0.03)	$ 16.36
Diluted	$ 0.27	$ (0.03)	$ 16.36
Shares used in per share calculations:			
Basic	60,246	60,000	58,631
Diluted	61,395	60,000	58,631

See accompanying notes to condensed consolidated financial statements.

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LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(In thousands, except per share data)

	Successor Company		Predecessor Company
	Nine Months Ended September 30, 2005 (As Restated) (See Note 3)	Two Months Ended September 30, 2004 (As Restated) (See Note 3)	Seven Months Ended July 31, 2004
Revenues:			
Service revenues	$ 569,360	$ 113,011	$ 398,451
Equipment revenues	116,366	24,772	83,196
Total revenues	685,726	137,783	481,647
Operating expenses:			
Cost of service (exclusive of items shown separately below)	(150,109)	(32,873)	(113,988)
Cost of equipment	(141,553)	(31,383)	(97,160)
Selling and marketing	(73,340)	(16,769)	(51,997)
General and administrative	(119,764)	(21,707)	(81,514)
Depreciation and amortization	(144,461)	(29,547)	(178,120)
Impairment of indefinite-lived intangible assets	(12,043)		
Total operating expenses	(641,270)	(132,279)	(522,779)
Gain on sale of wireless licenses and operating assets (Note 7)	14,593		532
Operating income (loss)	59,049	5,504	(40,600)
Interest income	6,070	608	
Interest expense (contractual interest expense was $156.3 million for the seven months ended July 31, 2004)	(23,368)	(5,545)	(4,195)
Other income (expense), net	1,027	155	(293)
Income (loss) before reorganization items and income taxes	42,778	722	(45,088)
Reorganization items, net			962,444
Income before income taxes	42,778	722	917,356
Income taxes	(17,762)	(2,556)	(4,166)

Net income (loss)	25,016	(1,834)	913,190
Other comprehensive income (loss):			
Unrealized holding gains (losses) on investments, net	82	(110)	
Unrealized gains on derivative instruments	1,213		
Comprehensive income (loss)	$ 26,311	$ (1,944)	$ 913,190
Net income (loss) per share:			
Basic	$ 0.42	$ (0.03)	$ 15.58
Diluted	$ 0.41	$ (0.03)	$ 15.58
Shares used in per share calculations:			
Basic	60,093	60,000	58,623
Diluted	60,727	60,000	58,623

See accompanying notes to condensed consolidated financial statements.

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LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Successor Company		Predecessor Company
	Nine Months Ended September 30, 2005	Two Months Ended September 30, 2004	Seven Months Ended July 31, 2004
Operating activities:			
Net cash provided by operating activities	$ 191,191	$ 27,045	$ 120,623
Investing activities:			
Purchases of property and equipment	(82,259)	(13,568)	(34,456)
Prepayments for purchases of property and equipment	(1,137)	3,135	1,215
Purchases of and deposits for wireless licenses	(243,987)		
Proceeds from sale of wireless licenses and operating assets	99,050		2,000
Purchases of investments	(270,587)	(12,798)	(87,201)
Sales and maturities of investments	158,501	7,300	58,333
Restricted cash, cash equivalents and short-term investments, net	83	11,453	9,810
Net cash used in investing activities	(340,336)	(4,478)	(50,299)
Financing activities:			
Proceeds from long-term debt	600,000		
Repayment of long-term debt	(416,757)	(36,727)	
Payment of debt issuance costs	(6,951)		
Net cash provided by (used in) financing activities	176,292	(36,727)	
Net increase (decrease) in cash and cash equivalents	27,147	(14,160)	70,324
Cash and cash equivalents at beginning of period	141,141	154,394	84,070
Cash and cash equivalents at end of period	$ 168,288	$ 140,234	$ 154,394
Supplementary disclosure of cash flow information:			
Cash paid for interest	$ 44,951	$ 8,227	$
Cash paid for income taxes	280	140	76
Cash provided by (paid for) reorganization activities (included in net cash provided by operating activities):			
Payments to Leap Creditor Trust			(990)
Payments for professional fees			(7,975)

Cash received from vendor settlements, net of cure amounts paid	1,984
Interest income	1,485
Supplementary disclosure of non-cash investing and financing activities:	
Issuance of restricted stock awards under stock compensation plan	3,897

See accompanying notes to condensed consolidated financial statements.

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LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. The Company and Nature of Business

Leap Wireless International, Inc. (Leap), a Delaware corporation, together with its wholly owned subsidiaries, is a wireless communications carrier that offers digital wireless service in the United States of America under the brand Cricket®. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends, if any, from its operating subsidiaries. Cricket service is operated by Leap s wholly owned subsidiary, Cricket Communications, Inc. (Cricket). Leap, Cricket and their subsidiaries are collectively referred to herein as the Company. As of September 30, 2005, the Company provided wireless service in 19 states with networks covering a total potential customer base of 27.2 million. As of September 30, 2005, the Company and Alaska Native Broadband 1 License, LLC (ANB 1 License), a wholly owned subsidiary of Alaska Native Broadband 1, LLC (ANB 1), owned wireless licenses covering a total potential customer base of 70.3 million.

In November 2004, the Company acquired a 75% non-controlling membership interest in ANB 1 for the purpose of participating in the Federal Communication Commission s (FCC s) Auction #58 through ANB 1 License (Note 7). The Company consolidates its membership interest in ANB 1.

Note 2. Reorganization and Fresh-Start Reporting

On April 13, 2003 (the Petition Date), Leap, Cricket and substantially all of their subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code (Chapter 11) in the United States Bankruptcy Court for the Southern District of California (the Bankruptcy Court). On October 22, 2003, the Bankruptcy Court confirmed the Fifth Amended Joint Plan of Reorganization (the Plan of Reorganization) of Leap, Cricket and their debtor subsidiaries. All material conditions to the effectiveness of the Plan of Reorganization were resolved on August 5, 2004, and on August 16, 2004 (the Effective Date), the Plan of Reorganization became effective and the Company emerged from Chapter 11 bankruptcy. On that date, a new Board of Directors of Leap was appointed, Leap s previously existing stock, options and warrants were cancelled, and Leap issued 60 million shares of new Leap common stock for distribution to two classes of creditors. The Plan of Reorganization implemented a comprehensive financial reorganization that significantly reduced the Company s outstanding indebtedness. On the Effective Date of the Plan of Reorganization, the Company s long-term debt was reduced from a book value of more than $2.4 billion to debt with an estimated fair value of $412.8 million, consisting of new Cricket 13% senior secured pay-in-kind notes due 2011 with a face value of $350 million and an estimated fair value of $372.8 million, issued on the Effective Date, and approximately $40 million of remaining indebtedness to the FCC (net of the repayment of $45 million of principal and accrued interest to the FCC on the Effective Date). A summary of the material actions that occurred during the bankruptcy process and as of the Effective Date of the Plan of Reorganization is included in the Company s Annual Report on Form 10-K for the year ended December 31, 2004 as originally filed with the Securities and Exchange Commission (SEC) on May 16, 2005 and subsequently restated as of and for the five months ended December 31, 2004 in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 27, 2006.

As of the Petition Date and through the adoption of fresh-start reporting on July 31, 2004, the Company implemented American Institute of Certified Public Accountants Statement of Position (SOP) 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code. In accordance with SOP 90-7, the Company separately reported certain expenses, realized gains and losses and provisions for losses related to the Chapter 11 filings as reorganization items. In addition, commencing as of the Petition Date and continuing while in bankruptcy, the Company ceased accruing interest and amortizing debt discounts and debt issuance costs for its pre-petition debt that was subject to compromise,

which included debt with a book value totaling approximately $2.4 billion as of the Petition Date.

The Company adopted the fresh-start reporting provisions of SOP 90-7 as of July 31, 2004. Under fresh-start reporting, a new entity is deemed to be created for financial reporting purposes. Therefore, as used in these

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condensed consolidated financial statements, the Company is referred to as the Predecessor Company for periods on or prior to July 31, 2004 and is referred to as the Successor Company for periods after July 31, 2004, after giving effect to the implementation of fresh-start reporting. The financial statements of the Successor Company are not comparable in many respects to the financial statements of the Predecessor Company because of the effects of the consummation of the Plan of Reorganization as well as the adjustments for fresh-start reporting.

Under SOP 90-7, reorganization value represents the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets of the entity immediately after the reorganization. In implementing fresh-start reporting, the Company allocated its reorganization value to the fair value of its assets in conformity with procedures specified by Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, and stated its liabilities, other than deferred taxes, at the present value of amounts expected to be paid. The amount remaining after allocation of the reorganization value to the fair value of the Company s identified tangible and intangible assets is reflected as goodwill, which is subject to periodic evaluation for impairment. In addition, under fresh-start reporting, the Company s accumulated deficit was eliminated and new equity was issued according to the Plan of Reorganization. The determination of reorganization value and the adjustments to the Predecessor Company s consolidated balance sheet at July 31, 2004 resulting from the application of fresh-start reporting are summarized in the Company s Annual Report on Form 10-K for the year ended December 31, 2004, as originally filed, and subsequently restated as of and for the five months ended December 31, 2004 in the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

The fair values of goodwill and intangible assets reported in the Successor Company s consolidated balance sheet were estimated based upon the Company s estimates of future cash flows and other factors including discount rates. If these estimates or the assumptions underlying these estimates change in the future, the Company may be required to record impairment charges. In addition, a permanent and sustained decline in the market value of the Company s outstanding common stock could also result in the requirement to recognize impairment charges in future periods.

Note 3. Basis of Presentation and Significant Accounting Policies

Interim Financial Statements

The accompanying interim condensed consolidated financial statements have been prepared by the Company 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 for a complete set of financial statements. These condensed consolidated financial statements and notes thereto 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, 2005. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments necessary for a fair statement of the results for the periods presented, with such adjustments consisting only of normal recurring adjustments. 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 accounts of Leap and its wholly owned subsidiaries as well as the accounts of ANB 1 and its wholly owned subsidiary ANB 1 License. The Company consolidates its interest in ANB 1 in accordance with FASB Interpretation No. 46-R, Consolidation of Variable Interest Entities, because the Company will absorb a majority of ANB 1 s expected losses. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

Restatement of Previously Reported Unaudited Interim Consolidated Financial Information

The Company has restated its consolidated financial information for the three and nine months ended September 30, 2005 and the two months ended September 30, 2004. The determination to restate the interim financial information was made by the Company s Audit Committee upon the recommendation of management as a result of the identification of the following errors related to the accounting for deferred income taxes:

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The tax bases of several wireless licenses were inaccurately compiled by the Company during its adoption of fresh-start reporting as of July 31, 2004, which had the effect in the aggregate of understating wireless license deferred tax liabilities and overstating wireless license deferred tax assets. In addition, the misstatement of the tax bases of operating licenses with deferred tax liabilities had the net effect of overstating deferred income tax expense in the periods subsequent to July 31, 2004.

The Company incorrectly accounted for tax-deductible goodwill upon the adoption of fresh-start reporting as of July 31, 2004, which had the effect of understating deferred tax liabilities and understating deferred income tax expense in the periods subsequent to July 31, 2004.

In connection with the adoption of fresh-start reporting as of July 31, 2004, the Company adopted the practice of netting deferred tax assets associated with wireless licenses against deferred tax liabilities associated with wireless licenses and, as a result, did not record valuation allowances on its wireless license deferred tax assets. However, because the Company s wireless licenses have indefinite useful lives, the deferred tax liabilities related to the licenses will not reverse until some indefinite future period when a license is either sold or written down due to impairment. As a result, the wireless license deferred tax liabilities may not be used to support the realization of the wireless license deferred tax assets and, thus, may not be used to offset the wireless license deferred tax assets. Accordingly, the Company has now determined that the netting of deferred tax assets associated with wireless licenses against deferred tax liabilities associated with wireless licenses was not appropriate. Instead, valuation allowances should have been recorded on the wireless license deferred tax assets.

The Company incorrectly accounted for the release of valuation allowances on deferred tax assets recorded in fresh-start reporting. The Company previously concluded that there had been no release of fresh-start valuation allowances during the three and nine months ended September 30, 2005. However, the reversal of deferred tax assets recorded in fresh-start reporting resulted in a release of the related fresh-start valuation allowances. As restated, the release of fresh-start valuation allowances is recorded as a reduction of goodwill and resulted in deferred income tax expense for the three and nine months ended September 30, 2005.

