LEAP WIRELESS INTERNATIONAL INC
Form S-1
November 21, 2002

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As filed with the Securities and Exchange Commission on November 21, 2002

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Leap Wireless International, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**4812**	**33-0811062**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

10307 Pacific Center Court

San Diego, California 92121
(858) 882-6000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Agent for Service:	*Copies to:*
HARVEY P. WHITE	**Scott N. Wolfe, Esq.**
Chief Executive Officer	**Barry M. Clarkson, Esq.**
Leap Wireless International, Inc.	**Latham & Watkins**
10307 Pacific Center Court	**12636 High Bluff Drive, Suite 300**
San Diego, California 92121	**San Diego, California 92130**
(858) 882-6000	**(858) 523-5400**

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ____________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ____________

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ____________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value $0.0001 per share(2)	21,020,431	$0.30	$6,306,130	$581

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) based on the average of the high and low reported sales prices on the Nasdaq National Market on November 15, 2002.

(2) Each share of common stock, par value $0.0001 per share, includes a right to purchase one one-thousandth of a share of Series A Junior Participating preferred stock, par value $0.0001 per share.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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(SUBJECT TO COMPLETION, DATED NOVEMBER 21, 2002)

PROSPECTUS

Leap Wireless International, Inc.

21,020,431 Shares of Common Stock

This prospectus relates to the offer and sale of up to 21,020,431 shares of Leap Wireless International, Inc. common stock by the selling security holder identified in this prospectus. The shares offered by this prospectus were originally issued by us to the selling security holder in connection with an arbitration award relating to our acquisition of wireless licenses from the selling security holder, subject to the terms of an acquisition agreement, dated September 1, 2000. We have agreed to register for resale the shares of our common stock offered by this prospectus and bear the expenses of registration of the shares. The selling security holder will pay any applicable underwriting fees, discounts or commissions and transfer taxes, as well as all fees and disbursements of its counsel and experts. We will not receive any of the proceeds from the sale of shares of common stock by the selling security holder.

The shares offered by this prospectus may be sold by the selling security holder directly or through one or more broker-dealers, in one or more transactions on any national securities exchange or quotation service on which the common stock may be listed or quoted at the time of sale, in the over-the-counter market, in negotiated transactions or otherwise, at prices related to the prevailing market prices, at a fixed offering price or at negotiated prices.

Our common stock is presently quoted on the Nasdaq National Market under the symbol LWIN. See Risk Factors Leap Received a Nasdaq Staff Determination Indicating that Its Common Stock Is To Be De-Listed from the Nasdaq National Market.

On November 20, 2002, the reported last sale price of our common stock on the Nasdaq National Market was $0.33 per share.

Before investing in the shares of our common stock, please read the section entitled Risk Factors beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2002.

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You should rely only on the information contained in this prospectus and any supplements to this prospectus. We have not authorized anyone to provide you with different information. This prospectus is not making an offer of securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus and any supplements to this prospectus is accurate as of any date other than the date on the front of this prospectus and any supplements to this prospectus.

Cricket® is a registered trademark of Leap. Pegaso^{MR} is a registered service mark of Servicios Administrativos Pegaso, S.C. All other brand names, trademarks and service marks appearing in this prospectus are the property of their respective holders.

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PROSPECTUS SUMMARY

This summary highlights some information from this prospectus, and it may not contain all of the information that is important to you. It is qualified in its entirety by the more detailed information and consolidated financial statements, including the notes to the consolidated financial statements, included elsewhere in this prospectus. You should read the full text of, and consider carefully, the more specific details contained in this prospectus and any supplements to this prospectus.

When used in this prospectus, the words we, our, ours and us refer to Leap Wireless International, Inc. and, unless the context otherwise requires, its consolidated subsidiaries, and not to the selling security holder. Leap refers to Leap Wireless International, Inc. Cricket Communications, Inc. is Leap s subsidiary that operates the Cricket business and is referred to as Cricket. Cricket and the subsidiaries of Cricket and Leap that hold assets that are used in the Cricket business or that hold assets pledged as security under Cricket s vendor credit facilities are collectively referred to as the Cricket Companies. Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2002 population estimates provided by Claritas Inc.

Our Business

Leap and the Cricket Companies are highly leveraged. At September 30, 2002, we had consolidated debt totaling $2,159.8 million, including $1,511.6 million of debt under Cricket s senior secured vendor credit facilities. Each of the Cricket Companies is a borrower or guarantor under the senior secured vendor credit facilities of Cricket, and Cricket is currently in default under the vendor credit facilities because it has failed to pay interest and has failed to comply with other covenants under those facilities. These and other existing events of default provide the credit facility lenders with various rights under their credit agreements and related security agreements, including the right:

- to terminate the commitments under those agreements;

- to declare the existing loans to be immediately due and payable; and

- to foreclose on the collateral pledged to secure the outstanding loans, which includes all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.).

In addition, the holders of the vendor debt could institute an involuntary bankruptcy proceeding against the Cricket Companies. Lucent Technologies Inc. and Nortel Networks Inc. have terminated their commitments under their credit agreements with Cricket. At the request of Ericsson Credit AB, Cricket reduced the commitment under the Ericsson credit agreement to approximately $33 million as of September 30, 2002. To date, the secured vendor facility lenders have not exercised any other material creditors remedies under the vendor credit agreements. However, if they choose to exercise these rights in the future, Leap and Cricket would likely seek the protection afforded by Chapter 11 of the federal bankruptcy laws and that exercise would have a material adverse effect on both Leap s and Cricket s business. Cricket s default on its vendor credit facilities and our need to restructure our indebtedness and our potential need to seek protection under the federal bankruptcy laws raise substantial doubt about our ability to continue as a going concern. We have retained UBS Warburg to assist in exploring a restructuring of the significant outstanding indebtedness of Leap and Cricket and to assist in obtaining new sources of financing for the Cricket Companies. Leap and Cricket have begun restructuring discussions with informal committees of their respective creditors. However, we cannot assure you that a restructuring on terms acceptable to Leap and Cricket or their respective creditors can be agreed to and implemented.

Leap conducts operations through its subsidiaries. Leap has no independent operations or sources of operating revenue other than through dividends, if any, from its operating subsidiaries. The Cricket Companies operate together as a wireless communications carrier that provides innovative, affordable, simple wireless services designed to accelerate the transformation of wireless service into a mass consumer product. The Cricket Companies generally seek to address a much broader population segment than traditional wireless providers have addressed to date. In the U.S., we are offering wireless service under the brand Cricket®. Our innovative Cricket strategy is designed to extend the benefits of mobility to the mass market by offering wireless service that is as simple to use and understand as, and is a competitive mobile alternative to, traditional landline service. In each of its markets, Cricket is deploying 100% digital, Code Division Multiple Access, or CDMA, networks that we believe provide higher capacity and more efficient deployment of capital than competing technologies. CDMA technology, when combined with our efforts to streamline operation and distribution, allows Cricket to be a low-cost provider of wireless services in each of its markets.

Cricket service allows customers to make and receive virtually unlimited calls within a local calling area for a flat monthly rate. Cricket customers can also make long distance calls on a per-minute basis or as part of a packaged offering. Through September 2002, Cricket customers paid in advance for each month s service from a simple, straightforward bill. Commencing in October 2002, we no longer include a first month of service with the handset purchase and new Cricket customers pay for their service in arrears. Because we recognize revenues for customers who pay in arrears only when received, we do not record a reserve for bad debt for service revenues. The simplicity of the Cricket service allows Cricket to sustain lower operating costs per customer compared to traditional wireless providers. Cricket s networks are designed and built to provide coverage in the local calling area where our target customers live, work and play. As a result, we believe that Cricket s per minute network operating costs are the lowest, or among the lowest, incurred by traditional wireless providers.

We continue to focus on enhancing our Cricket service with new products and services designed to meet the needs of our growing customer base. We have expanded our competitively priced long distance offers by introducing Canadian long distance. We have also introduced Spanish language marketing and advertising campaigns, Spanish directory assistance and Spanish language billing as part of our ongoing focus on the growing Hispanic market. In June and July 2002, we launched unlimited inter-carrier text messaging in all 40 of our markets. In August 2002, we launched a new service named Cricket Talk that bundles certain features, a number of long distance minutes and virtually unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. Since its launch, Cricket Talk has represented a significant portion of our gross customer additions.

As of September 30, 2002, Cricket offered service in 40 markets covering a total population of approximately 25.4 million potential customers. These markets are located in 48 basic trading areas, or BTAs, and make up all of the markets that we refer to as our 40 Market Plan. As of September 30, 2002, Cricket had approximately 1,497,000 customers in its markets across the U.S. Through September 30, 2002, we had incurred approximately $1,450.6 million of capital expenditures for our Cricket business. As of September 30, 2002, we had acquired wireless licenses covering approximately 53.5 million potential customers in 33 states. In addition, Leap was the winning bidder for 22 wireless licenses with an aggregate purchase price of $350.1 million, covering approximately 24.1 million potential customers, in an FCC auction that was completed in January 2001, referred to as Auction 35. Leap currently does not have sufficient cash available to purchase these licenses. NextWave Telecom Inc., the original holder of these licenses, is a party to litigation against the federal government challenging the validity of the auction and has prevailed on certain of its claims in the United States Court of Appeals for the District of Columbia Circuit. In response to a petition for certiorari by the FCC, the U.S. Supreme Court has agreed to review the case. The grant to us of these Auction 35 wireless licenses has been substantially delayed by the NextWave litigation. The FCC has offered bidders in Auction 35 the option to receive a refund of their funds currently on deposit with the FCC relating to Auction 35 and to elect not to purchase these licenses without incurring a financial penalty. We currently expect to withdraw from the commitment to purchase the licenses on which we were the successful bidder in Auction 35.

In August 2002, Leap paid a purchase price adjustment to MCG PCS, Inc., as ordered by an arbitrator, in connection with acquisitions of wireless licenses in Buffalo and Syracuse by issuing approximately 21 million shares of its common stock. The issuance of these shares constituted an event of default under Cricket s vendor credit facilities. After issuance of these shares, the lenders under Cricket s vendor credit facilities ceased funding new loan requests, including requests to fund interest payments that previously had been financed through draws under the credit facilities. In early September 2002, Cricket chose not to make interest payments that were due on the loans under these facilities, which constituted an additional event of

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default under the vendor credit facilities. While Cricket subsequently paid approximately $1.9 million of interest and fees due under its vendor credit facilities, Cricket remains in default under the facilities. Because of the existing defaults under the vendor credit facilities, and because Cricket is currently unable to fully repay the amounts outstanding under such facilities and has been unable to raise new funds which would enable it to repay such amounts, there is substantial risk that the stock of the Cricket Companies has no value to Leap.

If Cricket s outstanding indebtedness under the vendor credit facilities is accelerated, and the indebtedness is not repaid in full or the acceleration is not rescinded within 30 days of that acceleration, that acceleration would constitute an event of default under the indenture governing Leap s senior notes and senior discount notes, providing the trustee or the required note holders with the right to declare Leap s notes to be immediately due and payable. If the notes are declared due and payable, the creditors of Leap would have claims in excess of the existing cash and other assets held by Leap. Since Leap is currently unable to fully repay the amounts outstanding under the indenture and has been unable to raise new funds which would enable it to repay such amounts, there would likely be no assets available for distribution to the stockholders of Leap if the obligations under Leap s senior notes and senior discount notes were to be accelerated. However, we believe that the value of the Cricket Companies business is higher than the value of the Cricket Companies assets in liquidation. We currently expect to restructure Cricket s indebtedness and capital structure in a manner that would allow the Cricket Companies to emerge from the restructuring with significantly reduced indebtedness and the ability to continue as a stronger business offering high quality, affordable wireless service to customers and good opportunities for its employees. No restructuring agreement has been reached, however, and we cannot assure you that a restructuring agreement will be reached on terms that are acceptable to all of the parties involved, or at all. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources, and Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business and Leap and Cricket Have Commenced Restructuring Discussions with Their Respective Lenders, and a Restructuring Is Likely to Have a Material Adverse Impact on the Value of Interests in Leap.

Leap received a Nasdaq Staff determination indicating that its common stock is to be de-listed from the Nasdaq National Market because Leap did not obtain stockholder approval before issuing 21,020,431 shares of common stock to MCG, Leap s common stock has traded below $1.00 per share for at least 30 consecutive trading days and other factors cited by the Nasdaq Staff in its de-listing determination letter. Leap requested an oral hearing to appeal the Nasdaq Staff s determination. As a result, Nasdaq stayed the de-listing pending the outcome of the hearing. The hearing was held on November 14, 2002. Leap is awaiting the Nasdaq hearing panel s decision. See Risk Factors Leap Received a Nasdaq Staff Determination Indicating that Its Common Stock Is To Be De-Listed from the Nasdaq National Market.