The following tables present the effects of the restatements on the Company s previously issued consolidated financial statements and interim consolidated financial information (in thousands, except per share data):

	As of and for the Two Months Ended September 30, 2004		
	Previously Reported (Unaudited)	Adjustment (Unaudited)	As Restated (Unaudited)
Consolidated Balance Sheet Data:			
Other current assets	$ 33,656	$ 2,903	$ 36,559
Goodwill	$ 328,820	$ 128,225	$ 457,045
Other current liabilities	$ 67,271	$ (159)	$ 67,112
Other long-term liabilities	$ 31,194	$ 131,139	$ 162,333
Accumulated deficit	$ (1,982)	$ 148	$ (1,834)
Consolidated Statement of Operations Data:			
Income tax expense	$ 2,704	$ (148)	$ 2,556
Net loss	$ (1,982)	$ 148	$ (1,834)
Comprehensive loss	$ (2,092)	$ 148	$ (1,944)
Basic and diluted net loss per share	$ (0.03)	$ 0.00	$ (0.03)

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	As of December 31, 2004		
	Previously Reported	Adjustment	As Restated
Consolidated Balance Sheet Data:			
Other current assets	$ 35,144	$ 2,387	$ 37,531
Goodwill	$ 329,619	$ 128,018	$ 457,637
Other current liabilities	$ 71,965	$ (195)	$ 71,770
Other long-term liabilities	$ 45,846	$ 130,394	$ 176,240
Accumulated deficit	$ (8,629)	$ 238	$ (8,391)
Accumulated other comprehensive income	$ 81	$ (32)	$ 49

	As of and for the Three Months Ended September 30, 2005		
	Previously Reported (Unaudited)	Adjustment (Unaudited)	As Restated (Unaudited)
Consolidated Balance Sheet Data:			
Other current assets	$ 26,282	$ 2,387	$ 28,669
Goodwill	$ 329,619	$ 107,763	$ 437,382
Other current liabilities	$ 59,513	$ (447)	$ 59,066
Other long-term liabilities	$ 83,286	$ 93,819	$ 177,105
Retained earnings (accumulated deficit)	$ (1,016)	$ 17,641	$ 16,625
Accumulated other comprehensive income	$ 2,207	$ (863)	$ 1,344
Consolidated Statement of Operations Data:			
Income tax expense	$ 34,860	$ (23,959)	$ 10,901
Net income (loss)	$ (7,562)	$ 23,959	$ 16,397
Comprehensive income (loss)	$ (4,148)	$ 22,672	$ 18,524
Basic and diluted net income (loss) per share	$ (0.13)	$ 0.40	$ 0.27

	For the Nine Months Ended September 30, 2005		
	Previously Reported (Unaudited)	Adjustment (Unaudited)	As Restated (Unaudited)
Consolidated Statement of Operations Data:			
Income tax expense	$ 35,165	$ (17,403)	$ 17,762
Net income	$ 7,613	$ 17,403	$ 25,016
Comprehensive income	$ 9,739	$ 16,572	$ 26,311
Basic net income per share	$ 0.13	$ 0.29	$ 0.42
Diluted net income per share	$ 0.13	$ 0.28	$ 0.41

Reorganization Items

Reorganization items represent amounts incurred by the Predecessor Company as a direct result of the Chapter 11 filings and are presented separately in the Predecessor Company s condensed consolidated statements of operations. For the one and seven month periods ended July 31, 2004, reorganization items consisted primarily of the net gain from the discharge of liabilities, the cancellation of equity upon the Company s emergence from bankruptcy and the application of fresh-start reporting, income from the settlement of certain pre-petition liabilities and interest income earned while the Company was in bankruptcy, partially offset by professional fees for legal, financial advisory and valuation services directly associated with the Company s Chapter 11 filings and reorganization process.

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Restricted Cash, Cash Equivalents and Short-Term Investments

Restricted cash, cash equivalents and short-term investments include funds set aside or pledged to satisfy remaining administrative claims and priority claims against Leap and Cricket following their emergence from bankruptcy, and cash restricted for other purposes.

Revenues and Cost of Revenues

Cricket s business revenues principally arise from the sale of wireless services, handsets and accessories. Wireless services are generally provided on a month-to-month basis. Amounts received in advance for wireless services from customers who pay in advance are initially recorded as deferred revenues and are recognized as service revenue as services are rendered. Service revenues for customers who pay in arrears are recognized only after the service has been rendered and payment has been received. This is because the Company does not require any of its customers to sign long-term service commitments or submit to a credit check, and therefore some of its customers may be more likely to terminate service for inability to pay than the customers of other wireless providers. The Company also charges customers for service plan changes, activation fees and other service fees. Revenues from service plan change fees are deferred and recorded to revenue over the estimated customer relationship period, and other service fees are recognized when received. Activation fees are allocated to the other elements of the multiple element arrangement (including service and equipment) on a relative fair value basis. Because the fair values of the Company s handsets are higher than the total consideration received for the handsets and activation fees combined, the Company allocates the activation fees entirely to equipment revenues and recognizes the activation fees when received. Activation fees included in equipment revenues during the three and nine months ended September 30, 2005 totaled $5.2 million and $14.1 million, respectively. Activation fees included in equipment revenues during the one month ended July 31, 2004, the two months ended September 30, 2004 and the seven months ended July 31, 2004 totaled $1.6 million, $2.9 million and $11.8 million, respectively. Direct costs associated with customer activations are expensed as incurred. Cost of service generally includes direct costs and related overhead, excluding depreciation and amortization, of operating the Company s networks.

Equipment revenues arise from the sale of handsets and accessories, and activation fees as described above. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Amounts due from third-party dealers and distributors for handsets are recorded as deferred revenue upon shipment of the handsets by the Company to such dealers and distributors and are recognized as equipment revenues when service is activated by customers. Handsets sold by third-party dealers and distributors are recorded as inventory until they are sold to and activated by customers. Sales incentives offered without charge to customers and volume-based incentives paid to the Company s third-party dealers and distributors are recognized as a reduction of revenue and as a liability when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage. Returns of handsets and accessories have historically been insignificant.

Property and Equipment

Property and equipment are initially recorded at cost. Additions and improvements, including interest and certain labor costs incurred during the construction period, are capitalized, while expenditures that do not enhance the asset or extend its useful life are charged to operating expenses as incurred. Depreciation is applied using the straight-line method over the estimated useful lives of the assets once the assets are placed in service.

Upon emergence from Chapter 11 and adoption of fresh-start reporting, the Company re-assessed the carrying values and useful lives of its property and equipment. As a result of this re-assessment, which included a review of the

Company s historical usage of and expected future service from existing property and equipment, and a review of industry averages for similar property and equipment, the Company changed the depreciable lives for certain network equipment assets. These network equipment assets that were previously depreciated over periods ranging from two to five years are now depreciated over periods ranging from three to fifteen years. The estimated useful lives for the Company s other property and equipment, which have remained unchanged, are three to five years for computer hardware and software, and three to seven years for furniture, fixtures and retail and office equipment.

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Property and equipment to be disposed of by sale is not depreciated, and is carried at the lower of carrying value or fair value less costs to sell.

The Company s network construction expenditures are recorded as construction-in-progress until the network or assets are placed in service, at which time the assets are transferred to the appropriate property and equipment category. As a component of construction-in-progress, the Company capitalizes interest, rent expense and salaries and related costs of engineering and technical operations employees, to the extent time and expense are contributed to the construction effort, during the construction period. The Company capitalized $3.6 million and $4.3 million of interest to property and equipment during the three and nine months ended September 30, 2005, respectively.

At September 30, 2005 and December 31, 2004, there was no material property and equipment to be disposed of by sale.

Impairment of Long-Lived Assets

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company assesses potential impairments to its long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss may be required to be recognized when the undiscounted cash flows expected to be generated by a long-lived asset (or group of such assets) is less than its carrying value. Any required impairment loss would be measured as the amount by which the asset s carrying value exceeds its fair value and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations.

Wireless Licenses

Wireless licenses are initially recorded at cost. The Company has determined that its wireless licenses meet the definition of indefinite-lived intangible assets under SFAS No. 142, Goodwill and Other Intangible Assets. Wireless licenses to be disposed of by sale are carried at the lower of carrying value or fair value less costs to sell. At September 30, 2005, wireless licenses with a carrying value of $9.8 million were classified in assets held for sale (see Note 7). At December 31, 2004, wireless licenses to be disposed of by sale were not significant. In connection with the adoption of fresh-start reporting, the Company increased the carrying value of its wireless licenses to their estimated fair market values.

Goodwill and Other Intangible Assets

Goodwill represents the excess of reorganization value over the fair value of identified tangible and intangible assets recorded in connection with fresh-start reporting. Other intangible assets were recorded upon adoption of fresh-start reporting and consist of customer relationships and trademarks, which are being amortized on a straight-line basis over their estimated useful lives of four and fourteen years, respectively. At September 30, 2005 and December 31, 2004, there were no intangible assets to be disposed of by sale.

Impairment of Indefinite-lived Intangible Assets

In accordance with SFAS No. 142, the Company assesses potential impairments to its indefinite-lived intangible assets, consisting of goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. An impairment loss is recognized when the fair value of the asset is less than its carrying value, and would be measured as the amount by which the asset s carrying value exceeds its fair value. Any required impairment loss would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. The Company currently conducts its annual tests for impairment

during the third quarter of each year. As a result of the annual impairment test of wireless licenses, the Company recorded impairment charges of $0.7 million in the third quarter of fiscal 2005 to reduce the carrying value of certain non-operating wireless licenses to their estimated fair market values. Estimates of fair market value of the Company s wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions. The Company s wireless licenses in its operating markets are combined into a single unit of accounting for purposes of testing impairment because management believes that these wireless licenses as a group represent the highest and best use

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of the assets, and the value of the wireless licenses would not be significantly impacted by a sale of one or a portion of the wireless licenses, among other factors.

During the second quarter of fiscal 2005, the Company recorded impairment charges of $11.4 million to reduce the carrying value of certain non-operating wireless licenses to their estimated fair values as a result of a potential sale transaction (see Note 7).

Basic and Diluted Net Income (Loss) Per Share

Basic earnings per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflect the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, restricted stock awards and warrants calculated using the treasury stock method.

A reconciliation of weighted average shares outstanding used in calculating basic and diluted net income (loss) per share for the three and nine months ended September 30, 2005, the two months ended September 30, 2004 and the one and seven months ended July 31, 2004 is as follows (unaudited) (in thousands):

		Successor Company		Predecessor Company
		Three Months Ended September 30, 2005 (As Restated)	Two Months Ended September 30, 2004	One Month Ended July 31, 2004
Weighted average shares outstanding	basic earnings per share	60,246	60,000	58,631
Effect of dilutive securities		1,149		
Adjusted weighted average shares outstanding per share	diluted earnings	61,395	60,000	58,631

		Successor Company		Predecessor Company
		Nine Months Ended September 30, 2005	Two Months Ended September 30, 2004	Seven Months Ended July 31, 2004
Weighted average shares outstanding	basic earnings per share	60,093	60,000	58,623
Effect of dilutive securities:				
Non-qualified stock options		62		
Restricted stock awards		327		

Warrants to MCG		245		
Adjusted weighted average shares outstanding earnings per share	diluted	60,727	60,000	58,623

The number of shares not included in the computation of diluted net income (loss) per share because their effect would have been antidilutive totaled 1.8 million and 0.4 million for the three and nine months ended September 30, 2005, respectively, 0.6 million for the two months ended September 30, 2004 and 11.7 million for both the one and seven months ended July 31, 2004.

Stock-based Compensation

The Company measures compensation expense for its employee and director stock-based compensation plans using the intrinsic value method. All outstanding stock options of the Predecessor Company were cancelled upon emergence from bankruptcy in accordance with the Plan of Reorganization. The Board of Directors of the Company adopted the Leap Wireless International, Inc. 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan

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(the 2004 Plan) on December 30, 2004. A total of 4,800,000 shares of Leap common stock are reserved for issuance under the 2004 Plan. During the three months ended September 30, 2005, the Company granted a total of 390,975 non-qualified stock options and 125,781 shares of restricted common stock to directors, executive officers, and other employees of the Company. During the nine months ended September 30, 2005, the Company granted a total of 2,073,692 non-qualified stock options, 932,204 shares of restricted common stock and 246,484 deferred stock units to directors, executive officers and other employees of the Company. There were no stock options, restricted stock shares or deferred stock units issued during the three or nine months ended September 30, 2004.

The non-qualified stock options were granted with an exercise price equal to the market price of the common stock on the date of grant. The restricted shares of common stock were granted with an exercise price of $0.0001 per share, and the weighted average grant date market price of the restricted common stock was $30.98 per share. The stock options and restricted common stock vest in full three or five years from the grant date with no interim time-based vesting, but with provisions for annual accelerated performance-based vesting of a portion of the awards if the Company achieves specified performance conditions. The deferred stock units were immediately vested upon grant and allowed the holders to purchase common stock at an exercise price of $0.0001 per share in a 30-day period commencing on the earlier of August 15, 2005 or the date the holder s employment was terminated. The weighted average grant date market price of the deferred stock units was $27.87 per share.

The Company recorded $2.7 million and $9.9 million in stock-based compensation expense for the three and nine months ended September 30, 2005, respectively, resulting from the grant of the restricted common stock and deferred stock units. The total intrinsic value of the deferred stock units of $6.9 million was recorded as stock-based compensation expense during the nine months ended September 30, 2005 because the deferred stock units were immediately vested upon grant. The total intrinsic value of the restricted stock awards as of the measurement dates was recorded as unearned compensation, which is included in stockholders equity in the unaudited condensed consolidated balance sheet as of September 30, 2005. The unearned compensation is amortized on a straight-line basis over the maximum vesting period of the awards of either three or five years. For the three and nine months ended September 30, 2005, $2.7 million and $2.9 million, respectively, was recorded in stock-based compensation expense for the amortization of unearned compensation.