We believe that the Cricket service offering will help transform wireless phone service from a luxury product into a mass consumer product. The Cricket strategy is to provide digital wireless service to the mass market with a simple, easy to understand approach. As a part of the Cricket strategy, we intend to:

attract new customers more quickly than traditional wireless providers that offer complex pricing plans with peak/off-peak rates, roaming charges and expensive extra minutes;

maintain lower customer acquisition costs by offering simple service plans with a limited choice of handsets, and by distributing our product through company stores and multiple third-party retail stores where the mass market shops;

sustain lower operating costs per customer compared to traditional wireless providers through reduced network operation costs, streamlined billing procedures, lower customer care expenses, lower credit investigation costs and reduced bad debt; and

deploy our capital more efficiently by building our networks to cover only the urban and suburban areas of our markets where most of our potential customers live, work and play, while avoiding rural areas and corridors between distant markets.

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In September 2002, Leap completed the sale of its 20.1% interest in Pegaso Telecomunicaciones, S.A. de C.V., a company providing wireless service in Mexico, to Telefónica Móviles, S.A. At the closing, Leap received cash proceeds of approximately $22.2 million for the sale of its shares and, in October 2002, also received approximately $15.8 million of additional cash from a loan repayment related to the sale.

Business Strategy

Our business strategy is to bring innovative wireless communications products and services to markets with strong growth potential. Key elements of this strategy include:

Enhancing the Mass Market Appeal of Wireless Service. We are working to remove the price and complexity barriers that we believe have prevented many potential customers from using wireless service. We believe that large segments of the population do not use wireless service because they view wireless service as an expensive luxury item, believe they cannot control the cost of service, or find existing service plans too confusing. Our service plans are designed to offer appealing value in simple formats that customers can understand and for which they can budget.

Offering an Appealing Value Proposition. We strive to provide service offerings that combine high quality and advanced features with simplicity and attractive pricing to create a high value/reasonable price proposition and broaden the market for wireless services. In the U.S., we offer Cricket service at a flat rate, that is a competitive alternative to traditional landline service.

Controlling and Minimizing Costs. To become one of the lowest-cost providers in the wireless industry, we are designing high-quality networks to minimize our capital costs and streamlining marketing, distribution and back-office procedures.

Leveraging CDMA Technology. We are deploying state-of-the-art CDMA networks that are designed to provide higher capacity at a lower capital cost which can be easily upgraded to support enhanced capacity. We believe this enables us to operate superior networks that support rapid customer growth and high usage. In addition, we believe our CDMA networks will provide a better platform to expand into data and other wireless services based on advances in second and third generation digital technology in the future.

Leap was formed as a Delaware corporation in June 1998 as a subsidiary of Qualcomm Incorporated. In September 1998, Qualcomm distributed all of the common stock of Leap to Qualcomm s stockholders as a taxable dividend. Our principal executive offices are located at 10307 Pacific Center Court, San Diego, CA 92121. Our telephone number is (858) 882-6000.

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RISK FACTORS

An investment in the common stock offered by this prospectus involves a high degree of risk. In addition to the other information in this prospectus and any supplements to this prospectus, you should carefully consider the following risks before making an investment decision.

Leap and Cricket Have Commenced Restructuring Discussions with Their Respective Lenders, and a Restructuring Is Likely to Have a Material Adverse Impact on the Value of Interests in Leap

Both Leap and the Cricket Companies are highly leveraged. At September 30, 2002, Leap and its subsidiaries had debt totaling $2,336.8 million of gross principal and accrued interest. At September 30, 2002, the Cricket Companies had debt totaling $1,633.8 million of gross principal and accrued interest, but only approximately $103.7 million in cash, cash equivalents and investments. In addition, Cricket had restricted cash equivalents of $10.3 million as of September 30, 2002 that have been pledged to secure general operating obligations, as well as the other assets held by Cricket and its subsidiaries. All of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.) have been pledged to secure the obligations of Cricket under the vendor credit facilities, and Cricket is in default under its vendor credit facilities. These and other existing events of default provide the credit facility lenders with various rights under their credit agreements and related security agreements, including the right:

- to terminate the commitments under those agreements;
- to declare the existing loans to be immediately due and payable; and
- to foreclose on the collateral pledged to secure the outstanding loans, which includes all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.).

In addition, the holders of the vendor debt could institute an involuntary bankruptcy proceeding against the Cricket Companies. Lucent and Nortel have terminated their commitments under their credit agreements with Cricket, and at the request of Ericsson, Cricket reduced the commitment under the Ericsson credit agreement with Cricket to approximately $33 million as of September 30, 2002. To date, the secured vendor credit facility lenders have not exercised any other material creditors remedies under the vendor credit agreements. If they choose to exercise these rights in the future, Leap and Cricket would likely seek the protection afforded by Chapter 11 of the federal bankruptcy laws and that exercise would have a material adverse effect on both Leap s and Cricket s business. Cricket s default on its vendor credit facilities and our need to restructure our indebtedness and our potential need to seek protection under the federal bankruptcy laws raise substantial doubt about our ability to continue as a going concern. In addition, the audit report of our independent public accountants includes an explanatory paragraph relating to our ability to continue as a going concern. Because of the existing defaults under the vendor credit facilities and because Cricket is currently unable to fully repay the amounts outstanding under the facilities, and has been unable to raise new funds which would enable it to repay those amounts, there is substantial risk that the stock of the Cricket Companies has no value to Leap. Leap and Cricket have retained UBS Warburg to assist in exploring a restructuring of the significant outstanding indebtedness of Leap and the Cricket Companies and to assist in obtaining new sources of financing for the Cricket Companies. Leap and Cricket have begun restructuring discussions with informal committees of their respective creditors.

At September 30, 2002, Leap had debt totaling $703.0 million of gross principal and accrued interest, but only $97.4 million in cash and cash equivalents, short-term investments and restricted cash equivalents, as well as the stock of Cricket and those Cricket Companies that hold wireless licenses. If Cricket s outstanding indebtedness under the vendor credit facilities is accelerated and the indebtedness is not repaid in full or the acceleration is not rescinded within 30 days, that acceleration would constitute an event of default under the indenture governing Leap s senior notes and senior discount notes, providing the trustee or the required note holders with the right to declare Leap s notes to be immediately due and payable. If the notes are declared due and payable, the creditors of Leap would have claims in excess of the existing cash and other assets held by Leap. Since Leap is currently unable to fully repay the amounts outstanding under the indenture and has been

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unable to raise new funds which would enable it to repay those amounts, there would likely be no assets available for distribution to the stockholders of Leap if the obligations under Leap s senior notes and senior discount notes were to be accelerated.

While the management of Leap has requested a small equity participation for the Leap common stockholders in a restructuring, there is a substantial risk that Leap s existing stockholders will lose all of the value in their investments in Leap common stock in connection with any restructuring. If Leap and Cricket are successful in reaching a restructuring agreement, the restructuring may be implemented consensually or pursuant to a plan confirmed under Chapter 11 of the federal bankruptcy laws. Any restructuring would have material adverse impacts on Leap, Cricket and the Cricket business. For example, as part of a restructuring, Cricket may curtail some of its activities, reduce its marketing and advertising expenditures, lay-off employees and/or reduce its emphasis on growth. In addition, if a restructuring is implemented through a bankruptcy proceeding, that proceeding could have material adverse impacts on the perception of Leap, Cricket and the Cricket business in the eyes of customers, suppliers and other trade creditors.

Although Leap and Cricket are actively pursuing restructuring discussions with informal committees of their respective creditors, no restructuring agreement has been reached. We cannot assure you that a restructuring on terms acceptable to Leap and Cricket or their respective creditors can be agreed to and implemented. If Cricket is not successful in reaching a restructuring agreement with its creditors, Cricket s secured vendor creditors may seek to foreclose on the collateral pledged to secure its outstanding indebtedness, which includes all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.). If the creditors seek to exercise their remedies, Leap and Cricket would likely file for protection under Chapter 11 of the federal bankruptcy laws and that exercise would have a material adverse effect on both Leap s and Cricket s business.

Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business

Cricket is in default under the significant outstanding indebtedness under its vendor credit facilities, which totaled approximately $1,511.6 million at September 30, 2002. Cricket also has $77.3 million in amounts payable to Lucent, Nortel and Ericsson for the purchase of equipment and services. As noted above, Leap and Cricket have retained UBS Warburg to assist in exploring a restructuring of the significant outstanding indebtedness of Leap and Cricket and to assist in obtaining new sources of financing for the Cricket Companies. Leap and Cricket have begun restructuring discussions with informal committees of their respective creditors.

In August 2002, Leap paid a purchase price adjustment to MCG PCS, Inc., as ordered by an arbitrator, in connection with acquisitions of wireless licenses in Buffalo and Syracuse by issuing approximately 21 million shares of its common stock to MCG. The issuance of these shares constituted an event of default under Cricket s vendor credit facilities. After issuance of these shares, the lenders under Cricket s vendor credit facilities ceased funding new loan requests, including requests to fund interest payments that previously had been paid through draws under the credit facilities. In early September 2002, Cricket chose not to pay interest on the loans under these facilities, which constituted an additional event of default under the vendor credit facilities. While Cricket subsequently paid approximately $1.9 million of interest and fees due under its vendor credit facilities, Cricket remains in default under the facilities. These and other existing events of default provide the credit facility lenders with various rights under their credit agreements and related security agreements, including the right:

- to terminate the commitments under those agreements;
- to declare the existing loans to be immediately due and payable; and
- to foreclose on the collateral pledged to secure the outstanding loans, which includes all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.).

In addition, the holders of the vendor debt could institute an involuntary bankruptcy proceeding against the Cricket Companies. Lucent and Nortel have terminated their commitments under their credit agreements with Cricket. At the request of Ericsson, Cricket reduced the commitment under the Ericsson credit agreement to approximately $33 million as of September 30, 2002. To date, the secured vendor facility lenders have not exercised any other material creditors remedies under the vendor credit agreements. If they choose to exercise these rights in the future, Leap and Cricket would likely seek the protection afforded by Chapter 11 of the federal bankruptcy laws and that exercise would have a material adverse effect on both Leap s and Cricket s business. Cricket s default on its vendor credit facilities and our need to restructure our indebtedness and our potential need to seek protection under the federal bankruptcy laws raise substantial doubt about our ability to continue as a going concern. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

If Cricket s outstanding indebtedness under the vendor credit facilities is accelerated, and the indebtedness is not repaid in full or the acceleration is not rescinded within 30 days, that acceleration will be a default under the indenture governing Leap s senior notes and senior discount notes. At September 30, 2002, Leap had $225 million principal amount outstanding under the senior notes and approximately $468.1 million in accreted value of outstanding principal amount and accrued interest under the senior discount notes. If an event of default occurs under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the senior notes or the holders of at least 25% of the aggregate principal amount at maturity of the senior discount notes may declare the senior notes or the senior discount notes, as the case may be, to be immediately due and payable. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

If the lenders under the vendor credit facilities or the note holders under the indenture were to pursue their creditors remedies, Leap and Cricket would likely file for protection under Chapter 11 of the federal bankruptcy laws. In addition, creditors of Leap or Cricket could force Leap or Cricket, as applicable, into an involuntary bankruptcy. Leap and Cricket are actively pursuing restructuring discussions with informal committees of their respective creditors. However, no restructuring agreement has been reached and we cannot assure you that a restructuring agreement will be reached on terms that are acceptable to all of the parties involved, or at all. If no restructuring agreement is reached and the creditors exercise their respective remedies under the vendor credit facilities or the indenture, that exercise would have material adverse impacts on Leap, Cricket and the Cricket business.

Leap Received a Nasdaq Staff Determination Indicating that Its Common Stock Is To Be De-Listed from the Nasdaq National Market

On October 3, 2002, Leap received a Nasdaq Staff Determination indicating that Leap had failed to comply with Nasdaq s shareholder approval requirements before issuing shares to MCG, that it had failed to comply with the net tangible assets or stockholders equity requirement for continued listing on the Nasdaq National Market, and that Leap s issuance of the shares had raised separate public interest concerns under Nasdaq s Marketplace Rules. As a result, Nasdaq notified Leap that its common stock was subject to de-listing from the Nasdaq National Market. In addition, Leap also has received a Nasdaq Staff Determination indicating that Leap had failed to meet the Nasdaq minimum bid price because its common stock had traded below $1.00 per share for 30 consecutive trading days. Leap requested a hearing before a Nasdaq Listing Qualifications Panel to review the Staff Determination. Leap s request for an oral hearing to appeal the Nasdaq Staff Determination was granted. As a result, Nasdaq stayed the de-listing of Leap s common stock from the Nasdaq National Market pending the outcome of the hearing. The oral hearing was held on November 14, 2002. Leap is awaiting the Nasdaq hearing panel s decision. We cannot assure you that the Nasdaq Listing Qualifications Panel will grant Leap s request for continued listing. If Leap does not prevail in its appeal, Leap s common stock will be de-listed from the Nasdaq National Market at that time.

If Leap s common stock is ultimately de-listed, it may be quoted for trading on the OTC Bulletin Board or on other over-the-counter markets, although we cannot assure you that Leap s common stock will be quoted for trading on any of these markets. If Leap common stock is de-listed due to separate public interest concerns under Nasdaq s Marketplace Rules, it will be more difficult for market makers to quote Leap common stock for trading on the OTC Bulletin Board. Even if Leap s stock is quoted for trading on these markets, the de-listing from the Nasdaq National Market could reduce the liquidity of the market for Leap s common stock, making it difficult for a stockholder to obtain accurate quotations as to the market value of Leap s common stock and to buy or sell Leap s stock at competitive market prices, or at all, and Leap may lose support from institutional investors, brokerage firms and market makers that currently buy and sell Leap s stock and provide information to investors about Leap. De-listing could also lead to further decreases in the price of Leap s common stock and could be a breach of Leap s agreement with MCG.

The Unsettled Nature of the Wireless Market, the Current Economic Slowdown, New Service Offerings of Increasingly Large Bundles of Minutes of Use at Increasingly Low Prices by Some Major Carriers, Other Issues Facing the Telecommunications Industry in General, and Leap s and Cricket s Announcement of Restructuring Discussions, Have Adversely Affected Our Business

During the nine months ended September 30, 2002, we experienced slower customer growth rates than planned, which we believe is due in large part to the current economic slowdown, increased competition and concerns over the potential negative outcomes of our announcement of participation in restructuring discussions. Furthermore, in conjunction with efforts to restructure our indebtedness, we expect to focus on the conservation of cash resources, which may have a negative impact on customer growth rates. Other carriers also have reported slower customer growth rates compared to prior periods. We have seen a continuation of competitive pressures in the wireless telecommunications market causing some major carriers to offer plans with increasingly large bundles of minutes of use at increasingly lower prices which may compete with the Cricket predictable and virtually unlimited calling plan.

Earlier this year, during the second quarter of 2002, cost per gross customer addition (CPGA) increased to $316 from $246 in the first quarter of 2002, and the rate of customer churn increased to 4.6% from 3.2% in the first quarter of 2002. The increase in our CPGA was influenced by higher selling and marketing expenses, increased sales incentives and lower gross customer additions (due in part to the slow down in the economy), increased price competition described above and the removal of potentially fraudulent customers from our customer base. The removal of potentially fraudulent customers from our customer base also impacted CPGA because we deduct customers who do not make payment on their first monthly bill from our gross customer additions and, as a result, we incur the loss on the sale of a handset without an offsetting gross customer addition.

Our business plan and estimated future operating results are based on estimates of key operating metrics, including customer growth, customer churn, average monthly revenue per customer, losses on sales of handsets and other customer acquisition costs, and other operating costs. The unsettled nature of the wireless market, the current economic slowdown, increased competition and the telecommunications industry, new service offerings of increasingly large bundles of minutes of use at increasingly low prices by some major carriers, other issues facing the telecommunications industry in general, and Leap s and Cricket s announcement of restructuring discussions, have created a level of uncertainty that affects our ability to predict future customer growth, as well as other key operating metrics that are dependent on customer growth, and in turn have adversely affected the management of our business.

Leap s Stock Price Has Recently Suffered Significant Declines and Remains Volatile

The market price of Leap common stock has declined significantly since the beginning of 2002 and may continue to decline in the future. The closing price of Leap s common stock on the Nasdaq National Market on November 20, 2002, was $0.33 per share, down from $21.31 on January 2, 2002, the first trading day of the year. In addition, the stock market in general, and the stock prices of telecommunications companies and other technology-based companies in particular, have experienced significant volatility in recent periods. Factors that may have a significant impact on the market price of Leap common stock include, but are not limited to:

- the substantial risk that Leap s existing stockholders will lose all of their value in Leap common stock in connection with any restructuring;

- the very significant dilution of, or potential loss of all value in, Leap s common stock that may result from a restructuring of Leap s and Cricket s outstanding debt;
- our lack of liquidity, high levels of debt and risks related to compliance with debt covenants;
- future announcements concerning Leap or its competitors;
- changes in the prospects of our business partners or equipment suppliers;
- failure to achieve planned levels of customer growth and other operating targets;
- deficiencies in our networks;
- results of technological innovations;
- government regulation, including the FCC s review of our acquisition and ownership of wireless licenses or any changes of ownership that could adversely affect our status as an entrepreneur under FCC regulations;
- changes in recommendations of securities analysts and rumors that may be circulated about Leap or its competitors;
- changes in our credit ratings;
- de-listing of our stock from the Nasdaq National Market because of failure to comply with Nasdaq rules, low trading prices or other reasons;
- the impact of an economic slowdown on existing and future customers;
- a perception that wireless handsets pose health or safety risks;
- difficulties in the telecommunications industry in general;
- demand for and prices of wireless licenses; and
- other items described in this prospectus under Risk Factors.

Our future earnings and stock price may be subject to significant volatility, particularly on a quarterly basis. Events related to restructuring, as well as shortfalls in our revenues, earnings, customer growth or other business metrics in any given period relative to the levels and schedule expected by securities analysts, could immediately, significantly and adversely affect the trading price of Leap common stock. In the past, following periods of volatility in the market price of a company s securities, class action litigation has often been instituted against the subject company. Litigation of this type could result in substantial costs and a diversion of our management s attention and resources which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

As a result of Leap s issuance of 21,020,431 shares to MCG in August 2002, there has been a substantial increase in the number of outstanding shares of Leap common stock. These shares are being registered for resale pursuant to the registration statement of which this prospectus forms a part. Sustained resales of shares of Leap common stock by MCG pursuant to the registration statement will lead to a decrease in the market price of Leap common stock.

Our Business Strategy Is Subject to Execution Risks, and If We Are Successful, Our Competitors May Adopt a Similar Strategy

Our business strategy in the U.S. is to offer consumers a service, marketed under the brand Cricket, that allows them to make and receive virtually unlimited local calls for an affordable, flat monthly rate. Cricket customers can also make long distance calls on a per-minute basis or as part of a packaged offering. This strategy is a new approach to marketing wireless services and, while it has shown a strong ability to attract new customers following launch, it may not prove to be successful in the long term. Our marketing efforts may not draw the volume of customers necessary to sustain our business plan, our capital and operating costs may exceed planned levels, and we may be unable to compete effectively as a mobile alternative to landline or with other wireless service providers in our markets over the longer term. In addition, potential customers may perceive the Cricket service to be less appealing than other wireless plans, which offer more features and options, including the ability to roam outside of the home service area.

We currently have several new services that are in development. In addition, we recently launched a new service that bundles certain features, a number of long distance minutes and virtually unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. These planned services are unproven. They may not attract or retain customers at a rate necessary to make them profitable and otherwise may not prove to be successful.

If our business strategy proves to be successful, additional wireless providers are likely to adopt similar pricing plans and marketing approaches. Our competitors have begun to price their services more aggressively and may attract more customers because of their stronger market presence and geographic reach and their larger financial resources. See We Face Significant Competition.

We Have a History of Losses and Anticipate Future Losses

Leap and its subsidiaries experienced net losses of $498.2 million in the nine months ended September 30, 2002, $483.3 million ($626.9 million excluding gains on sale of wireless licenses) in the year ended December 31, 2001, $0.2 million ($269.3 million excluding the gain on the sale of Smartcom, net of related taxes and foreign currency impact) in the year ended December 31, 2000, $75.8 million in the transition period from September 1, 1999 to December 31, 1999, $164.6 million in the fiscal year ended August 31, 1999, $46.7 million in the fiscal year ended August 31, 1998 and $5.2 million in the fiscal year ended August 31, 1997. Losses are likely to be significant for the next several years as we improve the coverage and capacity of networks in our current markets, and seek to increase our customer bases in new and existing markets. We may not generate profits in the short term or at all. If we fail to achieve profitability, that failure could have a negative effect on our ability to repay our debt, comply with debt covenants and carry on our business.

If We Experience a High Rate of Customer Turnover, Our Costs Could Increase

Many providers in the U.S. personal communications services, or PCS, industry have experienced a high rate of customer turnover. The rate of customer turnover may be the result of several factors, including limited network coverage, reliability issues, including blocked or dropped calls, handset problems, inability to roam onto cellular networks, affordability, customer care concerns and other competitive factors. Our strategy to address customer turnover may not be successful, or the rate of customer turnover may be unacceptable. In some markets, our competitors have chosen to provide a service plan with pricing similar to the Cricket service, and these competitive factors could also cause increased customer turnover. A high rate of customer turnover could reduce revenues and increase marketing costs 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.

We Face Significant Competition

The telecommunications industry generally is very competitive and competition is increasing. Unlike many wireless providers, we also intend to compete as a mobile alternative to landline service providers in the telecommunications industry. Wireline carriers have also begun to aggressively advertise in the face of increasing competition from wireless carriers, cable operators and other competitors. Many competitors have substantially greater resources than we have, and we may not be able to compete successfully. Some competitors have announced rate plans substantially similar to the Cricket service plan in markets in which we have launched service. In addition, the competitive pressures of the wireless telecommunications market have caused other carriers to offer service plans with increasingly large bundles of minutes of use at increasingly low prices which are competing with the Cricket predictable and virtually unlimited calling plan. These competitive plans could adversely affect our ability to maintain our pricing, market penetration and customer retention. Moreover, the wireless industry has experienced a general slow down in the rate of new customer

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activations during the second half of 2001 and in 2002. If these trends continue, they could have material adverse impacts on our business, financial condition and results of operations.

In the U.S., we compete directly with other wireless providers and as a mobile alternative to traditional landline service in each of our markets, many of which have greater resources than we do and entered the markets before us. A few of our competitors operate wireless telecommunications networks covering most of the U.S. Our competitors earlier entry and broader presence in the U.S. telecommunications market may have a negative effect on our ability to successfully implement our strategy. Furthermore, the FCC is actively pursuing policies designed to increase the number of wireless competitors in each of our markets. For example, the FCC has announced that it plans to auction licenses that will authorize the entry of two additional wireless providers in each market. In addition, other wireless providers in the U.S. either have implemented or could attempt to implement plans substantially similar to our domestic strategy of providing unlimited local service at a flat monthly rate. 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.

We compete with companies that use other communications technologies, including paging and digital two-way paging, enhanced specialized mobile radio and domestic and global mobile satellite service. These technologies may have advantages over the technology we use and may ultimately be more attractive to customers. We may compete in the future with companies that offer new technologies and market other services, including cable television access, landline telephone service and Internet access, that we do not currently intend to market. Some of our competitors offer these other services together with their wireless communications service, which may make their services more attractive to customers. In addition, we expect that, over time, providers of wireless communications services will compete more directly with providers of traditional landline telephone services. In addition, energy companies, utility companies and cable operators may expand their services to offer communications services.

Actions Beyond Our Control in Our Distribution Network, Including Customer and Dealer Fraud, Could Have a Material Adverse Impact On Our Business

During the first quarter of 2002, we experienced a significant increase in the occurrence of credit card, subscription and dealer fraud over that experienced in the preceding year, which impacted our business primarily by reducing revenue, reducing calculated ARPU and increasing handset subsidy costs which caused our CPGA to be higher than it otherwise would have been. In the second quarter, we instituted more timely and targeted dealer performance and inventory monitoring systems that provide us with near real-time reporting of dealer performance metrics including the rates of churn and first bill non-payments by individual stores. As a result, we have taken the first steps at rationalizing our distribution channels and have eliminated some of our indirect distribution locations. While we believe that we can manage the impact of fraud, if we are not successful, it could have a material adverse impact on our financial condition and results of operations.

Your Ownership Interest in Leap Will Be Diluted Upon Issuance of Shares We Have Reserved for Future Issuance

On November 20, 2002, 58,704,894 shares of Leap common stock were outstanding, and 18,563,271 additional shares of Leap common stock were reserved for issuance. The issuance of these additional shares will reduce your percentage ownership in Leap.