The following table shows the amount of stock-based compensation expense included in operating expenses (allocated to the appropriate line item based on employee classification) in the condensed consolidated statements of operations for the three and nine months ended September 30, 2005 (in thousands):

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Stock-based compensation expense included in:		
Cost of service	$ 217	$ 1,014
Selling and marketing expenses	203	896
General and administrative expenses	2,301	7,941
Total stock-based compensation expense	$ 2,721	$ 9,851

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The following table shows the effects on net income (loss) and net income (loss) per share if the Company had applied the fair value provisions of SFAS No. 123, Accounting for Stock-Based Compensation in measuring compensation expense for its stock-based compensation plans (unaudited) (in thousands, except per share data):

	Successor Company		Predecessor Company
	Three Months Ended September 30, 2005 (As Restated)	Two Months Ended September 30, 2004 (As Restated)	One Month Ended July 31, 2004
As reported net income (loss)	$ 16,397	$ (1,834)	$ 959,365
Add back stock-based compensation expense included in net income (loss)	2,721		18
Less net pro forma compensation (expense) benefit	(4,962)		1,336
Pro forma net income (loss)	$ 14,156	$ (1,834)	$ 960,719
Basic net income (loss) per share:			
As reported	$ 0.27	$ (0.03)	$ 16.36
Pro forma	$ 0.24	$ (0.03)	$ 16.39
Diluted net income (loss) per share:			
As reported	$ 0.27	$ (0.03)	$ 16.36
Pro forma	$ 0.23	$ (0.03)	$ 16.39

	Successor Company		Predecessor Company
	Nine Months Ended September 30, 2005 (As Restated)	Two Months Ended September 30, 2004 (As Restated)	Seven Months Ended July 31, 2004
As reported net income (loss)	$ 25,016	$ (1,834)	$ 913,190
Add back stock-based compensation (benefit) expense included in net income (loss)	9,851		(837)
Less net pro forma compensation (expense) benefit	(15,002)		6,209

Pro forma net income (loss)	$ 19,865	$ (1,834)	$ 918,562
Basic net income (loss) per share:			
As reported	$ 0.42	$ (0.03)	$ 15.58
Pro forma	$ 0.33	$ (0.03)	$ 15.67
Diluted net income (loss) per share:			
As reported	$ 0.41	$ (0.03)	$ 15.58
Pro forma	$ 0.33	$ (0.03)	$ 15.67

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The weighted average fair values per share on the grant date for stock options granted during the three and nine months ended September 30, 2005 was $26.31 and $20.58, respectively, which was estimated using the Black-Scholes option pricing model and the following weighted average assumptions:

	Three Months Ended	Nine Months Ended
	September 30, 2005	
Risk free interest rate	3.93%	3.61%
Expected dividend yield		
Expected volatility	87%	87%
Expected life (in years)	6.5	5.7

Employee Stock Purchase Plan

In September 2005, the Company commenced an Employee Stock Purchase Plan (the ESP Plan) which allows eligible employees to purchase shares of common stock during a specified offering period. The purchase price is 85% of the lower of the fair market value of such stock on the first or last day of the offering period. Employees may authorize the Company to withhold up to 15% of their compensation during any offering period for the purchase of shares of common stock under the ESP Plan, subject to certain limitations. The initial offering period under the ESP Plan is from September 15, 2005 through December 31, 2005. A total of 800,000 shares of common stock have been reserved for issuance under the ESP Plan. The ESP Plan is a non-compensatory plan under the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

In October 2005, the FASB issued FASB Staff Position (FSP) No. FAS 13-1, Accounting for Rental Costs Incurred During a Construction Period. This FSP addresses whether a lessee may capitalize rental costs associated with ground and building operating leases incurred during a construction period. Rental costs associated with ground or building operating leases that are incurred during a construction period shall be recognized as rental expense and included in income from continuing operations. A lessee shall cease capitalizing rental costs as of the effective date of this FSP for operating lease arrangements entered into prior to the effective date of this FSP. Adoption of this FSP is required for the Company s first quarter beginning January 1, 2006. The Company has not yet determined the impact that the adoption of FSP No. FAS 13-1 will have on its consolidated financial position or results of operations.

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Note 4. Supplementary Balance Sheet Information (in thousands):

	Successor Company	
	September 30, 2005 (Unaudited) (As Restated)	December 31, 2004 (As Restated)
Property and equipment, net:		
Network equipment	$ 642,943	$ 599,598
Computer equipment and other	33,247	26,285
Construction-in-progress	33,584	10,517
	709,774	636,400
Accumulated depreciation	(177,030)	(60,914)
	$ 532,744	$ 575,486
Accounts payable and accrued liabilities:		
Trade accounts payable	$ 28,337	$ 35,184
Accrued payroll and related benefits	11,557	13,579
Other accrued liabilities	36,291	42,330
	$ 76,185	$ 91,093
Other current liabilities:		
Accrued taxes	$ 33,002	$ 49,665
Deferred revenue	20,645	18,145
Accrued interest		1,025
Other	5,419	2,935
	$ 59,066	$ 71,770
Other long-term liabilities:		
Deferred tax liabilities	$ 143,962	$ 145,673
Other	33,143	30,567
	$ 177,105	$ 176,240

Note 5. Debt

Credit Agreement

On January 10, 2005, Cricket entered into a senior secured credit agreement (the Credit Agreement) with a syndicate of lenders and Bank of America, N.A. (as administrative agent and letter of credit issuer).

The new facilities under the Credit Agreement originally consisted of a six-year $500 million term loan, which was fully drawn at closing, and an undrawn five-year $110 million revolving credit facility. Under the Credit Agreement, the term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.5 percent, with interest periods of one, two, three or six months, or bank base rate plus 1.5 percent, as selected by Cricket. Outstanding borrowings under the $500 million term loan must be repaid in 20 quarterly payments of $1.25 million each, commencing March 31, 2005, followed by four quarterly payments of $118.75 million each, commencing March 31, 2010. The maturity date for outstanding borrowings under the revolving credit facility is January 10, 2010. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement and by one-twelfth of the original aggregate revolving credit commitment on January 1, 2008 and by one-sixth of the original aggregate revolving credit commitment on January 1, 2009 (each such amount to be net of all prior reductions) based on certain leverage ratios and other tests. The commitment fee on the revolving credit facility is payable quarterly at a rate of 1.0 percent per annum when the utilization of the facility (as specified in the Credit Agreement) is less than 50 percent and at 0.75 percent per annum

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when the utilization exceeds 50 percent. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.5 percent, with interest periods of one, two, three or six months, or bank base rate plus 1.5 percent, as selected by Cricket, with the rate subject to adjustment based on the Company s leverage ratio. The new credit facilities are guaranteed by Leap and all of its direct and indirect domestic subsidiaries (other than Cricket, which is the primary obligor, ANB 1 and ANB 1 License) and are secured by all present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries.

A portion of the proceeds from the term loan borrowing was used to redeem Cricket s 13% senior secured pay-in-kind notes, to pay approximately $43 million of call premium and accrued interest on such notes, to repay approximately $41 million in principal amount of debt and accrued interest owed to the FCC, and to pay transaction fees and expenses.

Under the Credit Agreement, the Company is subject to certain limitations, including limitations on its ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; and pay dividends and make certain other restricted payments. In addition, the Company will be required to pay down the facilities under certain circumstances if it issues debt or equity, sells assets or property, receives certain extraordinary receipts or generates excess cash flow (as defined in the Credit Agreement). The Company is also subject to financial covenants which include a minimum interest coverage ratio, a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum fixed charge coverage ratio.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the Credit Agreement in the following initial amounts: $100 million of the $500 million term loan and $30 million of the $110 million revolving credit facility.

On July 22, 2005, the Company amended the Credit Agreement to increase the six-year $500 million term loan by $100 million. The interest and related terms are substantially the same as the original term loan agreement. Outstanding borrowings under the incremental term loan must be repaid in 18 quarterly payments of approximately $278,000 each, commencing September 30, 2005, followed by four quarterly payments of $23.75 million each, commencing March 31, 2010. The Company also amended the terms of the facility to accommodate the planned expansion of the Company s business including: increasing certain leverage ratios and permitting the Company to invest up to $325 million in ANB 1 and ANB 1 License and up to $60 million in other joint ventures. The amendments also increased the amount of permitted purchase money security interests and capitalized leases and also allow the Company to provide limited guarantees for the benefit of ANB 1 License and other joint ventures.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the additional term facility in the amount of $9 million of the $100 million term loan increase.

At September 30, 2005, the effective interest rate on the $600 million term loan was 6.4%, including the effect of interest rate swaps, and the outstanding indebtedness was $596.0 million. The terms of the Credit Agreement require the Company to enter into interest rate hedging agreements in an amount equal to at least 50% of its outstanding indebtedness. In accordance with this requirement, in April 2005 the Company entered into interest rate swap agreements with respect to $250 million of its debt. These swap agreements effectively fix the interest rate on $250 million of the outstanding indebtedness at 6.7% through June 2007. In July 2005, the Company entered into another interest rate swap agreement with respect to a further $105 million of its outstanding indebtedness. This swap agreement effectively fixes the interest rate on $105 million of the outstanding indebtedness at 6.8% through June 2009. The $2.0 million fair value of the swap agreements at September 30, 2005 was recorded as an asset in the condensed consolidated balance sheet.

Senior Secured Pay-In-Kind Notes Issued Under Plan of Reorganization

On the Effective Date of the Plan of Reorganization, Cricket issued new 13% senior secured pay-in-kind notes due 2011 with a face value of $350 million and an estimated fair value of $372.8 million. As of December 31, 2004, the carrying value of the notes was $371.4 million. A portion of the proceeds from the term loan facility under the new Credit Agreement was used to redeem these notes. Upon repayment of these notes, the Company recorded a

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loss from debt extinguishment of approximately $1.7 million which was included in other income (expense) in the condensed consolidated statement of operations for the nine months ended September 30, 2005.

US Government Financing

The balance in current maturities of long-term debt at December 31, 2004 consisted entirely of debt obligations to the FCC incurred as part of the purchase price for wireless licenses. At July 31, 2004, the remaining principal of the FCC debt was revalued in connection with the Company s adoption of fresh-start reporting. The carrying value of this debt at December 31, 2004 was $40.4 million. The balance was repaid in full in January 2005 with a portion of the term loan borrowing as noted above. Upon repayment of this debt, the Company recorded a gain from debt extinguishment of approximately $0.4 million which was included in other income (expense) in the condensed consolidated statement of operations for the nine months ended September 30, 2005.

Note 6. Income Taxes

The Company estimates income taxes in each of the jurisdictions in which it operates. This process involves estimating the actual current tax liability together with assessing temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. Deferred tax assets are also established for the expected future tax benefits to be derived from tax loss and tax credit carryforwards. The Company must then assess the likelihood that its deferred tax assets will be recovered from future taxable income. To the extent that the Company believes that recovery is not likely, it must establish a valuation allowance. Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The Company has recorded a full valuation allowance on its net deferred tax asset balances for all periods presented because of uncertainties related to utilization of the deferred tax assets. At such time as it is determined that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced. The provision for income taxes during interim quarterly reporting periods is based on the Company s estimate of the annual effective tax rate for the full fiscal year. Pursuant to SOP 90-7, future decreases in the valuation allowance established in fresh-start accounting are accounted for as a reduction in goodwill.

Note 7. Significant Acquisitions and Dispositions

In February 2005, Cricket s wholly owned subsidiary, Cricket Licensee (Reauction), Inc., was named the winning bidder in the FCC s Auction #58 for four wireless licenses for $166.9 million. Cricket Licensee (Reauction), Inc. purchased these licenses, after approval by the FCC, in May 2005.

In February 2005, ANB 1 License was named the winning bidder in Auction #58 for nine wireless licenses for $68.2 million. ANB 1 License purchased these licenses, after approval by the FCC, in September 2005.

On June 24, 2005, Cricket completed its purchase of a wireless license to provide service in Fresno, California and related assets for approximately $27.6 million. The Company launched service in Fresno on August 2, 2005.

On August 3, 2005, subsidiaries of Leap completed the sale of 23 wireless licenses and substantially all of the Company s operating assets in its Michigan markets for $102.5 million, resulting in a gain of $14.6 million. The Company had not launched commercial operations in most of the markets covered by the licenses sold. The long-lived assets included in this transaction consisted of wireless licenses with a carrying value of $70.8 million, property and equipment with a net book value of $14.9 million and intangible assets with a net book value of $1.9 million.

In September 2005, the Company entered into an agreement to sell non-operating wireless spectrum licenses covering 0.9 million potential customers for a sales price of approximately $10.0 million, subject to FCC approval of the transfer of the licenses. During the second quarter of fiscal 2005, the Company recorded impairment charges of $11.4 million to adjust the carrying values of these licenses to their estimated fair values, which were based on the agreed upon sales prices. The aggregate carrying value of these wireless licenses of $9.8 million has been classified in assets held for sale in the condensed consolidated balance sheet as of September 30, 2005.

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In November 2005, the Company signed an agreement to sell its wireless licenses and operating assets in its Toledo and Sandusky, Ohio markets for approximately $28.5 million and an equity interest in a new joint venture company which owns a wireless license in the Portland, Oregon market. The Company also agreed to contribute to the joint venture approximately $25 million and certain of the Company s wireless licenses and related operating assets in Eugene and Salem, Oregon to increase its non-controlling membership interest in the joint venture to approximately 73%. Completion of these transactions is subject to customary closing conditions, including among others, FCC approval of the transfers of the wireless licenses, other third party consents and a financing condition for the benefit of one of the other parties. If the financing condition is not waived prior to December 15, 2005, the Company instead would transfer to the purchaser the same wireless licenses and operating assets in Ohio in exchange for $12.4 million and the transfer of the Portland license to a different joint venture company. In this case, the Company would own a 75% non-controlling interest in the joint venture and would fund the joint venture s acquisition and build-out of the Portland license through a $75.6 million secured credit facility between the Company and the joint venture.

Note 8. Commitments and Contingencies

Although the Company s Plan of Reorganization became effective and the Company emerged from bankruptcy in August 2004, several claims asserted against the Company in connection with the bankruptcy proceedings remain outstanding. The open items consist primarily of claims by governmental entities for payment of taxes relating to periods prior to the date the Company filed for bankruptcy, including claims aggregating approximately $7.9 million asserted by foreign governmental entities. Generally, the Company has objected or intends to object to the amounts the various claimants assert is outstanding, and the Company is seeking to resolve the open issues through negotiation and appropriate court proceedings. The Company does not believe that the resolution of the outstanding claims will have a material adverse effect on its consolidated financial statements.

On December 31, 2002, several members of American Wireless Group, LLC, referred to as AWG, filed a lawsuit against various officers and directors of Leap in the Circuit Court of the First Judicial District of Hinds County, Mississippi, referred to herein as the Whittington Lawsuit. Leap purchased certain FCC wireless licenses from AWG and paid for those licenses with shares of Leap stock. The complaint alleges that Leap failed to disclose to AWG material facts regarding a dispute between Leap and a third party relating to that party s claim that it was entitled to an increase in the purchase price for certain wireless licenses it sold to Leap. In their complaint, plaintiffs seek rescission and/or damages according to proof at trial of not less than the aggregate amount paid for the Leap stock (alleged in the complaint to have a value of approximately $57.8 million in June 2001 at the closing of the license sale transaction), plus interest, punitive or exemplary damages in the amount of not less than three times compensatory damages, and costs and expenses. Plaintiffs contend that the named defendants are the controlling group that was responsible for Leap s alleged failure to disclose the material facts regarding the third party dispute and the risk that the shares held by the plaintiffs might be diluted if the third party was successful in an arbitration proceeding. Defendants filed a motion to compel arbitration or in the alternative, dismiss the Whittington Lawsuit, noting that plaintiffs as members of AWG agreed to arbitrate disputes pursuant to the license purchase agreement, that they failed to plead facts that show that they are entitled to relief, that Leap made adequate disclosure of the relevant facts regarding the third party dispute, and that any failure to disclose such information did not cause any damage to the plaintiffs.