The following shares were reserved for issuance as of November 20, 2002:

3,375,000 shares reserved for issuance upon exercise of a warrant issued to Qualcomm in connection with the spin-off of Leap, which is exercisable in whole or in part through September 2008;

9,783,472 shares reserved for issuance upon the exercise of options or awards granted or available for grant to employees, officers, directors and consultants under Leap s equity incentive plans;

2,479,946 shares reserved for issuance upon exercise of options to purchase Leap common stock granted to holders of Qualcomm options in connection with the distribution of Leap s common stock to the stockholders of Qualcomm in September 1998;

- 94,999 shares of common stock reserved for issuance upon exercise of a warrant held by Chase Telecommunications Holdings, Inc.; and

- 2,829,854 shares of common stock reserved for issuance upon exercise of the warrants issued in connection with Leap s February 2000 units offering.

An increase in the outstanding number of shares of Leap common stock could adversely affect prevailing market prices for Leap common stock and Leap s ability to raise capital through an offering of equity securities.

The Loss of Key Personnel Could Harm Our Business

We believe our success depends on the contributions of a number of our key personnel. These key personnel include but are not limited to Harvey P. White, Chairman of the Board and Chief Executive Officer, and Susan G. Swenson, President and Chief Operating Officer. In material part due to our announcement of restructuring discussions, we are experiencing higher than normal turnover, including turnover of individuals at the vice president level. This loss of key individuals, and particularly the cumulative effect of these losses, may have a material, adverse impact on our ability to manage and operate our business. We do not maintain key person life insurance on any employee.

We May Experience Difficulties in Expanding and Operating Our Telecommunications Networks

Although we have launched service and substantially completed our networks in all markets in our initial 40 Market Plan, over time we will need to improve the coverage and capacity of our existing networks through the installation of additional network equipment. However, we have not paid amounts we owe to Lucent, Nortel and Ericsson under our respective equipment purchase agreements with these suppliers, our purchase agreement with Lucent now requires that we pay for purchases in advance, and Nortel and Ericsson have indicated to us that they require similar payment terms. Further, as a result of events of default and terminations of commitments, we are no longer able to borrow under our vendor credit agreements to pay for purchases of equipment and services, and we may not have cash available for purchases from these vendors that are necessary to improve the coverage and capacity of our existing networks. In addition, our other trade creditors may refuse to supply us, may restrict their supply to us or may condition their supply to us upon pre-payment. We may not be able to find other vendors or trade creditors to supply us on terms that are acceptable to us, or at all. If our existing vendors and trade creditors cease supplying us and we are unable to secure alternate suppliers and trade creditors, our business would be materially adversely affected.

We depend heavily on suppliers and contractors to successfully complete our construction projects. We may experience quality deficiencies, cost overruns and delays on these construction projects, including deficiencies, overruns and delays not within our control or the control of our contractors. We also will depend on third parties not under our control or the control of our contractors to provide backhaul and interconnection facilities on a timely basis. In addition, the construction of new telecommunications networks requires the receipt of permits and approvals from numerous governmental bodies including municipalities and zoning boards. There are pressures to limit growth and tower and other construction in many of our markets. Failure to receive these approvals in a timely fashion can delay system rollouts and can raise the costs of completing construction projects. Some of our previous Cricket launches were delayed and launched with fewer cell sites than desirable and therefore, reduced coverage as well.

Even if we complete construction in a timely and cost effective manner, we also face challenges in managing and operating our telecommunications systems. These challenges include operating and maintaining telecommunications equipment and managing the sales, advertising, customer support, billing and collection functions of the business. Our failure in any of these areas could undermine customer satisfaction, increase customer turnover, reduce revenues and otherwise have a material adverse effect on our business, financial condition and results of operations.

We Have a Limited Operating History

We have operated as an independent company since September 1998, and we launched our first Cricket market in March 1999. Although we have over a year of operating history in most of our markets, we are still at an early stage of development and we continue to face risks generally associated with establishing a new business enterprise. When considering our prospects, investors must consider the risks, expenses and difficulties encountered by companies in their early stages of development. These risks include the difficulties associated with raising capital and the difficulties of establishing a significant presence in highly competitive markets.

We Have Encountered Reliability Problems During the Initial Deployment of Our Networks

As is typical with newly constructed and rapidly expanding wireless networks, we have experienced reliability problems with respect to network infrastructure equipment, reliability of third-party suppliers and capacity limitations of our networks. If our networks ultimately fail to perform as expected, that failure could have a material adverse effect on our business and financial condition.

Call Volume Under Cricket Flat Price Plans Could Exceed the Capacity of Our Wireless Networks

Our Cricket strategy in the U.S. is to offer consumers wireless service that allows them to make virtually unlimited local calls for a flat monthly rate. Cricket customers can also make long distance calls on a per-minute basis or as part of a packaged offering. Our business plans for this strategy assume that Cricket customers will use their wireless phones for substantially more minutes per month than customers who purchase service from other providers under more traditional plans. Our current plans assume, and our experience has shown, that our Cricket customers use their phones approximately 1,200 minutes per month, and some markets are experiencing substantially higher call volumes. We design our U.S. networks to accommodate this expected high call volume. Although we believe CDMA-based networks are well-suited to support high call volumes, if wireless use by Cricket customers exceeds the capacity of our future networks, service quality may suffer, and 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. If our planned networks cannot handle the call volumes they experience, our competitive position and business prospects could be materially adversely affected. In addition, we recently launched a new service that bundles certain features, a number of long distance minutes and virtually unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. If customers use all of the long distance minutes included with this new service, we could face capacity problems and our costs of providing the service could increase, making it uneconomic to continue providing the service. If we are unable to cost-effectively provide our new products and services to customers, our competitive position and business prospects could be materially adversely affected.

If Wireless Handsets Pose Health and Safety Risks, We May be Subject to New Regulations, and Demand for Our Services May Decrease

Media reports have suggested that certain radio frequency emissions from wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Class action lawsuits have been filed in the industry claiming damages for alleged health problems arising from the use of wireless handsets. Concerns over radio frequency emissions may have the effect of discouraging the use of wireless handsets, which would decrease demand for our services. In recent years, the FCC and foreign regulatory agencies have updated the guidelines and methods they use for evaluating radio frequency emissions from radio equipment, including 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. 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 market and sell our wireless service.

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The Determination of the Fair Value of Our Wireless Licenses Is Affected by Our Estimated Future Operating Results and Declines in the Fair Value of Our Wireless Licenses Below Their Carrying Value May Ultimately Result in a Material Impairment Charge

Statement of Financial Accounting Standard No. 142 requires wireless licenses classified as indefinite-lived intangible assets to be tested for impairment as of January 1, 2002 and at least annually thereafter. The determination of the fair value of our wireless licenses is affected by our estimated future operating results and by the market values of our wireless licenses. If we do not achieve our estimates for customer growth and other key operating results or if the market values of our wireless licenses decline, or depending on the results of our restructuring, this may have a significant adverse effect on our estimated discounted future cash flows and the fair value of our wireless licenses and may ultimately result in a material impairment charge related to our wireless licenses.

Our Failure to Remain Qualified to Hold C-Block and F-Block Licenses Could Have a Material Adverse Effect on Our Business and Our Financial Condition and Results of Operations

Our business plan depends on our operation of C-Block and F-Block licenses in the U.S. We may acquire and operate C-Block and F-Block licenses only if we qualify as an Entrepreneur under FCC rules or the first buildout deadline on these licenses has been met.

The FCC s grants of our C-Block and F-Block licenses are subject to conditions. Each of the conditions imposed by the FCC has been satisfied. We have a continuing obligation, during the designated entity holding period for our C-Block and F-Block licenses, to limit our debt to Qualcomm to 50% or less of our outstanding debt and to ensure that persons who are or were previously officers or directors of Qualcomm do not comprise a majority of our board of directors or a majority of our officers. If we fail to continue to meet any of the conditions imposed by the FCC or otherwise fail to maintain our qualification to own C-Block and F-Block licenses, including applicable attribution thresholds associated with C-Block and F-Block licenses, that failure could trigger a number of adverse consequences, including possible triggering of FCC unjust enrichment rules and the acceleration of installment payments still owed to the U.S. Treasury for some PCS licenses. In addition, we might not be able to continue to acquire additional C-Block and F-Block PCS licenses in the aftermarket. These consequences could have a material adverse effect on our business and financial condition.

Various parties previously challenged our qualification to hold C-Block and F-Block licenses, which challenges were rejected by the FCC in 1999. Further judicial review of the FCC s orders granting us licenses is possible. In addition, licenses awarded to us at auction may be subject to the outcome of pending judicial proceedings by parties challenging the auction process or the FCC s decision or authority to auction or reauction certain C-Block and F-Block licenses. We may also be affected by other pending or future FCC, legislative or judicial proceedings that generally affect the rules governing C-Block and F-Block licensees or other designated entities. For example, in the past three years FCC rules have made it easier for large companies to acquire C-Block and F-Block licenses at auction and in the aftermarket. In a recent proceeding, the FCC also decided to phase out the cap on the amount of spectrum that any particular carrier may acquire in a wireless market.

We may not prevail in connection with any of these challenges, appeals or proceedings. If the FCC or a court determines that we are not qualified to hold C-Block or F-Block licenses, it could take the position that some or all of our licenses should be divested, cancelled or reauctioned, or that we should pay financial penalties.

It May be More Difficult For Us to Acquire C-Block and F-Block Licenses in the Future

Regulatory changes or requirements, or market circumstances, could make it more difficult to acquire C-Block or F-Block PCS licenses.

The FCC held a reauction of 422 C-Block and F-Block licenses that closed in January 2001, known as Auction 35. In connection with Auction 35, the FCC made a number of changes to its wireless and PCS licensing rules, and to the size of the licenses being sold. Specifically, the FCC subdivided the C-Block licenses slated for reauction into three 10 MHz licenses. One 15 MHz C-Block license and a number of F-Block licenses slated for reauction also were sold at open bidding.

In Auction 35, the FCC made additional spectrum available to large carriers, but also continued to preserve C-Block and F-Block spectrum for designated entities. The FCC s C-Block and F-Block rules, Auction 35, and FCC actions taken in connection with previous C-Block auctions and reauctions, remain subject to pending FCC and judicial proceedings. These proceedings, and continuing changes to the C-Block and F-Block rules, could have a material adverse effect on our business and financial condition, including our ability to continue acquiring C-Block and F-Block licenses. In Auction 35, Leap was named the winning bidder on 22 licenses covering 24.1 million potential customers.

NextWave Telecom Inc., the former holder of the 22 wireless licenses for which Leap was the winning bidder in Auction 35, is a party to litigation against the federal government challenging the validity of Auction 35 and has prevailed on some of its claims in the United States Court of Appeals for the District of Columbia Circuit. In response to a petition for certiorari by the FCC, the U.S. Supreme Court has agreed to review the case. The grant to us of these Auction 35 wireless licenses has been substantially delayed by the NextWave litigation. The FCC has offered bidders in Auction 35 the option to receive a refund of their funds currently on deposit with the FCC relating to Auction 35 and to elect not to purchase these licenses without incurring a financial penalty. We currently expect to withdraw from the commitment to purchase the licenses on which we were the successful bidder in Auction 35. If these Auction 35 wireless licenses ultimately are granted to us, we will likely be required to make the full payment for them of $350.1 million (less any amounts then on deposit with the FCC) within 10 business days of a public notice issued by the FCC establishing a payment deadline. Leap currently does not have sufficient cash available to purchase these licenses. We cannot predict what effect any challenges before the FCC or in court to Auction 35, or to the grant of these wireless licenses to us specifically, will have on us. If the FCC is able to complete the sale of these wireless licenses to Leap, and Leap is unable to raise additional debt or equity to complete the purchase of the Auction 35 wireless licenses, Leap may not purchase some or all of the wireless licenses, which may result in the forfeiture of Leap s deposit, potential liability for damages and other administrative penalties imposed by the FCC.

While at the date of this prospectus we believe that we are in compliance with the terms of our C-Block and F-Block licenses, as a result of the expansion of our business, we have now grown beyond some designated entity size thresholds specified in FCC rules. This growth will likely preclude our ability to obtain additional C-Block or F-Block licenses that may be auctioned by the FCC in the future. This growth does not preclude us from continuing to acquire C-Block and F-Block licenses in the aftermarket, but we may be subject to unjust enrichment penalties if we seek to acquire C-Block or F-Block licenses from entities that qualify as very small businesses under FCC rules.

We May Not Satisfy the Buildout Deadlines and Geographic Coverage Requirements Applicable to Our Licenses, Which May Result in the Revocation of Some of Our Licenses or the Imposition of Fines and/or Other Sanctions

Each of our licenses is subject to an FCC mandate that we construct PCS networks that provide adequate service to specified percentages of the population in the areas covered by that license, or make a showing of substantial service in that area, within five and ten years after the license grant date. For 30 MHz C-Block licenses, this initial requirement is met when adequate service is offered to at least one-third of the population of the licensed service area. For 15 MHz and 10 MHz C-Block licenses and 10 MHz F-Block licenses, the initial requirement is met when adequate service is provided to at least one-quarter of the population in the licensed service area. Because we obtained many of our wireless licenses from third parties subject to existing buildout requirements, some of our licenses have initial buildout deadlines in 2004. We are currently carrying out plans to satisfy the minimum buildout requirements for all material wireless licenses. Failure to comply with the FCC s buildout requirements could cause the revocation of some of our licenses or the imposition of fines and/or other sanctions.