In a related action to the action described above, on June 6, 2003, AWG filed a lawsuit in the Circuit Court of the First Judicial District of Hinds County, Mississippi, referred to herein as the AWG Lawsuit, against the same individual defendants named in the Whittington Lawsuit. The complaint generally sets forth the same claims made by the plaintiffs in the Whittington Lawsuit. In its complaint, plaintiff seeks rescission and/or damages according to proof at trial of not less than the aggregate amount paid for the Leap stock (alleged in the complaint to have a value of approximately $57.8 million in June 2001 at the closing of the license sale transaction), plus interest, punitive or exemplary damages in the amount of not less than three times compensatory damages, and costs and expenses. Defendants filed a motion to compel arbitration or in the alternative, dismiss the AWG Lawsuit, making arguments

similar to those made in their motion to dismiss the Whittington Lawsuit.

Although Leap is not a defendant in either the Whittington or AWG Lawsuits, several of the defendants have indemnification agreements with the Company. Leap s D&O insurers have not filed a reservation of rights letter and

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have been paying defense costs. Management believes that the liability, if any, from the AWG and Whittington Lawsuits and the related indemnity claims of the defendants against Leap is neither probable nor reasonably estimable; therefore, no accrual has been made in the Company s condensed consolidated financial statements as of September 30, 2005 related to these contingencies.

A third party with a large patent portfolio has contacted the Company and suggested that the Company needs to obtain a license under a number of patents in connection with the Company s current business operations. The Company understands that the third party has initiated similar discussions with other telecommunications carriers. The Company does not currently expect that the resolution of this matter will have a material adverse effect on the Company s consolidated financial statements.

The Company is involved in certain other claims arising in the course of business, seeking monetary damages and other relief. The amount of the liability, if any, from such claims cannot currently be reasonably estimated; therefore, no accruals have been made in the Company s condensed consolidated financial statements as of September 30, 2005 for such claims. In the opinion of the Company s management, the ultimate liability for such claims will not have a material adverse effect on the Company s consolidated financial statements.

In October 2005, the Company agreed to purchase a minimum of $90.5 million of products and services from Nortel Networks Inc. from October 11, 2005 through October 10, 2008, and the Company agreed to purchase a minimum of $119 million of products and services from Lucent Technologies Inc. from October 1, 2005 through September 30, 2008. Separately, ANB 1 License is obligated to purchase a minimum of $39.5 million and $6.0 million of products and services from Nortel Networks Inc. and Lucent Technologies Inc., respectively, over the same three year terms as those for the Company.

The Company has entered into non-cancelable operating lease agreements to lease its administrative and retail facilities, certain equipment, and sites for towers, equipment and antennas required for the operation of its wireless networks. These leases typically include renewal options and escalation clauses. In general, site leases have five year initial terms with four five year renewal options. The following table summarizes the approximate future minimum rentals under non-cancelable operating leases, including renewals that are reasonably assured, in effect at September 30, 2005 (in thousands):

Year Ended December 31:	
Remainder of 2005	$ 13,630
2006	39,144
2007	25,796
2008	23,092
2009	20,788
Thereafter	103,231
Total	$ 225,681

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

As used in this report, the terms we, our, ours, and us refer to Leap Wireless International, Inc., a Delaware corporation, and its subsidiaries, unless the context suggests otherwise. Leap refers to Leap Wireless International, Inc., and Cricket refers to Cricket Communications, Inc. Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2005 population estimates provided by Claritas Inc.

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission on March 27, 2006.

Except for the historical information contained herein, this document contains forward-looking statements reflecting management s current forecast of certain aspects of our future. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- our ability to comply with the covenants in our senior secured credit facilities;
- our ability to attract, motivate and retain an experienced workforce;
- failure of network systems to perform according to expectations; and
- other factors detailed in the section entitled Risk Factors included in this report.

All forward-looking statements in this report should be considered in the context of these risk factors. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, readers of this report are cautioned not to place undue reliance on the forward-looking statements.

Overview

Restatement of Previously Reported Unaudited Interim Consolidated Financial Information. The accompanying Management s Discussion and Analysis of Financial Condition and Results of Operations gives effect to certain

restatement adjustments made to the previously reported consolidated financial information of the Successor Company for the three and nine months ended September 30, 2005 and the two months ended September 30, 2004. See Note 3 to the condensed consolidated financial statements included in Part I Item 1 of this report.

Our Business. We conduct our business primarily through Cricket. Cricket provides mobile wireless services targeted to meet the needs of customers who are under-served by traditional communications companies. Our Cricket service is a simple and affordable wireless alternative to traditional landline service. Through our affordable, flat-rate service plans, our Cricket service offers customers a choice of unlimited local voice minutes, unlimited domestic long distance voice minutes, unlimited text, instant and picture messaging and additional value added services over a high-quality, all-digital CDMA network. Our revenues come from the sale of wireless services, handsets and accessories to customers. Our liquidity and capital resources come primarily from our existing cash, cash equivalents and short-term investments, cash generated from operations, and cash available from

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borrowings under our revolving credit facility. In addition, in August 2005, we completed the sale of 23 wireless licenses and substantially all of our operating assets in our Michigan markets for $102.5 million.

At September 30, 2005, we operated in 19 states and had approximately 1,623,000 customers, and the total potential customer base covered by our networks in our operating markets was approximately 27.2 million. As of September 30, 2005, we and Alaska Native Broadband 1 License, LLC, referred to in this report as ANB 1 License, owned wireless licenses covering a total potential customer base of 70.3 million in the aggregate. ANB 1 License is a wholly owned subsidiary of Alaska Native Broadband 1, LLC, referred to in this report as ANB 1, an entity in which we own a 75% non-controlling interest.

In February 2005, a wholly owned subsidiary of Cricket was named the winning bidder in the FCC s Auction #58 for four wireless licenses covering approximately 11.1 million potential customers. We acquired these licenses in May 2005. We currently expect to launch commercial operations in the markets covered by these licenses and have commenced build-out activities. In addition, in February 2005, ANB 1 License was the winning bidder in Auction #58 for nine wireless licenses covering approximately 10.1 million potential customers. ANB 1 License purchased these licenses, after approval by the FCC, in September 2005. In July 2005, we increased the term loan portion of our senior secured credit facility by $100 million to increase our liquidity and help assure we have sufficient funds for the build-out and initial operation of our new licenses and to finance the build-out and initial operation of the licenses acquired by ANB 1 License. For a further discussion of our arrangements with Alaska Native Broadband, see Item 1. Business Arrangements with Alaska Native Broadband in our Annual Report on Form 10-K for the year ended December 31, 2004 as originally filed with the Securities and Exchange Commission on May 16, 2005.

Voluntary Reorganization Under Chapter 11. On April 13, 2003, Leap, Cricket and substantially all of their subsidiaries filed voluntary petitions for relief under Chapter 11 in the U.S. Bankruptcy Court for the Southern District of California. On August 5, 2004, all material conditions to the effectiveness of the Plan of Reorganization were resolved and, on August 16, 2004, the Plan of Reorganization became effective and the Company emerged from Chapter 11 bankruptcy. On that date, a new Board of Directors of Leap was appointed, our previously existing stock, options and warrants were cancelled, and Leap issued 60 million shares of new Leap common stock for distribution to two classes of creditors.

Our Plan of Reorganization implemented a comprehensive financial reorganization that significantly reduced our outstanding indebtedness. When the Plan of Reorganization became effective on August 16, 2004, our long-term debt was reduced from a book value of more than $2.4 billion to debt with an estimated fair value of $412.8 million, consisting of new Cricket 13% senior secured pay-in-kind notes due 2011 with a face value of $350 million and an estimated fair value of $372.8 million and approximately $40 million of remaining indebtedness to the FCC. On January 10, 2005, we entered into new senior secured credit facilities and used a portion of the proceeds from the $500 million term loan included as a part of such facilities to redeem Cricket s 13% senior secured pay-in-kind notes and to repay the remaining indebtedness to the FCC. The new facilities consisted of a six-year $500 million term loan and a five-year $110 million revolving credit facility, and we amended the facilities in July 2005 to increase the term loan by $100 million.

Fresh-Start Reporting. In connection with our emergence from Chapter 11, we adopted the fresh-start reporting provisions of Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code, or SOP 90-7, as of July 31, 2004. Under SOP 90-7, reorganization value represents the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets of the entity immediately after the reorganization. In implementing fresh-start reporting, we allocated our reorganization value to the fair value of our assets in conformity with procedures specified by SFAS No. 141, Business Combinations, and stated our liabilities, other than deferred taxes, at the present value of amounts expected to be paid. The amount remaining after allocation of the reorganization value to the fair value of our identified tangible and intangible assets

is reflected as goodwill, which is subject to periodic evaluation for impairment. In addition, under fresh-start reporting, our accumulated deficit was eliminated and new equity was issued according to the Plan of Reorganization. See further discussion of fresh-start reporting in our Annual Report on Form 10-K for the year ended December 31, 2004, as originally filed, and in our Annual Report on Form 10-K for the year ended December 31, 2005.

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This overview is intended to be only a summary of significant matters concerning our results of operations and financial condition. It should be read in conjunction with the management discussion below and all of the business and financial information contained in this report, including the condensed consolidated financial statements in Item 1 of this Quarterly Report, as well as our Annual Report on Form 10-K for the year ended December 31, 2005.

Results of Operations

As a result of our emergence from Chapter 11 bankruptcy and the application of fresh-start reporting, we are deemed to be a new entity for financial reporting purposes. In this report, the Company is referred to as the Predecessor Company for periods on or prior to July 31, 2004, and is referred to as the Successor Company for periods after July 31, 2004, after giving effect to the implementation of fresh-start reporting. The financial statements of the Successor Company are not comparable in many respects to the financial statements of the Predecessor Company because of the effects of the consummation of the Plan of Reorganization as well as the adjustments for fresh-start reporting. However, for purposes of this discussion, the Predecessor Company s results for the period from July 1, 2004 through July 31, 2004 have been combined with the Successor Company s results for the period from August 1, 2004 through September 30, 2004. These combined results are compared to the Successor Company s results for the three months ended September 30, 2005. In addition, these combined results for the three months ended September 30, 2004 also have been combined with the Predecessor Company s results for the six months ended June 30, 2004 and compared to the Successor Company s results for the nine months ended September 30, 2005.

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Financial Performance

The following table presents the combined condensed consolidated statement of operations data for the periods indicated (in thousands). This data has been derived from interim condensed consolidated financial statements that have been restated for the three and nine months ended September 30, 2005 and 2004 to reflect adjustments that are further discussed in Note 3 of the condensed consolidated financial statements included in Part 1 Item 1 of this report.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005 (As Restated)	2004 (As Restated)	2005 (As Restated)	2004 (As Restated)
Revenues:				
Service revenues	$ 193,675	$ 170,386	$ 569,360	$ 511,462
Equipment revenues	36,852	36,521	116,366	107,968
Total revenues	230,527	206,907	685,726	619,430
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(50,304)	(51,034)	(150,109)	(146,861)
Cost of equipment	(49,576)	(44,153)	(141,553)	(128,543)
Selling and marketing	(25,535)	(23,574)	(73,340)	(68,766)
General and administrative	(41,306)	(30,689)	(119,764)	(103,221)
Depreciation and amortization	(49,076)	(55,820)	(144,461)	(207,667)
Impairment of indefinite-lived intangible assets	(689)		(12,043)	
Total operating expenses	(216,486)	(205,270)	(641,270)	(655,058)
Gains on sale of wireless licenses and operating assets	14,593	532	14,593	532
Operating income (loss)	28,634	2,169	59,049	(35,096)
Interest income	2,991	608	6,070	608
Interest expense	(6,679)	(6,009)	(23,368)	(9,740)
Other income (expense), net	2,352	458	1,027	(138)
Income (loss) before reorganization items and income taxes	27,298	(2,774)	42,778	(44,366)
Reorganization items, net		963,156		962,444
Income before income taxes	27,298	960,382	42,778	918,078
Income taxes	(10,901)	(2,851)	(17,762)	(6,722)
Net income (loss)	$ 16,397	$ 957,531	$ 25,016	$ 911,356

Three and Nine Months Ended September 30, 2005 Compared to the Three and Nine Months Ended September 30, 2004

At September 30, 2005, we had approximately 1,623,000 customers compared to approximately 1,539,000 customers at September 30, 2004. Gross customer additions during the three months ended September 30, 2005 and 2004 were approximately 234,000 and 200,000, respectively, and net customer additions (losses) during these periods were approximately 23,000 and (8,000) respectively. Net customer additions for the three months ended September 30, 2005 exclude the effect of the transfer of approximately 19,000 customers as a result of the closing of the sale of our operating markets in Michigan. Gross customer additions during the nine months ended September 30, 2005 and 2004 were approximately 626,000 and 587,000, respectively, and net customer additions during these periods were approximately 72,000 and 67,000, respectively, excluding the effect of customers transferred in

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August 2005 as a result of the sale of the Michigan markets mentioned previously. The weighted average number of customers during the three months ended September 30, 2005 and 2004 was approximately 1,605,000 and 1,536,000, respectively. The weighted average number of customers during the nine months ended September 30, 2005 and 2004 was approximately 1,602,000 and 1,524,000, respectively. At September 30, 2005, the total potential customer base covered by our networks in our operating markets was approximately 27.2 million.