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Failure to Comply with Regulations or Adverse Regulatory Changes Could Impair Our Ability to Maintain Existing Licenses and Obtain New Licenses

We must maintain our existing telecommunications licenses and those we acquire in the future to continue offering wireless telecommunications services. Changes in regulations or failure to comply with regulations or the terms of a license or failure to have the license renewed could result in a loss of the license, penalties and fines. For example, we could lose a license, or be subject to fines, if we fail to construct or operate a wireless network as required by the license, or if we fail to comply with FCC regulations or compliance deadlines. One of the deadlines is the requirement that we deploy the capability to identify the precise location of wireless 911 calls in accordance with timetables set by the FCC. The loss of a license or the imposition of significant fines or penalties could have a material adverse effect on our business and financial condition.

State regulatory agencies, the FCC, the U.S. Congress, the courts and other governmental bodies regulate the operation of wireless telecommunications systems and the use of licenses in the U.S. The FCC, Congress, the courts or other federal, state or local bodies having jurisdiction over our operating companies may take actions that could have a material adverse effect on our business and financial condition.

The Technologies that We Use May Become Obsolete, Which Would Limit Our Ability to Compete Effectively

We have employed digital wireless communications technology based on CDMA technology. We are required under an agreement entered into with Qualcomm in connection with our spin-off to use only cdmaOne systems in international operations through January 2004. Other digital technologies may ultimately prove to have greater capacity or features and be of higher quality than CDMA. If another technology becomes the preferred industry standard or proves to be more economical, we may be at a competitive disadvantage, and competitive pressures may require us to change our digital technology at substantial cost. We may not be able to respond to those pressures or implement new technology on a timely basis, or at an acceptable cost. If CDMA technology becomes obsolete at some time in the future, and we are unable to effect a cost-effective migration path, it could materially and adversely affect our business and financial condition.

Terrorist Activity in the United States and the Military Action to Counter Terrorism Could Adversely Impact our Business.

The September 11, 2001 terrorist attacks in the United States, the ensuing declaration of war on terrorism and the continued threat of terrorist activity and other acts of war or hostility appear to be having an adverse effect on business, financial and general economic conditions in the U.S. These effects may, in turn, result in reduced demand for our products and services, which would have a material adverse effect on our business, financial condition and results of operations. These circumstances may also materially adversely affect our ability to attract and retain customers, our ability to raise capital and the operation and maintenance of our networks. The events and use of the term war could also affect the availability of insurance for various adverse circumstances. At this time, however, we are unable to predict the nature, extent or duration of these effects on overall economic conditions or on our business and operating results.

Leap Does Not Intend to Pay Dividends in the Foreseeable Future

Leap does not anticipate paying any cash dividends on Leap common stock in the foreseeable future. The terms of the indenture governing the notes issued in Leap s February 2000 units offering restrict Leap s ability to declare or pay dividends. Leap intends to retain any future earnings to fund Leap s growth, debt service requirements and other corporate needs. Accordingly, you will not receive a return on your investment in Leap common stock through the payment of dividends in the foreseeable future and may not realize a return on your investment even if you sell your shares. Any future payment of dividends to Leap stockholders will depend on decisions that will be made by Leap s board of directors and will depend on then existing conditions, including Leap s financial condition, contractual restrictions, capital requirements and business prospects.

Leap Has Implemented or Is Subject to Anti-Takeover Provisions that Could Prevent or Delay an Acquisition of Leap that Is Beneficial to Leap Stockholders

Leap s charter and bylaws could make it more difficult for a third-party to acquire Leap, even if doing so would benefit Leap s stockholders. Leap s charter and bylaw provisions could diminish the opportunities for a stockholder to participate in tender offers. The charter and bylaws may also restrain volatility in the market price of Leap common stock resulting from takeover attempts. In addition, Leap s Board of Directors may issue preferred stock that could have the effect of delaying or preventing a change in control of Leap. The issuance of preferred stock could also negatively affect the voting power of holders of Leap common stock. The provisions of the charter and bylaws may have the effect of discouraging or preventing an acquisition of Leap or a sale of Leap s businesses. In addition, Section 203 of the Delaware General Corporation Law imposes restrictions on mergers and other business combinations between Leap and any holder of 15% or more of Leap common stock.

Leap has adopted a rights plan that could discourage, delay or prevent an acquisition of Leap under certain circumstances. The rights plan provides for preferred stock purchase rights attached to each share of Leap common stock, which will cause substantial dilution to a person or group acquiring 15% or more of Leap s stock if the acquisition is not approved by Leap s Board of Directors.

The transfer restrictions imposed on the U.S. wireless licenses Leap owns also adversely affect the ability of third parties to acquire Leap. Leap s licenses may only be transferred with prior approval by the FCC. In addition, Leap is prohibited from voluntarily assigning or transferring control of a C-Block or F-Block license for five years after the grant date except to assignees or transferees that satisfy the financial criteria established by the FCC for designated entities, unless Leap has met the first network buildout deadline applicable to that license. Accordingly, the number of potential transferees of Leap s licenses is limited, and any acquisition, merger or other business combination involving Leap would be subject to regulatory approval.

In addition, the documents governing Leap s indebtedness contain limitations on Leap s ability to enter into a change of control transaction. Under these documents, the occurrence of a change of control transaction, in some cases after notice and grace periods, would constitute an event of default permitting acceleration of the indebtedness.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks, uncertainties and assumptions about Leap, including, among other things:

- a deterioration of Cricket s relationships with its equipment vendors and related lenders, including actions that may be taken by creditors to exercise their remedies with respect to indebtedness of which Leap or its subsidiaries are in default;
- the potential restructuring of the significant outstanding indebtedness of Leap and its subsidiaries, and the impacts on Leap and its business and capitalization of any restructuring, including potential loss of all value in Leap common stock held by existing stockholders;
- the unsettled nature of the wireless market, the current economic slowdown, new service offerings of increasingly large bundles of minutes of use at increasingly low prices by some major carriers, other issues facing the telecommunications industry in general, and our announcement of restructuring discussions, which have created a level of uncertainty that adversely affects our ability to predict future customer growth, as well as other key operating metrics;
- changes in economic conditions which could adversely affect the market for wireless services;
- the acceptance of our product offering by our target customers;
- the effects of actions beyond our control in our distribution network;
- our ability to retain customers;
- rulings by courts or the Federal Communications Commission (FCC) adversely affecting our rights to own and/or operate certain wireless licenses or impacting our rights and obligations to acquire the licenses on which Leap was the winning bidder in the FCC s broadband PCS auction completed in January 2001 (Auction 35), or changes in our ownership that could adversely affect our status as an entrepreneur under FCC rules and regulations;
- our ability to access capital markets;
- changes in our credit ratings;
- our ability to maintain our cost, market penetration and pricing structure in the face of competition;
- failure of network systems to perform according to expectations;
- the effects of competition;
- technological challenges in developing wireless information services and customer acceptance of these services if developed;
- the impacts on the global and domestic economies and the financial markets of recent terrorist activities;
- the ensuing declaration of war on terrorism and the continued threat of terrorist activity and other acts of war or hostility; and
- other factors detailed in the section entitled Risk Factors included in this prospectus.

You can identify these forward-looking statements by forward-looking words such as believe, may, could, will, estimate, continue, anticipate, intend, seek, plan, expect, should, would and similar expressions in this prospectus.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Because of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

USE OF PROCEEDS

We will not receive any proceeds from the sale by the selling security holder of the common stock offered by this prospectus.

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SELLING SECURITY HOLDER

The shares offered by this prospectus were originally issued by Leap to the selling security holder in connection with an arbitration award relating to Leap s acquisition of wireless licenses from the selling security holder, subject to the terms of an acquisition agreement, dated September 1, 2000. Leap has agreed to register for resale the shares of Leap common stock offered by this prospectus and bear the expenses of registration of the shares. Leap also agreed to keep the registration statement effective for a period ending upon the earlier of the date on which the shares may be resold by the selling security holder pursuant to Rule 144 promulgated under the Securities Act of 1933 or the time at which the selling security holder advises Leap in writing that it has completed the resale of the shares of common stock offered by this prospectus.

The following table sets forth information with respect to the shares owned by the selling security holder. The information regarding shares owned after the offering assumes the sale of all shares offered by the selling security holder. The selling security holder has not held a position or office or had a material relationship with Leap or any of Leap s affiliates within the past three years other than as a result of the ownership of Leap common stock.

Name of Selling Security Holder	Number of Shares Owned Before the Offering	Number of Shares Being Offered	Shares Owned After Offering	
			Number	Percentage
MCG PCS, Inc.(1)	21,020,431	21,020,431		

(1) Dr. Michael C. Gelfand has voting and investment power with respect to these shares.

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PLAN OF DISTRIBUTION

Resales by the Selling Security Holder

Leap is registering the shares on behalf of the selling security holder. The selling security holder may offer the shares from time to time, either in increments or in a single transaction. The selling security holder may also decide not to sell any or all of the shares allowed to be sold under this prospectus. The selling security holder will act independently of Leap in making decisions with respect to the timing, manner and size of each sale.

Donees, Pledgees and Distributees

The term selling security holder includes donees, persons who receive shares from the selling security holder after the date of this prospectus by gift. The term also includes pledgees, persons who, upon contractual default by the selling security holder, may seize shares which the selling security holder pledged to such persons. The term also includes distributees who receive shares from the selling security holder after the date of this prospectus as a distribution to members, partners or beneficiaries of the selling security holder.

Cost and Commissions

Leap will pay all costs, expenses and fees in connection with the registration of the shares being offered by this prospectus. The selling security holder will pay all brokerage commissions and similar selling expenses, if any, attributable to the sale of shares.

Types of Sale Transactions

The selling security holder will act independently of Leap in making decisions with respect to the timing, manner and size of each sale. The selling security holder may sell its shares in one or more types of transactions (which may include block transactions):

- on any national securities exchange or quotation service on which the common stock may be listed or quoted at the time of sale;
- in negotiated transactions;
- in the over-the-counter market;
- through the writing of options on shares;
- by pledge to secure debts and other obligations;
- in hedge transactions and in settlement of other transactions;
- in short sales; or
- through any combination of the above methods of sale.

The shares may be sold at a fixed offering price, which may be changed, or at market prices prevailing at the time of sale, or at negotiated prices.

Sales to or Through Broker-Dealers

The selling security holder may either sell shares directly to purchasers, or sell shares to, or through, broker-dealers. These broker-dealers may act either as an agent of the selling security holder, or as a principal for the broker-dealer s own account. These transactions may include transactions in which the same broker acts as an agent on both sides of the trade. The broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling security holder and/or the purchasers of shares. This compensation may be received both if the broker-dealer acts as an agent or as a principal. This compensation might also exceed customary commissions.

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The selling security holder may enter into hedging transactions with broker-dealers in connection with distributions of the shares or otherwise. In those transactions, broker-dealers may engage in short sales of the shares in the course of hedging the positions they assume with the selling security holder. The selling security holder also may sell shares short and re-deliver the shares to close out those short positions. The selling security holder may enter into options or other transactions with broker-dealers which require the delivery to the broker-dealer of the shares. The broker-dealer may then resell or otherwise transfer those shares pursuant to this prospectus. The selling security holder also may loan or pledge the shares to a broker-dealer. The broker-dealer may sell the shares so loaned, or upon a default the broker-dealer may sell the pledged shares pursuant to this prospectus.

Distribution Arrangements with Broker-Dealers

If the selling security holder notifies Leap that any material arrangement has been entered into with a broker-dealer for the sale of shares through:

- a block trade,
- a special offering,
- an exchange distribution or secondary distribution, or
- a purchase by a broker or dealer,

then Leap will file, if required, a supplement to this prospectus under Rule 424(b) of the Securities Act.

The supplement will disclose, to the extent required:

- the names of the selling security holder and of the participating broker-dealer(s);
- the number of shares involved;
- the price at which the shares were sold;
- the commissions paid or discounts or concessions allowed to the broker-dealer(s), where applicable;
- that the broker-dealer(s) did not conduct any investigation to verify the information set out in this prospectus; and
- any other facts material to the transaction.

Deemed Underwriting Compensation

The selling security holder and any broker-dealers that act in connection with the sale of the shares might be deemed to be underwriters within the meaning of Section 2(a)(11) of the Securities Act. Any commissions received by the broker-dealers, and any profit on the resale of shares sold by them while acting as principals, could be deemed to be underwriting discounts or commissions under the Securities Act.

Indemnification

The selling security holder may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of its shares against certain liabilities, including liabilities arising under the Securities Act. Under our agreements with the selling security holder, we and the selling security holder will be indemnified by the other against certain liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection with these liabilities.

Prospectus Delivery Requirements

Because a selling security holder may be deemed an underwriter, the selling security holder must deliver this prospectus and any supplements to this prospectus in the manner required by the Securities Act.

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Sales Under Rule 144

The selling security holder may also resell all or a portion of the shares offered by this prospectus in open market transactions in reliance upon Rule 144 under the Securities Act. To do so, the selling security holder must meet the criteria and comply with the requirements of Rule 144.

Regulation M

The selling security holder and any other persons participating in the sale or distribution of the shares will be subject to applicable provisions of the Exchange Act and the rules and regulations under that act, including, without limitation, Regulation M. These provisions may restrict some activities of, and limit the timing of purchases and sales of any of the shares by, the selling security holder or any other person. Furthermore, under Regulation M, persons engaged in a distribution of securities are prohibited from simultaneously engaging in market making and certain other activities with respect to the securities for a specified period of time before the commencement of the distributions, subject to specified exceptions or exemptions. All of these limitations may affect the marketability of the shares offered by this prospectus.

Compliance with State Law

In jurisdictions where the state securities laws require it, the selling security holder s shares offered by this prospectus may be sold only through registered or licensed brokers or dealers. In addition, in some states the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and has been complied with.

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MARKET PRICE OF AND DIVIDENDS ON LEAP COMMON STOCK

AND RELATED STOCKHOLDER MATTERS

Leap s common stock, $.0001 par value per share, is presently listed for trading on the Nasdaq National Market under the symbol LWIN. The following table sets forth the high and low sales prices for the common stock as reported by the Nasdaq National Market in each of the periods indicated:

	High($)	Low($)
Calendar Year 2000		
First Quarter	110.50	47.06
Second Quarter	99.75	32.25
Third Quarter	81.88	44.75
Fourth Quarter	66.63	23.50
Calendar Year 2001		
First Quarter	46.69	20.50
Second Quarter	36.78	21.31
Third Quarter	33.15	12.70
Fourth Quarter	21.51	13.51
Calendar Year 2002		
First Quarter	23.10	3.77
Second Quarter	11.39	1.05
Third Quarter	1.87	0.18
Fourth Quarter (through November 20, 2002)	0.61	0.12

On November 20, 2002, the last reported sale price of Leap s common stock on the Nasdaq National Market was $0.33 per share. As of November 20, 2002, there were 58,704,894 shares of common stock outstanding held by approximately 1,596 holders of record.

Leap received a Nasdaq Staff determination indicating that its common stock is to be de-listed from the Nasdaq National Market because Leap did not obtain stockholder approval before issuing 21,020,431 shares of common stock to MCG PCS, Inc. pursuant to an arbitration award, Leap s common stock has traded below $1.00 per share for at least 30 consecutive trading days and as a result of other factors cited by the Nasdaq Staff in its de-listing determination letter. Leap requested an oral hearing to appeal the Nasdaq Staff s determination. As a result, Nasdaq stayed the de-listing pending the outcome of the hearing. The hearing was held on November 14, 2002. Leap is awaiting the Nasdaq hearing panel s decision. See Risk Factors Leap Received a Nasdaq Staff Determination Indicating that Its Common Stock Is To Be De-Listed from the Nasdaq National Market.

Leap has never paid or declared any cash dividends on its common stock and does not intend to pay dividends on its common stock in the foreseeable future. The terms of the indenture governing the high-yield notes issued in Leap s February 2000 units offering restrict its ability to declare or pay dividends. Leap intends to retain any earnings to fund its growth, debt service requirements and other corporate needs.

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SELECTED CONSOLIDATED FINANCIAL DATA

These tables should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, and the audited consolidated financial statements and the condensed consolidated financial statements (unaudited) included elsewhere in this prospectus.

	Year Ended August 31,			Period From September 1, 1999 to December 31,	Year Ended December 31,		Nine Months Ended September 30,	
	1997	1998	1999	1999	2000	2001	2001	2002
							(Unaudited)	
	(In thousands, except per share data)							
Statement of Operations Data(1):								
Revenues:								
Service revenues	$	$	$ 3,619	$ 6,733	$ 40,599	$ 215,917	$ 122,449	$ 415,971
Equipment revenues			288	39	9,718	39,247	28,843	30,525
Total revenues			3,907	6,772	50,317	255,164	151,292	446,496
Operating expenses								
Cost of service			(1,355)	(2,409)	(20,821)	(94,510)	(57,003)	(136,937)
Cost of equipment			(2,455)	(7,760)	(54,883)	(202,355)	(116,632)	(202,777)
Selling and marketing			(1,197)	(4,293)	(31,709)	(115,222)	(70,982)	(95,636)
General and administrative	(1,361)	(23,888)	(27,548)	(15,051)	(85,640)	(152,051)	(96,691)	(135,699)
Depreciation and amortization(4)			(5,824)	(6,926)	(24,563)	(119,177)	(68,792)	(201,205)
Impairment of goodwill								(26,919)
Total operating expenses	(1,361)	(23,888)	(38,379)	(36,439)	(217,616)	(683,315)	(410,100)	(799,173)
Gains on sale of wireless licenses						143,633		364
Operating loss	(1,361)	(23,888)	(34,472)	(29,667)	(167,299)	(284,518)	(258,808)	(352,313)
Equity in net loss of, write-down of investments in and loans receivable from unconsolidated wireless operating companies	(3,793)	(23,118)	(127,542)	(23,077)	(78,624)	(54,000)	(57,562)	
Interest income		273	2,505	764	48,477	26,424	23,623	4,716
Interest expense			(10,356)	(12,283)	(112,358)	(178,067)	(123,709)	(168,528)
Foreign currency transaction gains (losses), net			(7,211)	(8,247)	13,966	(1,257)	(1,139)	(13)
Gain on sale of wholly-owned subsidiaries			9,097		313,432			

Gain on sale of and issuance of stock by unconsolidated wireless operating company			3,609		32,602			39,518
Other income (expense), net			(243)	(3,336)	1,913	8,443	15,981	26
Income (loss) before income taxes and extraordinary items	(5,154)	(46,733)	(164,613)	(75,846)	52,109	(482,975)	(401,614)	(476,594)
Income taxes					(47,540)	(322)	(2,043)	(21,629)
Income (loss) before extraordinary items	(5,154)	(46,733)	(164,613)	(75,846)	4,569	(483,297)	(403,657)	(498,223)
Extraordinary loss on early extinguishment of debt					(4,737)			
Net loss	$(5,154)	$(46,733)	$(164,613)	$(75,846)	$ (168)	$(483,297)	$(403,657)	$(498,223)

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	Year Ended August 31,			Period From September 1, 1999 to December 31,	Year Ended December 31,		Nine Months Ended September 30,	
	1997	1998	1999	1999	2000	2001	2001	2002
							(Unaudited)	
	(In thousands, except per share data)							
Basic net income (loss) per common share								
Income (loss) before extraordinary items	$ (0.29)	$ (2.65)	$ (9.19)	$ (4.01)	$ 0.18	$ (14.27)	$ (12.27)	$ (12.51)
Extraordinary loss					(0.19)			
Net loss	$ (0.29)	$ (2.65)	$ (9.19)	$ (4.01)	$ (0.01)	$ (14.27)	$ (12.27)	$ (12.51)
Diluted net income (loss) per common share								
Income (loss) before extraordinary items	$ (0.29)	$ (2.65)	$ (9.19)	$ (4.01)	$ 0.14	$ (14.27)	$ (12.27)	$ (12.51)
Extraordinary loss					(0.15)			
Net loss	$ (0.29)	$ (2.65)	$ (9.19)	$ (4.01)	$ (0.01)	$ (14.27)	$ (12.27)	$ (12.51)
Shares used in per share calculations(2)								
Basic	17,648	17,648	17,910	18,928	25,398	33,861	32,909	39,819
Diluted	17,648	17,648	17,910	18,928	32,543	33,861	32,909	39,819

	As of August 31,			As of December 31,			As of September 30,
	1997	1998	1999	1999	2000	2001	2002
							(Unaudited)
Balance Sheet Data(1)							
Cash and cash equivalents	$	$	$ 26,215	$ 44,109	$ 338,878	$ 242,979	$ 56,150
Working capital (deficit)(3)	(279)	(14,789)	6,587	50,361	602,373	189,507	(1,467,255)
Restricted cash equivalents and investments				20,550	65,471	40,755	38,672
Total assets	42,267	157,752	335,331	360,765	1,647,407	2,450,895	2,321,789
Long-term debt(3)			221,812	303,818	897,878	1,676,845	633,118
Total stockholders equity (deficit)	41,988	142,963	70,900	10,892	583,258	358,440	(130,738)

(1) For the fourth quarter of the year ended August 31, 1999, the period from September 1, 1999 to December 31, 1999, and the first six months of the year ended December 31, 2000, the financial results of Smartcom PCS, a wireless carrier in Chile, are included in the selected consolidated financial data as a result of Leap s acquisition on April 19, 1999 of the remaining 50% interest in Smartcom that it did not already own. Before the fourth quarter of the year ended August 31, 1999, Leap s investment in Smartcom was accounted for using the equity method of accounting. Leap subsequently divested its entire interest in Smartcom on June 2, 2000.

(2) Refer to Notes 3 and 5 of the consolidated financial statements for an explanation of the calculation of basic and diluted net loss per common share.

(3) Working capital (deficit) as of September 30, 2002 (unaudited) includes $1,511.6 million outstanding under Cricket s senior secured vendor credit facilities, which are currently in default. Refer to Note 2 of the consolidated financial statements and the condensed consolidated financial statements (unaudited) included elsewhere in this prospectus.

(4) Leap adopted Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets on January 1, 2002. Accordingly, amortization of goodwill and wireless licenses ceased as of that date because they are indefinite-lived intangible assets.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The words we, our, ours and us refer to Leap Wireless International, Inc. and, unless the context otherwise requires, its consolidated subsidiaries, and not to the selling security holder. Leap refers to Leap Wireless International, Inc. Cricket Communications, Inc. is Leap s subsidiary that operates the Cricket business and is referred to as Cricket. Cricket and the subsidiaries of Cricket and Leap that hold assets that are used in the Cricket business or that hold assets pledged as security under Cricket s vendor credit facilities are collectively referred to as the Cricket Companies. Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2002 population estimates provided by Claritas Inc.

The following discussion and analysis is based upon our financial statements as of the dates and for the periods presented in this section. The following information should be read in conjunction with the financial statements and notes thereto included on pages F-2 to F-96 of this prospectus.

Background

Leap and the Cricket Companies are highly leveraged. At September 30, 2002, we had consolidated debt totaling $2,159.8 million, including $1,511.6 million of debt under Cricket s senior secured vendor credit facilities. Each of the Cricket Companies is a borrower or guarantor under the senior secured vendor credit facilities of Cricket, and Cricket is currently in default under the vendor credit facilities because it has failed to pay interest and has failed to comply with other covenants under those facilities. Cricket s obligations under the vendor credit facilities are secured by a pledge of all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.). We have retained UBS Warburg to assist in exploring a restructuring of the significant outstanding indebtedness of Leap and Cricket and to assist in obtaining new sources of financing for the Cricket Companies. Leap and Cricket have begun restructuring discussions with informal committees of their respective creditors.

Leap conducts operations through its subsidiaries. Leap has no independent operations or sources of operating revenue other than through dividends, if any, from its operating subsidiaries. The Cricket Companies operate together as a wireless communications carrier that provides innovative, affordable, simple wireless services designed to accelerate the transformation of wireless service into a mass consumer product. The Cricket Companies generally seek to address a much broader population segment than traditional wireless providers have addressed to date. In the U.S., we are offering wireless service under the brand Cricket®. Our innovative Cricket strategy is designed to extend the benefits of mobility to the mass market by offering wireless service that is as simple to use and understand as, and is a competitive mobile alternative to, traditional landline service. In each of its markets, Cricket is deploying 100% digital, Code Division Multiple Access, or CDMA, networks that we believe provide higher capacity and more efficient deployment of capital than competing technologies. CDMA technology, when combined with our efforts to streamline operation and distribution, allows Cricket to be a low-cost provider of wireless services in each of its markets.