During the three and nine months ended September 30, 2005, service revenues increased $23.3 million, or 14%, and $57.9 million, or 11%, respectively, compared to the corresponding periods of the prior year. These increases resulted from higher average number of customers and higher average revenues per customer, in each case compared with the corresponding periods of the prior year. The higher average revenues per customer primarily reflects increased customer adoption of higher-value, higher-priced service offerings and reduced utilization of service-based mail-in rebate promotions in 2005.

During the three and nine months ended September 30, 2005, equipment revenues increased $0.3 million, or 1%, and $8.4 million, or 8%, respectively, compared to the corresponding periods of the prior year. For the three months ended September 30, 2005, the increase in equipment revenue resulted from an increase in handset sales of 16%, offset by lower net revenue per handset sold due to increased use of instant rebates instead of mail-in rebates. Instant rebate incentives are accounted for as reductions to equipment revenue, while mail-in rebates offset both service and equipment revenue. For the nine months ended September 30, 2005, the increase in equipment revenues resulted from an 8% increase in handset sales and an increase in net revenue per handset sold, partially offset by a $0.6 million reduction in activation fees.

During the three and nine months ended September 30, 2005, cost of service decreased $0.7 million, or 1%, and increased $3.2 million, or 2%, respectively, compared to the corresponding periods of the prior year. For the three months ended September 30, 2005, the decrease in cost of service was primarily attributable to reductions of $1.9 million in backhaul and interconnect costs, $1.7 million in software maintenance and $1.2 million in property taxes, partially offset by an increase of $2.3 million in variable costs associated with additional product usage arising from customer adoption of our new value-added products and an increase of $1.8 million in employee and network-related costs. For the nine months ended September 30, 2005, the increase in cost of service was primarily attributable to an increase of $6.6 million in additional product usage, an increase of $2.5 million in lease and utility expense, and stock-based compensation expense of $1.0 million, partially offset by reductions of $2.8 million in software maintenance, $1.1 million in property taxes and $3.0 million in labor and network-related expenses. During 2005, we expect the variable costs associated with additional product usage to continue to increase as our customer base grows and customer adoption of our new value-added products accelerates.

Cost of equipment for the three and nine months ended September 30, 2005 increased by $5.4 million, or 12%, and $13.0 million, or 10%, respectively, compared to the corresponding periods of the prior year. The increase in cost of equipment for the three months ended September 30, 2005 consisted of $5.7 million associated with higher handset sales volumes and $3.6 million associated with increases in costs to support our handset replacement programs for existing customers partially offset by $3.9 million associated with a lower average cost per handset sold. For the nine months ended September 30, 2005, the increase in cost of equipment consisted of $8.8 million associated with higher handset sales volumes and $4.4 million associated with increases in costs to support our handset replacement programs for existing customers.

During the three and nine months ended September 30, 2005, selling and marketing expenses increased by $2.0 million, or 8%, and $4.6 million, or 7%, respectively, compared to the corresponding periods of the prior year. For the three months ended September 30, 2005, the increase consisted primarily of $0.2 million in stock-based compensation expense and $1.9 million in labor-related and other costs, partially offset by a $0.1 million reduction in media and advertising costs. For the nine months ended September 30, 2005, the increase consisted primarily of

increases of $1.5 million in media and advertising costs, $0.9 million in stock-based compensation expense and $2.2 million in labor-related and other costs.

During the three and nine months ended September 30, 2005, general and administrative expenses increased $10.6 million, or 35%, and $16.5 million, or 16%, respectively, compared to the corresponding periods of the prior year. For the three months ended September 30, 2005, the increase was primarily due to increases of $4.0 million in professional services, $2.3 million in stock-based compensation expense, $2.2 million in labor and related costs,

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and $2.1 million in other costs. Call center and billing expenses remained flat for the three months ended September 30, 2005. For the nine months ended September 30, 2005, the increase was primarily due to increases of $8.6 million in professional services, $7.9 million in stock-based compensation expense, $1.0 million in labor and related costs, and $2.8 million in other costs. These increases were partially offset by reductions in customer care and billing costs of $3.8 million.

During the three and nine months ended September 30, 2005, we recorded stock-based compensation expense of $2.7 million and $9.9 million, respectively, in connection with the grant of restricted common shares during the second and third quarters and deferred stock units exercisable for common stock in the second quarter. The total intrinsic value of the deferred stock units of $6.9 million was recorded as stock-based compensation expense during the three months ended June 30, 2005 because the deferred stock units were immediately vested upon grant. The total intrinsic value of the restricted stock awards as of the measurement date is recorded as unearned compensation in the consolidated balance sheets. The unearned compensation is amortized on a straight-line basis over the maximum vesting period of the awards of either three or five years. For the three and nine months ended September 30, 2005, $2.7 million and $2.9 million, respectively, was recorded in stock-based compensation expense for the amortization of the unearned compensation. The amount of stock-based compensation expense expected for the remainder of fiscal year 2005 is approximately $2.5-$3.0 million.

During the three and nine months ended September 30, 2005, depreciation and amortization expense decreased $6.7 million, or 12%, and $63.2 million, or 30%, respectively, compared to the corresponding periods of the prior year. The decreases in depreciation expense were primarily due to the revision of the estimated useful lives of network equipment and the reduction in the carrying value of property and equipment as a result of fresh-start reporting at July 31, 2004. In addition, depreciation and amortization expense for the three and nine months ended September 30, 2005 included amortization expense of $8.6 million and $25.9 million, respectively, related to identifiable intangible assets recorded upon the adoption of fresh-start reporting. As a result of the build-out and operation of our planned new markets, we expect a significant increase in depreciation and amortization expense in the future. In addition, we will record accelerated depreciation charges in the future related to the planned decommissioning or replacement of network assets as we upgrade our equipment and optimize our network.

As a result of our annual impairment test of wireless licenses, we recorded impairment charges of $0.7 million during the three months ended September 30, 2005 to reduce the carrying value of certain non-operating wireless licenses to their estimated fair market values. During the second fiscal quarter of 2005, we recorded impairment charges of $11.4 million in connection with an agreement to sell non-operating wireless licenses. We adjusted the carrying values of those licenses to their estimated fair values, which were based on the agreed upon sales prices.

During the three and nine months ended September 30, 2005, interest expense increased $0.7 million, or 11%, and $13.6 million, or 140%, respectively, compared to the corresponding period of the prior year. The increase in interest expense resulted from the application of SOP 90-7 until our emergence from bankruptcy, which required that, commencing on April 13, 2003 (the date of the filing of the Company s bankruptcy petition, or the Petition Date), we cease to accrue interest and amortize debt discounts and debt issuance costs on pre-petition liabilities that were subject to compromise, which comprised substantially all of our debt. Upon our emergence from bankruptcy, we began accruing interest on the newly issued 13% senior secured pay-in-kind notes. The pay-in-kind notes were repaid in January 2005 and replaced with a $500 million term loan. The term loan was increased by $100 million on July 22, 2005. At September 30, 2005, the effective interest rate on the $600 million term loan was 6.4%, including the effect of interest rate swaps described below. The increase in interest expense resulting from our emergence from bankruptcy was partially offset by the capitalization of interest of $3.6 million and $4.3 million during the three and nine months ended September 30, 2005, respectively. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of a new market. The amount of such capitalized interest depends on the particular markets being built out, the carrying values of the licenses and property and equipment involved in those

markets and the duration of the build-out. We expect capitalized interest to be significant during the build-out of our planned new markets.

During the three and nine months ended September 30, 2005, we completed the sale of 23 wireless licenses and substantially all of our operating assets in our Michigan markets for $102.5 million, resulting in a gain of $14.6 million.

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During the three and nine months ended September 30, 2005, there were no reorganization items. Reorganization items for the three and nine months ended September 30, 2004 represented amounts incurred by the Predecessor Company as a direct result of the Chapter 11 filings and consisted primarily of the net gain on the discharge of liabilities, the cancellation of equity upon our emergence from bankruptcy and the application of fresh-start reporting, and income from the settlement of pre-petition liabilities and interest income earned while we were in bankruptcy, partially offset by professional fees for legal, financial advisory and valuation services directly associated with our Chapter 11 filings and reorganization process.

During the three months ended September 30, 2005, we recorded income tax expense of $10.9 million compared to income tax expense of $2.9 million for the three months ended September 30, 2004. During the nine months ended September 30, 2005, we recorded income tax expense of $17.8 million compared to income tax expense of $6.7 million for the nine months ended September 30, 2004. Income tax expense for the three and nine months ended September 30, 2004 consisted primarily of the tax effect of the amortization, for income tax purposes, of wireless licenses and tax-deductible goodwill related to deferred tax liabilities. During the three and nine months ended September 30, 2005, we recorded income tax expense at an effective tax rate of 39.9% and 41.5%, respectively. Despite the fact that we have recorded a full valuation allowance on our deferred tax assets, we recognized income tax expense for the three and nine months ended September 30, 2005 because the release of valuation allowance associated with the reversal of deferred tax assets recorded in fresh-start reporting is recorded as a reduction of goodwill rather than as a reduction of income tax expense. The effective tax rate for the three and nine months ended September 30, 2005 was higher than the statutory tax rate due primarily to permanent items not deductible for tax purposes. We expect to incur tax losses for 2005 due to, among other things, tax deductions associated with the repayment of the 13% senior secured pay-in-kind notes and tax losses and reversals of deferred tax assets associated with the sale of wireless licenses and operating assets. Therefore, we expect to pay only minimal cash taxes for 2005.

Performance Measures

In managing our business and assessing our financial performance, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. These metrics include average revenue per user per month (ARPU), which measures service revenue per customer; cost per gross customer addition (CPGA), which measures the average cost of acquiring a new customer; cash costs per user per month (CCU), which measures the non-selling cash cost of operating our business on a per customer basis; and churn, which measures turnover in our customer base. CPGA and CCU are non-GAAP financial measures. A non-GAAP financial measure, within the meaning of Item 10 of Regulation S-K promulgated by the Securities and Exchange Commission, is a numerical measure of a company s financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the consolidated balance sheet, consolidated statement of operations or consolidated statement of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. See Reconciliation of Non-GAAP Financial Measures below for a reconciliation of CPGA and CCU to the most directly comparable GAAP financial measures.

ARPU is an industry metric that measures service revenue divided by the weighted average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other

wireless communications providers.

CPGA is an industry metric that represents selling and marketing costs, excluding applicable stock-based compensation expense, and the gain or loss on sale of handsets (generally defined as cost of equipment less equipment revenue), excluding costs unrelated to initial customer acquisition, divided by the total number of gross

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new customer additions during the period being measured. Costs unrelated to initial customer acquisition include the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers.

CCU is an industry metric that measures cost of service and general and administrative costs, excluding applicable stock-based compensation expenses, gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers), divided by the weighted average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless communications providers.

Churn, an industry metric that measures customer turnover, is calculated as the net number of customers that disconnect from our service divided by the weighted average number of customers divided by the number of months during the period being measured. As noted above, customers who do not pay their first monthly bill are deducted from our gross customer additions; as a result, these customers are not included in churn. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers.

The following table shows metric information for the three months ended September 30, 2005 and 2004:

	Three Months Ended September 30,	
	2005	**2004**
ARPU	$ 40.22	$ 36.97
CPGA	$ 142	$ 141
CCU	$ 19.52	$ 18.38
Churn	4.4%	4.5%

Reconciliation of Non-GAAP Financial Measures

We utilize certain financial measures, as described above, that are calculated based on industry conventions and are not calculated based on GAAP. Certain of these financial measures are considered non-GAAP financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

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CPGA The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA. The financial data for the three months ended September 30, 2004 presented below represents the combination of the Predecessor and Successor Companies results for that period (in thousands, except gross customer additions and CPGA):

	Three Months Ended September 30,	
	2005	2004
Selling and marketing expense	$ 25,535	$ 23,574
Less stock-based compensation expense included in selling and marketing expense	(203)	
Plus cost of equipment	49,576	44,153
Less equipment revenue	(36,852)	(36,521)
Less net loss on equipment transactions unrelated to initial customer acquisition	(4,917)	(2,971)
Total costs used in the calculation of CPGA	$ 33,139	$ 28,235
Gross customer additions	233,699	200,315
CPGA	$ 142	$ 141

CCU The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU. The financial data for the three months ended September 30, 2004 presented below represents the combination of the Predecessor and Successor Companies results for that period (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended September 30,	
	2005	2004
Cost of service	$ 50,304	$ 51,034
Plus general and administrative expense	41,306	30,689
Less stock-based compensation expense included in cost of service and general and administrative expense	(2,518)	
Plus net loss on equipment transactions unrelated to initial customer acquisition	4,917	2,971
Total costs used in the calculation of CCU	$ 94,009	$ 84,694
Weighted-average number of customers	1,605,222	1,536,314
CCU	$ 19.52	$ 18.38

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our $110 million revolving credit facility (which was undrawn at September 30, 2005). From time to time, we may also generate additional liquidity through the sale of

assets that are not material to or are not required for the ongoing operation of our business. We may also generate liquidity from offerings of debt and/or equity in the capital markets. At September 30, 2005, we had a total of $391.8 million in unrestricted cash, cash equivalents and short-term investments. As of September 30, 2005, we also had restricted cash, cash equivalents and short-term investments of $21.6 million that included funds set aside or pledged to satisfy remaining administrative claims and priority claims against Leap and Cricket, and cash restricted for other purposes. On July 22, 2005, we amended our credit agreement to increase the term loan by $100 million. On August 3, 2005, we completed the sale of our Michigan markets and 23 wireless licenses for $102.5 million. We believe that our existing cash and investments and anticipated cash flows from operations will be sufficient to meet our operating and capital requirements through at least the next 12 months.

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Cash provided by operating activities was $191.2 million during the nine months ended September 30, 2005 compared to $147.7 million during the nine months ended September 30, 2004. The increase was primarily attributable to higher net income (net of income from reorganization items, depreciation and amortization expense and non-cash stock-based compensation expense) in the nine months ended September 30, 2005, partially offset by the timing of payments on accounts payable and by interest payments on Cricket s 13% senior secured pay-in-kind notes and FCC debt.

Cash used in investing activities was $340.3 million during the nine months ended September 30, 2005 compared to $54.8 million during the nine months ended September 30, 2004. This increase was due primarily to an increase in payments by subsidiaries of Cricket and ANB 1 for the purchase of wireless licenses totaling $244.0 million, an increase in purchases of property and equipment of $34.2 million, a net increase in the purchase of investments of $77.7 million and a decrease in restricted investment activity of $21.2 million, partially offset by an increase in proceeds from the sale of wireless licenses and operating assets of $97.1 million.

Cash provided by financing activities during the nine months ended September 30, 2005 was $176.3 million, which consisted of borrowings under our new term loan of $600.0 million, less amounts which were used to repay the FCC debt of $40.0 million, to repay the pay-in-kind notes of $372.7 million, to make quarterly payments under the term loan totaling $4.0 million and to pay debt issuance costs of $7.0 million.

New Credit Agreement

On January 10, 2005, we entered into a new senior secured Credit Agreement with a syndicate of lenders and Bank of America, N.A. (as administrative agent and letter of credit issuer).

The facilities under the new Credit Agreement originally consisted of a six-year $500 million term loan, which was fully drawn at closing, and an undrawn five-year $110 million revolving credit facility. Under the Credit Agreement, the term loan bears interest at LIBOR plus 2.5 percent, with interest periods of one, two, three or six months, or bank base rate plus 1.5 percent, as selected by Cricket. Outstanding borrowings under the $500 million term loan must be repaid in 20 quarterly payments of $1.25 million each, commencing March 31, 2005, followed by four quarterly payments of $118.75 million each, commencing March 31, 2010. The maturity date for outstanding borrowings under the revolving credit facility is January 10, 2010. The commitment of the lenders under the $110 million revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement and by one-twelfth of the original aggregate revolving credit commitment on January 1, 2008 and by one-sixth of the original aggregate revolving credit commitment on January 1, 2009 (each such amount to be net of all prior reductions) based on certain leverage ratios and other tests. The commitment fee on the revolving credit facility is payable quarterly at a rate of 1.0 percent per annum when the utilization of the facility (as specified in the Credit Agreement) is less than 50 percent and at 0.75 percent per annum when the utilization exceeds 50 percent. Borrowings under the revolving credit facility will accrue interest at LIBOR plus 2.5 percent, with interest periods of one, two, three or six months, or bank base rate plus 1.5 percent, as selected by Cricket, with the rate subject to adjustment based on our leverage ratio. The new credit facilities are guaranteed by Leap and all of its direct and indirect domestic subsidiaries (other than Cricket, which is the primary obligor, ANB 1 and ANB 1 License) and are secured by all present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries.

A portion of the proceeds from the term loan borrowing was used to redeem Cricket s $350 million 13% senior secured pay-in-kind notes, to pay approximately $43 million of call premium and accrued interest on such notes, to repay approximately $41 million in principal amount of debt and accrued interest owed to the FCC, and to pay transaction fees and expenses.

Under the Credit Agreement, we are subject to certain limitations, including limitations on our ability: (1) to incur additional debt or sell assets, with restrictions on the use of proceeds; (2) to make certain investments and acquisitions; (3) to grant liens; and (4) to pay dividends and make certain other restricted payments. In addition, we will be required to pay down the facilities under certain circumstances if we issue debt or equity, sell assets or property, receive certain extraordinary receipts or generate excess cash flow (as defined in the Credit Agreement). We are also required to maintain compliance with financial covenants which include a minimum interest coverage

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ratio, a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum fixed charge coverage ratio.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the Credit Agreement in the following initial amounts: $100 million of the $500 million term loan and $30 million of the $110 million revolving credit facility.

On July 22, 2005, we amended our credit agreement to increase the term loan by $100 million. The interest and related terms under the amended term loan agreement are substantially the same as the original term loan agreement. Outstanding borrowings under the incremental term loan must be repaid in 18 quarterly payments of approximately $278,000 each, commencing September 30, 2005, followed by four quarterly payments of $23.75 million each, commencing March 31, 2010. We also amended the terms of the facility to accommodate the planned expansion of our business including: increasing certain leverage ratios and permitting us to invest up to $325 million in ANB 1 and ANB 1 License and up to $60 million in other joint ventures. The amendments also increased the amount of permitted purchase money security interests and capitalized leases and also allow us to provide limited guarantees for the benefit of ANB 1 License and other joint ventures.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the additional term facility in the amount of $9 million of the $100 million term loan increase.

The terms of the Credit Agreement require us to enter into interest rate hedging agreements in an amount equal to at least 50% of our outstanding indebtedness. In accordance with this requirement, in April 2005 we entered into interest rate swap agreements with respect to $250 million of our debt. These swap agreements effectively fix the interest rate on $250 million of the outstanding indebtedness at 6.7% through June 2007. In July 2005, we entered into an interest rate swap agreement with respect to a further $105 million of our outstanding indebtedness. This swap agreement effectively fixes the interest rate on $105 million of the outstanding indebtedness at 6.8% through June 2009. The $2.0 million fair value of the swap agreements at September 30, 2005 was recorded as an asset in the condensed consolidated balance sheet.

At September 30, 2005, the effective interest rate on the $600 million term loan was 6.4%, including the effect of interest rate swaps, and the outstanding indebtedness was $596.0 million.

Capital Expenditures and Other Asset Acquisitions and Dispositions

2005 Capital Expenditures

During the nine months ended September 30, 2005, we incurred approximately $82.3 million in capital expenditures. We currently expect to incur between $150 million and $200 million in capital expenditures, excluding capitalized interest, for the year ending December 31, 2005. These capital expenditures are primarily for: (i) maintenance and improvement of our existing wireless networks, (ii) the build-out and launch of the Fresno, California market and the related expansion and network change-out of the Company s existing Visalia and Modesto/Merced markets, (iii) costs associated with the initial development of markets covered by licenses acquired in Auction #58, (iv) costs to be incurred by ANB 1 License in connection with the initial development of licenses ANB 1 License acquired in Auction #58, and (v) initial expenditures for EDVO technology. We expect to finance the remaining capital expenditures for 2005 with our existing cash, cash equivalents and short-term investments.

Auction #58 Properties and Build-Out

In February 2005, our wholly owned subsidiary, Cricket Licensee (Reauction), Inc., was named the winning bidder in the FCC s Auction #58 for four wireless licenses covering approximately 11.1 million potential customers. Cricket Licensee (Reauction), Inc. purchased these licenses in May 2005 for $166.9 million.

In February 2005, ANB 1 License was named the winning bidder in Auction #58 for nine wireless licenses covering approximately 10.1 million potential customers. ANB 1 License purchased these licenses in September 2005 for $68.2 million. During the six months ended June 30, 2005, we made loans under our senior secured credit

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facility with ANB 1 License in the aggregate amount of $56.3 million. ANB 1 License paid these borrowed funds, together with $4.0 million of equity contributions, to the FCC to increase its total FCC payments to $68.2 million. Under our senior secured credit facility with ANB 1 License, as amended, we have committed to loan ANB 1 License up to $24.8 million in additional funds to finance its initial build-out costs and working capital requirements. However, ANB 1 License will need to obtain additional capital from Cricket or another third party to build out and launch its networks. Under Cricket s Credit Agreement, we are permitted to invest up to an aggregate of $325 million in loans to and equity investments in ANB 1 and ANB 1 License.

We currently expect to launch commercial operations in the markets covered by the licenses we have acquired as a result of Auction #58 and we have commenced build-out activities. Pursuant to a management services agreement, we are also providing services to ANB 1 License with respect to the build-out and launch of the licenses it acquired in connection with Auction #58. See Item 1. Business-Arrangements with Alaska Native Broadband in our Annual Report on Form 10-K for the year ended December 31, 2004, as originally filed, for further discussion of our arrangements with Alaska Native Broadband.

Other Acquisitions and Dispositions

On June 24, 2005, we completed the purchase of a wireless license to provide service in Fresno, California and related assets for approximately $27.6 million. We launched service in Fresno on August 2, 2005.

On August 3, 2005, we completed the sale of 23 wireless licenses and substantially all of the operating assets in our Michigan markets for $102.5 million, resulting in a gain of $14.6 million. We had not launched commercial operations in most of the markets covered by the licenses sold.

In September 2005, we entered into an agreement to sell non-operating wireless licenses covering 0.9 million potential customers for a sales price of approximately $10.0 million, subject to FCC approval of the transfer of the licenses. During the second quarter of fiscal 2005, we recorded impairment charges of $11.4 million to adjust the carrying values of these licenses to their estimated fair values, which were based on the agreed upon sales prices.

In November 2005, we signed an agreement to sell our wireless licenses and operating assets in our Toledo and Sandusky, Ohio markets for approximately $28.5 million and an equity interest in a new joint venture company which owns a wireless license in the Portland, Oregon market. We also agreed to contribute to the joint venture approximately $25 million and certain of our wireless licenses and related operating assets in Eugene and Salem, Oregon, which would increase our non-controlling membership interest in the joint venture to approximately 73%. Completion of these transactions is subject to customary closing conditions, including among others, FCC approval of the transfers of the wireless licenses, other third party consents and a financing condition for the benefit of one of the other parties. If the financing condition is not waived prior to December 15, 2005, we instead would transfer to the purchaser the same wireless licenses and operating assets in Ohio in exchange for $12.4 million and the transfer of the Portland license to a different joint venture company. In this case, we would own a 75% non-controlling interest in the joint venture and would fund the joint venture s acquisition and build-out of the Portland license through a $75.6 million secured credit facility between the joint venture and Cricket. Although we expect to receive FCC approval of the transfers and satisfy such conditions, we cannot assure you that the FCC will grant such approval or that the other conditions will be satisfied.

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Certain Contractual Obligations and Commitments

The table below summarizes information as of September 30, 2005 regarding certain future minimum contractual obligations and commitments for Leap and Cricket for the next five years and thereafter (in thousands):

	Total	Remainder of 2005	Year Ended December 31, 2006	2007	2008	2009	Thereafter
Long-term debt(1)	$ 595,972	$ 1,528	$ 6,111	$ 6,111	$ 6,111	$ 6,111	$ 570,000
Origination fees for ANB 1 investment	4,700		750	1,000	1,000	1,000	950
Contractual interest(2)	186,875	9,900	39,352	38,729	38,106	37,560	23,228
Operating leases	225,681	13,630	39,144	25,796	23,092	20,788	103,231
Total	$ 1,013,228	$ 25,058	$ 85,357	$ 71,636	$ 68,309	$ 65,459	$ 697,409

(1) Amounts shown for Cricket s term loan include principal only. Interest on this term loan, calculated at the current interest rate, is stated separately.

(2) Contractual interest is based on the current interest rates in effect at September 30, 2005 for debt outstanding as of that date.

Subsequent to September 30, 2005, we incurred the following additional contractual obligations which are not included in the table above:

Contractual obligations to purchase a minimum of $90.5 million of products and services from Nortel Networks Inc. from October 11, 2005 through October 10, 2008.

Contractual obligations to purchase a minimum of $119 million of products and services from Lucent Technologies Inc. from October 1, 2005 through September 30, 2008.

The table above also does not include the following contractual obligations relating to ANB 1, a company which we consolidate under FASB Interpretation No. 46-R: (1) Cricket s obligation, as amended in June 2005, to loan to ANB 1 License up to $24.8 million to finance its initial build-out costs and working capital requirements, of which approximately $2.9 million was drawn at September 30, 2005, (2) Cricket s obligation to pay $2.0 million to ANB if ANB exercises its right to sell its membership interest in ANB 1 to Cricket following the initial build-out of ANB 1 License s wireless licenses, and (3) ANB 1 s obligation to purchase a minimum of $39.5 million and $6.0 million of products and services from Nortel Networks Inc. and Lucent Technologies Inc., respectively, over the same three year terms as those for the Company.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at September 30, 2005.

Recent Accounting Pronouncements

In October 2005, the FASB issued FASB Staff Position (FSP) No. FAS 13-1, Accounting for Rental Costs Incurred During a Construction Period. This FSP addresses whether a lessee may capitalize rental costs associated with ground and building operating leases incurred during a construction period. Rental costs associated with ground or building operating leases that are incurred during a construction period shall be recognized as rental expense and included in income from continuing operations. A lessee shall cease capitalizing rental costs as of the effective date of this FSP for operating lease arrangements entered into prior to the effective date of this FSP. Adoption of this FSP is required for our first quarter beginning January 1, 2006. We have not yet determined the impact that the adoption of FSP No. FAS 13-1 will have on our consolidated financial position or results of operations.

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RISK FACTORS

Risks Related to Our Business and Industry

We Have Experienced Net Losses And We May Not Be Profitable In The Future

We experienced losses of $8.4 million and $49.3 million (excluding reorganization items, net) for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively. In addition, we experienced net losses of $597.4 million for the year ended December 31, 2003, $664.8 million for the year ended December 31, 2002, $483.3 million for the year ended December 31, 2001 and $0.2 million for the year ended December 31, 2000. We may not generate profits in the future on a consistent basis or at all. If we fail to achieve consistent profitability, that failure could have a negative effect on our financial condition and on the value of the common stock of Leap.

We May Not Be Successful In Increasing Our Customer Base Which Would Force Us To Change Our Business Plans And Financial Outlook And Would Likely Negatively Affect The Price Of Our Stock

Our growth on a quarter by quarter basis has varied substantially in the past. We believe that this uneven growth generally reflects seasonal trends in customer activity, promotional activity, the competition in the wireless telecommunications market, our reduction in spending on capital investments and advertising while we were in bankruptcy, and varying national economic conditions. Our current business plans assume that we will increase our customer base over time, providing us with increased economies of scale. If we are unable to attract and retain a growing customer base, we would be forced to change our current business plans and financial outlook and there would likely be a material negative affect on the price of our common stock.