Cricket service allows customers to make and receive virtually unlimited calls within a local calling area for a flat monthly rate. Cricket customers can also make long distance calls on a per-minute basis or as part of a packaged offering. Through September 2002, Cricket customers paid in advance for each month s service from a simple, straightforward bill. Commencing in October 2002, we no longer include a first month of service with the handset purchase and new Cricket customers pay for their service in arrears. Because we recognize revenues for customers who pay in arrears only when received, we do not record a reserve for bad debt for service revenues. The simplicity of the Cricket service allows Cricket to sustain lower operating costs per customer compared to traditional wireless providers. Cricket s networks are designed and built to provide coverage in the local calling area where our target customers live, work and play. As a result, we believe that Cricket s per minute network operating costs are the lowest, or among the lowest, incurred by traditional wireless providers.

We continue to focus on enhancing our Cricket service with new products and services designed to meet the needs of our growing customer base. We have expanded our competitively priced long distance offers by introducing Canadian long distance. We have also introduced Spanish language marketing and advertising campaigns, Spanish directory assistance and Spanish language billing as part of our ongoing focus on the growing Hispanic market. In June and July 2002, we launched unlimited inter-carrier text messaging in all 40 of our markets. In August 2002, we launched a new service named Cricket Talk that bundles certain features, a number of long distance minutes and virtually unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. Since its launch, Cricket Talk has represented a significant portion of our gross customer additions.

As of September 30, 2002, Cricket offered service in 40 markets covering a total population of approximately 25.4 million potential customers. These markets are located in 48 basic trading areas, or BTAs, and make up all of the markets that we refer to as our 40 Market Plan. As of September 30, 2002, Cricket had approximately 1,497,000 customers in its markets across the U.S. Through September 30, 2002, we had incurred approximately $1,450.6 million of capital expenditures for our Cricket business. As of September 30, 2002, we had acquired wireless licenses covering approximately 53.5 million potential customers in 33 states. In addition, Leap was the winning bidder for 22 wireless licenses with an aggregate purchase price of $350.1 million, covering approximately 24.1 million potential customers, in an FCC auction that was completed in January 2001, referred to as Auction 35. Leap currently does not have sufficient cash available to purchase these licenses. NextWave Telecom Inc., the original holder of these licenses, is a party to litigation against the federal government challenging the validity of the auction and has prevailed on some of its claims in the United States Court of Appeals for the District of Columbia Circuit. In response to a petition for certiorari by the FCC, the U.S. Supreme Court has agreed to review the case. The grant to us of these Auction 35 wireless licenses has been substantially delayed by the NextWave litigation. The FCC has offered bidders in Auction 35 the option to receive a refund of their funds currently on deposit with the FCC relating to Auction 35 and to elect not to purchase the licenses without incurring a financial penalty. We currently expect to withdraw from the commitment to purchase the licenses on which we were the successful bidder in Auction 35.

In August 2002, Leap paid a purchase price adjustment to MCG PCS, Inc., as ordered by an arbitrator, in connection with acquisitions of wireless licenses in Buffalo and Syracuse by issuing approximately 21 million shares of its common stock. The issuance of these shares constituted an event of default under Cricket s vendor credit facilities. After issuance of these shares, the lenders under Cricket s vendor credit facilities ceased funding new loan requests, including requests to fund interest payments that previously had been financed through draws under the credit facilities. In early September 2002, Cricket chose not to make interest payments that were due on the loans under these facilities, which constituted an additional event of default under the vendor credit facilities. While Cricket subsequently paid approximately $1.9 million of interest and fees due under its vendor credit facilities, Cricket remains in default under the facilities. These and other existing events of default provide the credit facility lenders with various rights under their credit agreements and related security agreements, including the right:

- to terminate the commitments under those agreements;
- to declare the existing loans to be immediately due and payable; and
- to foreclose on the collateral pledged to secure the outstanding loans, which includes all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.).

In addition, the holders of the vendor debt could institute an involuntary bankruptcy proceeding against the Cricket Companies. Lucent Technologies Inc. and Nortel Networks Inc. have terminated their commitments under their credit agreements with Cricket. At the request of Ericsson Credit AB, Cricket reduced the commitment under the Ericsson credit agreement to approximately $33 million as of September 30, 2002. To date, the secured vendor facility lenders have not exercised any other material creditors remedies under the vendor credit agreements. However, if they choose to exercise these rights in the future, Leap and Cricket would likely seek the protection afforded by Chapter 11 of the federal bankruptcy laws and that exercise would have a material adverse effect on both Leap s and Cricket s business. Cricket s default on its vendor credit facilities and our need to restructure our indebtedness and our potential need to seek protection under the federal bankruptcy laws raise substantial doubt about our ability to continue as a going concern. There is also

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substantial risk that the stock of the Cricket Companies has no value to Leap and that there would likely be no assets available for distribution to the stockholders of Leap if the obligations under Leap s senior notes and senior discount notes were to be accelerated. However, we believe that the value of the Cricket Companies business is higher than the value of the Cricket Companies assets in liquidation. We currently expect to restructure Cricket s indebtedness and capital structure in a manner that would allow the Cricket Companies to emerge from the restructuring with significantly reduced indebtedness and the ability to continue as a stronger business offering high quality, affordable wireless service to customers and good opportunities for its employees. No restructuring agreement has been reached, however, and we cannot assure you that a restructuring agreement will be reached on terms that are acceptable to all of the parties involved, or at all. See Liquidity and Capital Resources, and Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business and Leap and Cricket Have Commenced Restructuring Discussions with Their Respective Lenders, and a Restructuring Is Likely to Have a Material Adverse Impact on the Value of Interests in Leap.

We have classified the principal and interest balances outstanding under the vendor credit facilities and amounts payable to Lucent, Nortel and Ericsson for the purchase of equipment and services as short-term obligations in the condensed consolidated balance sheet as of September 30, 2002, as a result of Cricket s default on the underlying agreements. Unamortized debt discount and debt issuance costs of $46.6 million at September 30, 2002 may be subject to accelerated amortization or immediate expense if the secured vendor credit facility lenders exercise their rights or depending on the outcome of Leap s and Cricket s restructuring negotiations.

Because of Cricket s existing defaults under the vendor credit facilities, the substantial risk that the stock of the Cricket Companies has no value to Leap, and the substantial risk that Leap s existing stockholders will lose all of their value in Leap common stock in connection with any restructuring, we recorded an estimated impairment charge during the three months ended September 30, 2002 equal to the remaining goodwill balance of $26.9 million. The goodwill resulted from Leap s June 2000 acquisition of the remaining interest in Cricket Communications Holdings that it did not already own.

As of September 30, 2002, we tested our wireless licenses and long-lived assets for impairment. The fair value of the wireless licenses was greater than their carrying value, and therefore no impairment loss existed with regard to the wireless licenses. The undiscounted cash flows expected to be generated from our other long-lived assets over the remaining useful lives of those assets was greater than the carrying value of the assets, and therefore no impairment loss existed with regard to the other long-lived assets. Based on the current difficulties being experienced by the telecommunications and wireless industries, and depending on the outcome of our restructuring, the value of the wireless licenses and other long-lived assets could be subject to material impairment losses in the future.

Because the issuance of the MCG shares qualifies as a change in our ownership as defined under Internal Revenue Code Section 382, there will be a significant annual limitation on our ability to use our net operating loss and credit carryforwards. In connection with any restructuring, there is also likely to be an additional change in the Company s ownership and further limitation on our ability to use our net operating loss and credit carryforwards. If a restructuring is implemented pursuant to a plan confirmed under Chapter 11 of the federal bankruptcy laws and there is a significant elimination or reduction of our outstanding indebtedness, we expect that we will use all of our net operating loss and credit carryforwards and also expect that the tax bases of our assets may be significantly reduced. If not structured to qualify as a tax-free reorganization, significant income taxes may become payable as a result of the merger of subsidiaries or the transfer of assets among subsidiaries that may occur as part of a restructuring implemented under Chapter 11 of the federal bankruptcy laws. If a restructuring is implemented outside of federal bankruptcy laws and there is a significant elimination or reduction of our outstanding indebtedness, we expect that significant income taxes would become payable as a result of restructuring.

Leap received a Nasdaq Staff determination indicating that its common stock is to be de-listed from the Nasdaq National Market because Leap did not obtain stockholder approval before issuing 21,020,431 shares of common stock to MCG, Leap s common stock has traded below $1.00 per share for at least 30 consecutive trading days and other factors cited by the Nasdaq Staff in its de-listing determination letter. Leap requested an oral hearing to appeal the Nasdaq Staff s determination. As a result, Nasdaq stayed the de-listing pending the outcome of the hearing. The hearing was held on November 14, 2002. Leap is awaiting the Nasdaq hearing panel s decision. See Risk Factors Leap Received a Nasdaq Staff Determination Indicating that Its Common Stock Is To Be De-Listed from the Nasdaq National Market.

Acquisitions, Exchanges and Sales of Wireless Licenses

During the year ended December 31, 2001, we completed the purchase and exchange of wireless licenses located in various BTAs and certain wireless technology assets for an aggregate of $232.0 million in cash, net of proceeds, the assumption of debt and other liabilities totaling $110.2 million (including (1) a promissory note in the principal amount of $86.5 million which was paid in full in November 2001, and (2) a convertible note in the principal amount of $18.0 million with interest at the rate of 8.5% per annum, with principal and interest payable at maturity on June 15, 2002, with the right to convert irrevocably waived by the holder of the note in February 2002), and the issuance of 2,778,534 shares of our common stock with a fair value at the time of purchase of approximately $82.7 million. Approximately 265,083 shares issued in connection with two of the acquisitions are being held in an escrow account to satisfy potential indemnification obligations of the sellers. The convertible note is secured by a pledge of the outstanding stock of a wholly-owned subsidiary of Leap.

In connection with our acquisitions of wireless licenses in Buffalo and Syracuse that closed in June 2001, the seller asserted that based on the prices of wireless licenses auctioned by the FCC in Auction 35, it was entitled to a purchase price adjustment under the purchase agreement for the licenses of approximately $39.8 million. The matter was submitted to binding arbitration and the arbitrator determined that the seller was entitled to a purchase price adjustment of $39.8 million payable immediately in cash, or, in Leap s sole discretion, approximately 21 million shares of Leap common stock. In August 2002, Leap paid the purchase price adjustment to MCG by issuing 21,020,431 shares of its common stock, representing approximately 36% of Leap s outstanding common stock, and approximately 28% of Leap common shares on a fully diluted basis, following the issuance.

In addition, in November 2001, we completed the sale of a portion of our wireless licenses in Salt Lake City and Provo, Utah to Cingular Wireless LLC for approximately $138.1 million in cash, net of related costs. We retained wireless licenses for 15 MHz of spectrum in each of Salt Lake City and Provo, Utah to operate existing voice and planned information services products.

Pegaso

Leap was a founding shareholder and made investments in and loans to Pegaso Telecomunicaciones, S.A. de C.V., a company providing wireless service in Mexico, totaling $120.5 million. In the fourth quarter of fiscal 2001, Leap discontinued its use of the equity method of accounting for Pegaso and ceased recognizing its share of Pegaso s losses because its investment in and loans to Pegaso had been reduced to zero on its books of account.

In September 2002, Leap completed the sale of its 20.1% interest in Pegaso to Telefónica Móviles, S.A. At the closing, Leap received cash proceeds of approximately $22.2 million for the sale of its shares and, in October 2002, also received approximately $15.8 million of additional cash from a loan repayment related to the sale. In connection with the sale, Leap was released from its obligations under a $33 million guarantee to Qualcomm of Pegaso s outstanding working capital loans from Qualcomm, by delivering to Qualcomm its rights under the warrants Leap acquired in connection with the guarantee. Under the vendor credit facilities, Leap is obligated to set aside or contribute to the Cricket Companies approximately $25.8 million of the proceeds from the sale of Pegaso. Because of the financial condition and expected restructuring of Leap and Cricket, however, Leap did not make the set asides and contributions and instead retained the funds at Leap. Leap s failure to contribute or set aside those amounts was a breach of contract by Leap and an additional event of default under Cricket s vendor credit facilities.