If We Experience High Rates Of Customer Turnover or Credit Card, Subscription or Dealer Fraud, Our Ability To Become Profitable Will Decrease

Customer turnover, frequently referred to as churn, is an important business metric in the telecommunications industry because it can have significant financial effects. Because we do not require customers to sign long-term commitments or pass a credit check, our service is available to a broader customer base than many other wireless providers and, as a result, some of our customers may be more likely to terminate service due to an inability to pay than the average industry customer, particularly during economic downturns. In addition, our rate of customer turnover may be affected by other factors, including the size of our calling areas, handset issues, customer care concerns, number portability and other competitive factors. Our strategies to address customer turnover may not be successful. A high rate of customer turnover would reduce revenues and increase the total marketing expenditures required to attract the minimum number of replacement customers required to sustain our business plan, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

Our operating costs can also increase substantially as a result of customer credit card and subscription fraud and dealer fraud. We have implemented a number of strategies and processes to detect and prevent efforts to defraud us, and we believe that our efforts have substantially reduced the types of fraud we have identified. However, if our strategies are not successful in detecting and controlling fraud in the future, it could have a material adverse impact on our financial condition and results of operations.

We Face Increasing Competition Which Could Have A Material Adverse Effect On Demand For The Cricket Service

In general, the telecommunications industry is very competitive. Some competitors have announced rate plans substantially similar to the Cricket service plan (and have also introduced products that consumers perceive to be

similar to Cricket s service plan) in markets in which we offer wireless service. In addition, the competitive pressures of the wireless telecommunications market have caused other carriers to offer service plans with large bundles of minutes of use at low prices which are competing with the predictable and virtually unlimited Cricket calling plans. Some competitors also offer prepaid wireless plans that are being advertised heavily to demographic segments that are strongly represented in Cricket s customer base. These competitive offerings could adversely

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affect our ability to maintain our pricing and market penetration. Our competitors may attract more customers because of their stronger market presence and geographic reach. Potential customers may perceive the Cricket service to be less appealing than other wireless plans, which offer more features and options.

We compete as a mobile alternative to landline service providers in the telecommunications industry. Wireline carriers are also offering unlimited national calling plans and bundled offerings that include wireless and data services. We may not be successful in our efforts to persuade potential customers to adopt our wireless service in addition to, or in replacement of, their current landline service.

The telecommunications industry is experiencing significant technological change. Other technologies may arise that may be perceived as more appealing than our Cricket service. In addition, existing carriers and potential non-traditional carriers are exploring or have announced the launch of service using new technologies and/or alternative delivery plans.

Many competitors have substantially greater financial and other resources than we have, and we may not be able to compete successfully. Because of their size and bargaining power, our larger competitors may be able to purchase equipment, supplies and services at lower prices than we can. As consolidation in the industry creates even larger competitors, any purchasing advantages our competitors have may increase.

We Have Identified Material Weaknesses In Our Internal Control Over Financial Reporting, And Our Business And Stock Price May Be Adversely Affected If We Do Not Remediate All Of These Material Weaknesses, Or If We Have Other Material Weaknesses In Our Internal Control Over Financial Reporting

In connection with their evaluation of our disclosure controls and procedures, our CEO and CFO concluded that certain material weaknesses in our internal control over financial reporting existed: (i) as of December 31, 2004, March 31, 2005, June 30, 2005 and September 30, 2005 with respect to turnover and staffing levels in our accounting, financial reporting and tax departments (arising in part in connection with the Company s now completed bankruptcy proceedings) and the preparation of our income tax provision, and (ii) as of December 31, 2004 and March 31, 2005 with respect to the application of lease-related accounting principles, fresh-start reporting oversight, and account reconciliation procedures. We believe we have adequately remediated the material weaknesses associated with lease accounting, fresh-start reporting oversight and account reconciliation procedures. For a description of the material weaknesses with respect to staffing and the accounting for income taxes and the steps we are undertaking to remediate them, see Item 4. Controls and Procedures contained in Part I of this report. The existence of one or more material weaknesses could result in errors in our financial statements, and substantial costs and resources may be required to rectify any internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed.

Our Internal Control Over Financial Reporting Was Not Effective as of December 31, 2005, and Our Business May Be Adversely Affected if We Are Not Able to Implement Effective Control Over Financial Reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to do a comprehensive evaluation of their internal control over financial reporting. To comply with this statute, we are required to document and test our internal control over financial reporting; our management is required to assess and issue a report concerning our internal control over financial reporting; and our independent auditors are required to attest to and report on management s assessment. Reporting on our compliance with Section 404 of the Sarbanes-Oxley Act was first required in connection with the filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. We conducted a rigorous review of our internal control over financial reporting in order to become compliant with the requirements of

Section 404. The standards that must be met for management to assess our internal control over financial reporting are new and require significant documentation and testing. Our assessment identified the need for remediation of our internal control over financial reporting. Our internal control over financial reporting has been subject to certain material weaknesses in the past and is currently subject to material weaknesses related to

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staffing levels and preparation of our income tax provision as described in Item 4. Controls and Procedures in Part I of this report. Our management concluded and our independent registered public accounting firm has attested and reported that our internal control over financial reporting was not effective as of December 31, 2005. If we are unable to implement effective control over financial reporting, investors could lose confidence in our reported financial information, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed.

Our Primary Business Strategy May Not Succeed In The Long Term

A major element of our business strategy is to offer consumers a service that allows them to make virtually unlimited calls within their Cricket service area and receive unlimited calls from any area for a flat monthly rate without entering into a long-term service commitment or passing a credit check. This strategy may not prove to be successful in the long term. From time to time, we also evaluate our service offerings and the demands of our target customers and may modify, change or adjust our service offerings or offer new services. We cannot assure you that these service offerings will be successful or prove to be profitable.

Our Indebtedness Could Adversely Affect Our Financial Health, And If We Fail To Maintain Compliance With The Covenants Under Our Senior Secured Credit Facilities, Any Such Failure Could Materially Adversely Affect Our Liquidity And Financial Condition

As of October 31, 2005, we had approximately $596 million of outstanding indebtedness and, to the extent we raise additional capital in the future, we expect to obtain much of such capital through debt financing. This existing indebtedness bears interest at a variable rate, but we have entered into interest rate swap agreements with respect to $250 million of our debt in April, 2005 and an additional $105 million of our debt in July 2005, which mitigates the interest rate volatility. Our present and future debt financing could have important consequences. For example, it could:

- Increase our vulnerability to general adverse economic and industry conditions;
- Require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- Limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- Reduce the value of stockholders investments in Leap because debt holders have priority regarding our assets in the event of a bankruptcy or liquidation.

In addition, the Credit Agreement governing our senior secured credit facilities contains restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. The Credit Agreement also contains various affirmative and negative covenants, including covenants that require us to maintain compliance with certain financial leverage and coverage ratios. Our failure to comply with any of these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our debt. Any such acceleration would have a material adverse affect on our liquidity and financial condition and on the value of the common stock of Leap. Our failure to timely file our Annual Report on Form 10-K for the year ended December 31, 2004 and our Quarterly Report on Form 10-Q for the period ended March 31, 2005 constituted defaults under the Credit Agreement. Although we were able to obtain a limited waiver of these defaults, we cannot assure you that we will be able to obtain a waiver in the future should a default occur.

We Expect To Be Able To Incur Substantially More Debt; This Could Increase The Risks Associated With Our Leverage

The covenants in our Credit Agreement allow us to incur substantial additional indebtedness in the future. If we incur additional indebtedness, the risks associated with our leverage could increase substantially.

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The Wireless Industry Is Experiencing Rapid Technological Change, And We May Lose Customers If We Fail To Keep Up With These Changes

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. The cost of implementing future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep up with these changes.

The Loss Of Key Personnel And Difficulty Attracting And Retaining Qualified Personnel Could Harm Our Business

We believe our success depends heavily on the contributions of our employees and on maintaining our experienced workforce. We do not, however, generally provide employment contracts to our employees and the uncertainties associated with our bankruptcy and our emergence from bankruptcy have caused many employees to consider or pursue alternative employment. Since we announced reorganization discussions and filed for Chapter 11, we have experienced higher than normal employee turnover, including turnover of individuals at the chief executive officer, president and chief operating officer, senior vice president, vice president and other management levels. The loss of key individuals, and particularly the cumulative effect of such losses, may have a material adverse impact on our ability to effectively manage and operate our business.

Risks Associated With Wireless Handsets Could Pose Product Liability, Health And Safety Risks That Could Adversely Affect Our Business

We do not manufacture handsets or other equipment sold by us and generally rely on our suppliers to provide us with safe equipment. Our suppliers are required by applicable law to manufacture their handsets to meet certain governmentally imposed safety criteria. However, even if the handsets we sell meet the regulatory safety criteria, we could be held liable with the equipment manufacturers and suppliers for products we sell if they are later found to have design or manufacturing defects. We generally have indemnification agreements with the manufacturers who supply us with handsets to protect us from direct losses associated with product liability, but we cannot guarantee that we will be fully protected against all losses associated with a product that is found to be defective.

Media reports have suggested that the use of wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Certain class action lawsuits have been filed in the industry claiming damages for alleged health problems arising from the use of wireless handsets. In addition, interest groups have requested that the FCC investigate claims that wireless technologies pose health concerns and cause interference with airbags, hearing aids and other medical devices. The media has also reported incidents of handset battery malfunction, including reports of batteries that have overheated. Malfunctions have caused at least one major handset manufacturer to recall certain batteries used in its handsets, including batteries in a handset sold by Cricket and other wireless providers.

Concerns over radio frequency emissions and defective products may discourage the use of wireless handsets, which could decrease demand for our services. In addition, if one or more Cricket customers were harmed by a defective product provided to us by the manufacturer and subsequently sold in connection with our services, our ability to add and maintain customers for Cricket service could be materially adversely affected by negative public reactions.

There also are some safety risks associated with the use of wireless handsets while driving. Concerns over these safety risks and the effect of any legislation that has been and may be adopted in response to these risks could limit our ability to sell our wireless service.

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We Rely Heavily On Third Parties To Provide Specialized Services; A Failure By Such Parties To Provide The Agreed Services Could Materially Adversely Affect Our Business, Results Of Operations And Financial Condition

We depend heavily on suppliers and contractors with specialized expertise in order for us to efficiently operate our business. In the past, our suppliers, contractors and third-party retailers have not always performed at the levels we expect or at the levels required by their contracts. If key suppliers, contractors or third-party retailers fail to comply with their contracts, fail to meet our performance expectations or refuse or are unable to supply us in the future, our business could be severely disrupted. Generally, there are multiple sources for the types of products we purchase. However, some suppliers, including software suppliers, are the exclusive sources of their specific products. In addition, we currently purchase a substantial majority of the handsets we sell from one supplier. Because of the costs and time lags that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could have a material adverse affect on our business, results of operations and financial condition.

We May Be Subject To Claims Of Infringement Regarding Telecommunications Technologies That Are Protected By Patents And Other Intellectual Property Rights

Telecommunications technologies are protected by a wide array of patents and other intellectual property rights. As a result, third parties may assert infringement claims against us from time to time based on our general business operations or the specific operation of our wireless networks. We generally have indemnification agreements with the manufacturers and suppliers who provide us with the equipment and technology that we use in our business to protect us against possible infringement claims, but we cannot guarantee that we will be fully protected against all losses associated with an infringement claim. Whether or not an infringement claim was valid or successful, it could adversely affect our business by diverting management attention, involving us in costly and time-consuming litigation, requiring us to enter into royalty or licensing agreements (which may not be available on acceptable terms, or at all), or requiring us to redesign our business operations or systems to avoid claims of infringement.

A third party with a large patent portfolio has contacted us and suggested that we need to obtain a license under a number of its patents in connection with our current business operations. We understand that the third party has initiated similar discussions with other telecommunications carriers. We are evaluating the third party s position but have not yet reached a conclusion as to the validity of its position. If we cannot reach a mutually agreeable resolution with the third party, we may be forced to enter into a licensing or royalty agreement with the third party. We do not currently expect that such an agreement would materially adversely affect our business, but we cannot provide assurance to our investors about the effect of any such license.

Regulation By Government Agencies May Increase Our Costs Of Providing Service Or Require Us To Change Our Services

Our operations are subject to varying degrees of regulation by the FCC, the Federal Trade Commission, the Federal Aviation Administration, the Environmental Protection Agency, the Occupational Safety and Health Administration and state and local regulatory agencies and legislative bodies. Adverse decisions or regulations of these regulatory bodies could negatively impact our operations and costs of doing business. State regulatory agencies are increasingly focused on the quality of service and support that wireless carriers provide to their customers and several agencies have proposed or enacted new and potentially burdensome regulations in this area. Governmental regulations and orders can significantly increase our costs and affect our competitive position compared to other telecommunications providers. We are unable to predict the scope, pace or financial impact of regulations and other policy changes that could be adopted by the various governmental entities that oversee portions of our business.

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If Call Volume Under Our Cricket Flat Price Plans Exceeds Our Expectations, Our Costs Of Providing Service Could Increase, Which Could Have A Material Adverse Effect On Our Competitive Position

Cricket customers currently use their handsets approximately 1,450 minutes per month, and some markets are experiencing substantially higher call volumes. We own less spectrum in many of our markets than our competitors, but we design our networks to accommodate our expected high call volume, and we consistently assess and implement technological improvements to increase the efficiency of our wireless spectrum. However, if future wireless use by Cricket customers exceeds the capacity of our networks, service quality may suffer. We may be forced to raise the price of Cricket service to reduce volume or otherwise limit the number of new customers, or incur substantial capital expenditures to improve network capacity.

We offer service plans that bundle certain features, long distance and virtually unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. If customers exceed expected usage, we could face capacity problems and our costs of providing the services could increase. Further, long distance rates and the charges for interconnecting telephone call traffic between carriers can be affected by governmental regulatory actions (and in some cases are subject to regulatory control) and, as a result, could increase with limited warning. If we are unable to cost-effectively provide our products and services to customers, our competitive position and business prospects could be materially adversely affected.

Future Declines In The Fair Value Of Our Wireless Licenses Could Result In Future Impairment Charges

During the three months ended June 30, 2003, we recorded an impairment charge of $171.1 million to reduce the carrying value of our wireless licenses to their estimated fair value. However, as a result of our adoption of fresh-start reporting under SOP 90-7, we increased the carrying value of our wireless licenses to $652.6 million at July 31, 2004, the fair value estimated by management based in part on information provided by an independent valuation consultant. During the three and nine months ended September 30, 2005, we recorded impairment charges of $0.7 million and $12.1 million, respectively.

The market values of wireless licenses have varied dramatically over the last several years, and may vary significantly in the future. In particular, valuation swings could occur if:

- consolidation in the wireless industry allowed or required carriers to sell significant portions of their wireless spectrum holdings;
- a sudden large sale of spectrum by one or more wireless providers occurs; or
- market prices decline as a result of the bidding activity in recently concluded or upcoming FCC auctions.

In addition, the price of wireless licenses could decline as a result of the FCC s pursuit of policies designed to increase the number of wireless licenses available in each of our markets. If the market value of wireless licenses were to decline significantly in the future, the value of our wireless licenses could be subject to non-cash impairment charges in the future. A significant impairment loss could have a material adverse effect on our operating income and on the carrying value of our wireless licenses on our balance sheet.

Declines In Our Operating Performance Could Ultimately Result In An Impairment Of Our Indefinite-Lived Assets, Including Goodwill, Or Our Long-Lived Assets, Including Property and Equipment

We assess potential impairments to our long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be

recoverable. We assess potential impairments to indefinite-lived intangible assets, including goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. If we do not achieve our planned operating results, this may ultimately result in a non-cash impairment charge related to our long-lived and/or our indefinite-lived intangible assets. A significant impairment loss could have a material adverse effect on our operating results and on the carrying value of our goodwill or wireless licenses and/or our long-lived assets on our balance sheet.

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Because Our Consolidated Financial Statements Reflect Fresh-Start Reporting Adjustments Made Upon Our Emergence From Bankruptcy, Financial Information In Our Current And Future Financial Statements Will Not Be Comparable To Our Financial Information From Periods Prior To Our Emergence From Bankruptcy

As a result of adopting fresh-start reporting on July 31, 2004, the carrying values of our wireless licenses and our property and equipment, and the related depreciation and amortization expense, among other things, changed considerably from that reflected in our historical consolidated financial statements. Thus, our current and future balance sheets and results of operations will not be comparable in many respects to our balance sheets and consolidated statements of operations data for periods prior to our adoption of fresh-start reporting. You are not able to compare information reflecting our post-emergence balance sheet data, results of operations and changes in financial condition to information for periods prior to our emergence from bankruptcy, without making adjustments for fresh-start reporting.

Risks Related to Ownership of Our Common Stock

Our Stock Price May Be Volatile, And You May Lose All Or Some Of Your Investment

The trading prices of the securities of telecommunications companies have been highly volatile. Accordingly, the trading price of our common stock is likely to be subject to wide fluctuations. Factors affecting the trading price of our common stock may include, among other things:

- variations in our operating results;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock; and
- market conditions in our industry and the economy as a whole.

The 17,198,252 Shares Of Our Common Stock Registered For Resale By Our Shelf Registration Statement on Form S-1 May Adversely Affect The Market Price Of Our Common Stock

As of November 10, 2005, 61,160,538 shares of our common stock were issued and outstanding. Our resale shelf Registration Statement on Form S-1, which was declared effective on August 29, 2005, registered for resale 17,198,252 shares, or approximately 28.1%, of our outstanding common stock. We are unable to predict the potential effect that sales into the market of any material portion of such shares may have on the then prevailing market price of our common stock. We also have registered all shares of common stock that we may issue under our stock option, restricted stock and deferred stock unit plan and under our employee stock purchase plan. When we issue shares under these stock plans, they can be freely sold in the public market. If any of these holders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of our common stock. These sales also could impede our ability to raise future capital.

Our Directors and Affiliated Entities Have Substantial Influence Over Our Affairs

Our directors and entities affiliated with them beneficially own in the aggregate approximately 28.4% of our common stock as of November 10, 2005. These stockholders have the ability to exert substantial influence over all matters requiring approval by our stockholders. These stockholders will be able to influence the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets and other matters. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination.

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Provisions In Our Amended And Restated Certificate Of Incorporation And Bylaws Or Delaware Law Might Discourage, Delay Or Prevent A Change In Control Of Our Company Or Changes In Our Management And Therefore Depress The Trading Price Of Our Common Stock

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of Leap may deem advantageous. These provisions:

require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and bylaws;

authorize the issuance of blank check preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;

prohibit stockholder action by written consent, and require that all stockholder actions be taken at a meeting of our stockholders;

provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and

establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder and which may discourage, delay or prevent a change in control of our company.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to management, including its chief executive officer (CEO) and chief financial officer (CFO), as appropriate, to allow for timely decisions regarding required disclosure. Management, with participation by the Company s CEO and CFO, has designed the Company s disclosure controls and procedures to provide reasonable assurance of achieving the desired objectives. As required by SEC Rule 13a-15(b), in connection with filing this Amendment No. 1 on Form 10-Q/A, management again conducted an evaluation, with the participation of the Company s CEO and CFO, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of September 30, 2005, the end of the period covered by this report. Based upon that evaluation, the Company s CEO and CFO concluded that certain control deficiencies, each of which constituted a material weakness, as discussed below, existed in the Company s internal control over financial reporting as of September 30, 2005. As a result of the material weaknesses, the Company s CEO and CFO concluded that the Company s disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2005.

The Company s CEO and CFO previously concluded that certain control deficiencies, each of which constituted a material weakness, as discussed below, existed in the Company s internal control over financial reporting as of December 31, 2004, March 31, 2005 and June 30, 2005. As a result of the material weaknesses, the Company s CEO

and CFO concluded that the Company s disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2004, March 31, 2005 and June 30, 2005.

The material weaknesses and the steps the Company has taken to remediate the material weaknesses are described more fully as follows:

Insufficient Staffing in the Accounting, Financial Reporting and Tax Functions. As of September 30, 2005, June 30, 2005, March 31, 2005 and December 31, 2004, the Company did not maintain a sufficient complement of personnel with the appropriate skills, training and Company-specific experience to identify and address the application of generally accepted accounting principles in complex or non-routine transactions. Specifically, the

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Company has experienced staff turnover, and as a result, has experienced a lack of knowledge transfer to new employees within its accounting, financial reporting and tax functions. In addition, the Company does not have a full-time director of its tax function. Additionally, this control deficiency could result in a misstatement of accounts and disclosures that would result in a material misstatement to the Company s interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

The Company believes that its insufficient complement of personnel and high turnover resulted, in large part, from (1) the significantly increased workload placed on its accounting and financial reporting staff during the Company s bankruptcy and the months after the Company s emergence from bankruptcy during which it was implementing fresh-start reporting, and (2) the departure of some staff members during the Company s bankruptcy and in the first several months after its emergence due to concerns about the Company s prospects.

The Company has taken the following actions to remediate the material weakness related to insufficient staffing in its accounting, financial reporting and tax functions:

The Company hired a new vice president, chief accounting officer in May 2005. This individual is a certified public accountant with over 19 years of experience as an accounting professional, including over 14 years of Big Four public accounting experience. He possesses a strong background in technical accounting and the application of generally accepted accounting principles.

The Company has hired a number of key accounting personnel since February 2005 that are appropriately qualified and experienced to identify and apply technical accounting literature, including several new directors and managers.

Based on the new leadership and management in the accounting department and on its identification of certain of the historical errors in the Company s accounting for income taxes, the Company believes that it has made substantial progress in addressing this material weakness as of December 31, 2005. However, this material weakness was not remediated as of such date. The Company expects that this material weakness will be fully remediated once it has filled the remaining key open management positions, including a full-time tax department leader, with qualified personnel and those personnel have had sufficient time in their positions.

This material weakness contributed to the following control deficiency, which is considered to be a material weakness.

Errors in the Accounting for Income Taxes. As of September 30, 2005, June 30, 2005, March 31, 2005 and December 31, 2004, the Company did not maintain effective controls over its accounting for income taxes. Specifically, the Company did not have adequate controls designed and in place to ensure the completeness and accuracy of the deferred income tax provision and the related deferred tax assets and liabilities and the related goodwill in conformity with generally accepted accounting principles. This control deficiency resulted in the restatement of the Company s consolidated financial statements for the five months ended December 31, 2004 and the consolidated financial statements for the two months ended September 30, 2004 and the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005. Additionally, this control deficiency could result in a misstatement of accounts and disclosures that would result in a material misstatement to the Company s interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

The Company has taken the following actions to remediate the material weakness related to its accounting for income taxes:

The Company has initiated a search for a qualified full-time tax department leader and continues to make this a priority. The Company has been actively recruiting for this position for several months, but has experienced difficulty in finding qualified applicants. Nevertheless, the Company is striving to fill the position as soon as possible.

As part of its 2005 annual income tax provision, the Company improved its internal control over income tax accounting to establish detailed procedures for the preparation and review of the income tax provision, including review by the Company s chief accounting officer.

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The Company used experienced qualified consultants to assist management in interpreting and applying income tax accounting literature and preparing the Company s 2005 annual income tax provision, and will continue to use such consultants in the future to obtain access to as much income tax accounting expertise as it needs. The Company recognizes, however, that a full-time tax department leader with appropriate tax accounting expertise is important for the Company to maintain effective internal controls on an ongoing basis.

As a result of the remediation initiatives described above, the Company identified certain of the errors that gave rise to the restatements of the consolidated financial statements for deferred income taxes.

The Company expects that the material weakness related to its accounting for income taxes will be remediated once it has hired a full-time leader of the tax department, that person has had sufficient time in his or her position, and the Company demonstrates continued accurate and timely preparation of its income tax provisions.

In addition to the material weaknesses related to insufficient staffing and income tax provision preparation, the Company had previously reported in its Annual Report on Form 10-K for the year ended December 31, 2005 and its Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2005 that it had material weaknesses related to the application of lease-related accounting principles, fresh-start reporting and account reconciliation procedures. These material weaknesses were remediated during the quarter ended June 30, 2005, as reported in the Company s Quarterly Report on Form 10-Q/A for that quarter.

The Company has performed additional analyses and procedures in order to conclude that its audited consolidated financial statements for the years ended December 31, 2005 and 2004, included in its Annual Report on Form 10-K for the year ended December 31, 2005, as well as its unaudited interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q/A and the Quarterly Reports on Form 10-Q/A for the first and second quarters of fiscal 2005, were presented in accordance with accounting principles generally accepted in the United States of America for such financial statements. Accordingly, management believes that despite its material weaknesses, the Company s audited consolidated financial statements for the years ended December 31, 2005 and 2004, included in its Annual Report on Form 10-K for the year ended December 31, 2005, as well as its unaudited interim financial statements included in this Quarterly Report on Form 10-Q/A and the Quarterly Reports on Form 10-Q/A for the quarters ended March 31, 2005 and June 30, 2005, reflect all adjustments necessary to state fairly the financial information set forth therein.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in the Company s internal control over financial reporting during the Company s fiscal quarter ended September 30, 2005 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II
OTHER INFORMATION

Item 6. ***Exhibits.***

Index to Exhibits:

Exhibit Number	Description of Exhibit
10.1.1(1)#	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement, dated as of July 8, 2005, between the Company and David B. Davis.
10.1.2(1)#	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement, dated as of July 8, 2005, between the Company and Robert J. Irving, Jr.
10.1.3(1)#	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement, dated as of July 8, 2005, between the Company and Leonard C. Stephens.
10.1.4(1)#	Agreement, dated as of July 8, 2005, between the Company and Harvey P. White.
10.2.1(2)	Amendment No. 1 to the Credit Agreement among Cricket Communications, Inc., Leap Wireless International, Inc., the lenders party to the Credit Agreement and Bank of American, N.A., as agent, dated as of July 22, 2005.
10.2.2(2)	Amendment No. 2 to the Credit Agreement among Cricket Communications, Inc., Leap Wireless International, Inc., the lenders party to the Credit Agreement and Bank of American, N.A., as agent, dated as of July 22, 2005.
10.3.1 **	Amendment No. 3 to Amended and Restated System Equipment Purchase Agreement, effective as of October 11, 2005, between Cricket Communications, Inc. and Nortel Networks Inc.
10.3.2 **	Amendment No. 8 to Amended and Restated System Equipment Purchase Agreement, effective as of October 1, 2005, between Cricket Communications, Inc. and Lucent Technologies Inc.
10.4**#	Form of Executive Vice President and Senior Vice President Severance Benefits Agreement.
10.5**	Amendment No. 3 to Credit Agreement by and among Cricket Communications, Inc., Alaska Native Broadband 1 License, LLC, and Alaska Native Broadband 1, LLC, dated August 26, 2005.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32***	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Previously filed.

*** These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. § 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of Leap Wireless International, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

Management contract or compensatory plan or arrangement in which one or more executive officers or directors participates.

(1) Filed as an exhibit to Leap s Current Report on Form 8-K, dated July 8, 2005, as filed with the SEC on July 14, 2005, and incorporated herein by reference.

(2) Filed as an exhibit to Leap s Current Report on Form 8-K, dated July 22, 2005, as filed with the SEC on July 25, 2005, and incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to Quarterly Report on Form 10-Q/A to be signed on its behalf by the undersigned thereunto duly authorized.

LEAP WIRELESS INTERNATIONAL, INC.

Date: April 19, 2006

By: /s/ S. Douglas Hutcheson
S. Douglas Hutcheson
Chief Executive Officer and President
(Principal Executive Officer)

Date: April 19, 2006

By: /s/ Dean M. Luvisa
Dean M. Luvisa
Vice President, Finance and
Acting Chief Financial Officer
(Principal Financial Officer)