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Smartcom Disposition

On June 2, 2000, Leap completed the sale of Smartcom to Endesa S.A. in exchange for gross consideration of approximately $381.5 million, consisting of $156.8 million in cash, three promissory notes totaling $143.2 million, subject to post closing adjustments, the repayment of intercompany debt due to Leap by Smartcom totaling $53.3 million, and the release of cash collateral posted by Leap securing Smartcom indebtedness of $28.2 million. Leap recognized a gain on sale of Smartcom of $313.4 million before related income tax expense of $34.5 million during the quarter ended June 30, 2000. In February 2001, Leap sold one of the promissory notes, with an original principal amount of $58.2 million plus accrued interest, to a third party for $60.7 million. In June 2001, Endesa repaid $47.5 million of principal and accrued interest for the second promissory note. The remaining promissory note of $35.0 million is subject to a right of set-off to secure indemnification claims under the purchase agreement. Endesa has asserted claims of up to approximately $48.7 million against Leap for breach of representations and warranties under the purchase agreement and has notified Leap that it is offsetting the claims against the unpaid balance of the note. Under the terms of the purchase agreement, the maximum recovery for breaches of the representations and warranties is the principal and interest under the note. The note matured on June 2, 2001 and Leap expects it to remain unpaid until the issues related to the claims are resolved. Leap believes that Endesa s claims are without merit, and Leap is contesting Endesa s claims. Management of Leap believes that the ultimate outcome of this matter will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Presentation

We have recognized our share of net earnings or losses of our foreign operating companies on a three-month lag. The financial statements of Smartcom are included in our consolidated financial statements from June 1, 1999 to March 31, 2000 as a result of our acquisition in April 1999 of the remaining 50% of Smartcom that we did not already own and our sale of 100% of Smartcom on June 2, 2000. The accounts of Smartcom were consolidated using a three-month lag, and as a result of the sale in June 2000, the results of Smartcom for April and May 2000 have been reflected in accumulated deficit during the year ended December 31, 2000. Until September 10, 2002, we owned 20.1% of the outstanding capital stock of Pegaso, and until the fourth quarter of 2001, we accounted for our interest in Pegaso under the equity method of accounting. In the fourth quarter of fiscal 2001, Leap discontinued its use of the equity method of accounting for Pegaso and ceased recognizing its share of Pegaso s losses because its investment in and loans to Pegaso had been written-down to zero. On September 10, 2002, Leap completed the sale of its 20.1% interest in Pegaso to Telefónica Móviles, S.A.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared using accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Revenues and Cost Recognition

For our Cricket business, revenues include wireless services and the sale of handsets and accessories. Wireless services are provided on a month-to-month basis and, through September 2002, were generally paid in advance. We have not historically charged fees for the initial activation of service. Revenues from wireless services are recognized as services are rendered. Amounts received in advance are recorded as deferred revenue. Cost of service generally includes direct costs and related overhead, excluding depreciation and amortization, of operating our networks. Equipment revenues arise from the sale of handsets and accessories. 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. Handsets sold to third-party dealers and distributors are recognized as inventory until they are sold to and activated by customers. Amounts due from third-party dealers and distributors for handsets are recorded as deferred revenue upon shipment by us and are recognized as equipment revenues when service is activated by customers. Sales incentives offered without charge to customers and volume-based incentives paid to our third-party dealers and distributors are recognized as a reduction of revenue when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage. We record an estimate for returns of handsets and accessories at the time of recognizing revenue. Returns of handsets and accessories have historically been insignificant.

Handsets sold through our third-party dealers and distributors are subject to a mark-up retained by the third-party dealer or distributor, which is not included in our equipment revenues. We generate service revenues from monthly service and features, including call waiting, caller ID and voicemail. Service revenue is also generated from the customer s usage of long distance minutes and directory assistance purchased from Cricket.

In August 2002, we launched a new service that bundles certain features, a number of long distance minutes and virtually unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. Beginning in November 2002, this new bundled service offering requires new customers to maintain active Cricket service for 12 months or be subject to an early termination fee. Commencing in October 2002, we no longer include a first month of service with the handset purchase, and new customers pay for their service in arrears. Because we recognize revenues for customers who pay in arrears only after payment is received, we do not record a reserve for bad debt for service revenues. We also currently charge customers for activation fees and service plan changes. Revenues from these fees are deferred and recorded to revenue over the average life for those customers. Direct costs associated with customer activations are expensed as incurred.

For our stores, handset returns are accepted within 30 days of purchase or 30 minutes of usage, whichever occurs first. The return policies of our third-party dealers and distributors are generally similar to ours. Management believes that it can reliably estimate returns upon activation, which historically have been insignificant.

We record sales incentives offered without charge to customers, including discounts, coupons and rebates, and volume-based sales incentives offered to our third-party dealers and distributors, as a reduction in revenue and as a liability, based on estimates of the amounts ultimately expected to be paid or refunded to our customers and third-party dealers and distributors. We believe we have sufficient, relevant history to reliably estimate the liability for sales incentives. However, if the amount of future sales incentives could not be reasonably and reliably estimated, we would be required to recognize a liability for the maximum potential amount of the sales incentive.

We have cooperative advertising programs with our third-party dealers and distributors that provide that we will refund part of the cost of certain qualified advertising by third-party dealers and distributors of our Cricket products and wireless services. This advertising must meet qualitative criteria, and minimum amounts must be spent on the advertisements. The programs require the third-party dealers and distributors to provide evidence of the nature of the advertising performed that includes our products and wireless service as well as the actual costs incurred. We currently record our costs for cooperative advertising programs as selling and marketing expenses.

Impairment of Long-Lived and Intangible Assets

We assess potential impairments to our long-lived assets, including property and equipment, wireless licenses, goodwill and other intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors we consider important, which could trigger an impairment review, include the following: significant variances in performance relative to projected future operating results; significant changes in the market price of or in the manner of our use of our long-lived assets; our ability to satisfy buildout deadlines and geographic coverage requirements for wireless licenses; significant industry or economic trends; a current expectation that, more likely than not, our long-lived assets will be sold or otherwise disposed of significantly before the end of their previously estimated useful life; an accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset; and a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection of forecast that demonstrates continuing losses associated with an asset used for the purpose of producing revenue.

At December 31, 2001, we tested our long-lived assets, including wireless licenses and goodwill, for potential impairment. Because our long-lived assets do not have identifiable cash flows that are largely independent of other asset groupings, we compared our total estimated undiscounted future cash flows, excluding interest costs, to the carrying value of our long-lived assets. The cash flow forecast used in this assessment was a ten-year forecast based on our 40 Market Plan. The total undiscounted future cash flows, excluding interest, resulting from this forecast exceeded the total carrying value of all of our long-lived assets at December 31, 2001. As a result, our wireless licenses, goodwill and other long-lived assets were not considered to be impaired at December 31, 2001. This conclusion is based on our best estimate of future operating results and our ability to pay our debt obligations as they become due. Our estimated future operating results are based on estimates of key operating metrics, including customer growth, customer churn, average monthly revenue per customer and costs per gross additional customer. If we do not achieve these metrics and, as a result, do not achieve our planned operating results, this may have a significant adverse effect on our estimated undiscounted future cash flows and may ultimately result in an impairment charge related to our wireless licenses, goodwill and other long-lived assets.

In October 2001, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 replaces SFAS No. 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 144 applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30 Reporting Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions. SFAS No. 144 develops one accounting model for long-lived assets that are to be disposed of by sale. SFAS No. 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of carrying value or fair value less cost to sell. Additionally, SFAS No. 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. We adopted SFAS No. 144 on January 1, 2002. The adoption of SFAS No. 144 did not have a material impact on our consolidated financial position or our results of operations. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. 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 a charge to results of operations. At September 30, 2002, we tested our long-lived assets for impairment. The undiscounted cash flows expected to be generated from our long-lived assets over the remaining useful lives of those assets was greater than the carrying value of the assets, and therefore, no impairment loss existed.

Wireless Licenses

Wireless licenses are recorded at cost. Through December 31, 2001, wireless licenses were amortized using the straight-line method over their estimated useful lives upon commencement of commercial service, generally 40 years. We adopted Statement of Financial Accounting Standard No. 142 Goodwill and Other Intangible Assets on January 1, 2002. Upon adoption, we ceased amortizing wireless license costs as we determined that these assets meet the definition of indefinite-lived intangible assets under SFAS No. 142. Wireless licenses, net, totaled $718.2 million at January 1, 2002. During the three months ended March 31, 2002, we recorded an income tax expense of $15.9 million to increase the valuation allowance related to our net operating loss carryforwards in connection with the adoption of SFAS No. 142. Because of the uncertainty as to the timing of the reversal of the deferred tax liabilities related to the amortization of wireless licenses for tax purposes, the deferred tax liabilities can no longer be used as a source of taxable income to support the realization of a corresponding amount of deferred tax assets. Wireless license amortization was $1.2 million and $2.9 million for the three and nine months ended September 30, 2001, respectively.

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SFAS No. 142 requires wireless licenses classified as indefinite-lived intangible assets to be tested for impairment as of January 1, 2002 and at least annually thereafter. During the three months ended March 31, 2002, we completed our transitional impairment review of our wireless licenses and concluded that no impairment existed at the date of adoption. We adopted Emerging Issues Task Force, or EITF, Issue No. 02-07 Unit of Accounting for Testing Impairment of Indefinite-Lived Intangible Assets in completing this impairment review, which requires that separately recorded indefinite-lived intangible assets be combined into a single unit of accounting for purposes of testing impairment if they are operated as a single asset and, as such, are essentially inseparable from one another. As of September 30, 2002, we tested our wireless licenses for impairment. The fair values of the wireless licenses were greater than their carrying value, and therefore no impairment loss was recognized. Based on the current difficulties being experienced by the telecommunications and wireless industries, and depending on the results of our restructuring, the value of the wireless licenses could be subject to material impairment losses in the future.

The majority of our wireless licenses were acquired with the intention of being built out and operated, although the timing of such buildouts is dependent upon our ability to access additional capital. Wireless licenses not currently in use under our 40 Market Plan may be sold or exchanged for other wireless licenses that may provide us with greater strategic opportunities. Wireless licenses classified as to be disposed of are licenses that are part of pending license sales or exchanges that are considered probable of being closed in their current form within one year of the balance sheet dates. Wireless licenses to be disposed of are carried at the lower of carrying value and fair value less costs to sell. At September 30, 2002, wireless licenses to be disposed of were not significant.

Our wireless licenses include provisions that require us to satisfy buildout deadlines and geographic coverage requirements within five years and ten years after the original license grant date. These initial requirements are met when adequate service is offered to at least one-quarter and one-third of the population of the licensed service area, depending on the type of license. Because we obtained many of our wireless licenses from third parties subject to existing buildout requirements, several of our wireless licenses have initial buildout deadlines in 2004. We are currently carrying out plans to satisfy the minimum buildout requirements for these wireless licenses. Failure to comply with these buildout requirements could cause the revocation of some of our licenses or the imposition of fines and/or other sanctions. No adjustments have been recorded in the financial statements regarding the potential inability to develop the wireless licenses that expire in the near future. Any subsequent expiration of these licenses could have a material adverse effect on our financial position and results of operations.

Goodwill

Goodwill represents the excess of the purchase price and related costs over the fair value assigned to the net tangible and identifiable intangible assets of businesses acquired. Through December 31, 2001, goodwill was amortized on a straight-line basis over its estimated useful life, generally 20 years. In connection with the adoption of SFAS No. 142, we ceased amortization of goodwill effective January 1, 2002. As of January 1, 2002, we had goodwill of $26.9 million resulting from our June 2000 acquisition of the remaining interest in Cricket Communications Holdings, Inc. that we did not already own. Goodwill amortization was $0.4 million and $1.1 million for the three and nine months ended September 30, 2001.

SFAS No. 142 requires goodwill to be tested for impairment as of January 1, 2002 and at least annually thereafter. During the three months ended March 31, 2002, we completed our transitional impairment review of our goodwill and concluded that no impairment existed at the date of adoption. Because of Cricket s existing defaults under the vendor credit facilities, the substantial risk that the stock of the Cricket Companies has no value to Leap, and the substantial risk that Leap s existing stockholders will lose all of their value in Leap common stock in connection with any restructuring, we recorded an estimated impairment charge during the three months ended September 30, 2002 equal to the remaining goodwill balance of $26.9 million.

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Recent Accounting Pronouncements

In July 2001, the FASB issued SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 eliminates pooling-of-interests accounting prospectively. It also provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. SFAS No. 142 changes the accounting for goodwill and intangible assets that are deemed to have indefinite lives from an amortization method to an impairment-only approach. Under SFAS No. 142, goodwill and intangible assets that are deemed to have indefinite lives are required to be tested for impairment annually and whenever events or circumstances occur indicating that those assets might be impaired. SFAS No. 141 and SFAS No. 142 are effective for all business combinations completed after June 30, 2001. Upon adoption of SFAS No. 142, amortization of goodwill recorded for business combinations consummated before July 1, 2001 will cease, and intangible assets acquired before July 1, 2001 that do not meet the criteria for recognition under SFAS No. 141 will be reclassified to goodwill. We adopted SFAS No. 142 on January 1, 2002. Upon adoption, Leap ceased amortizing wireless license costs as we determined that these assets meet the definition of indefinite-lived intangible assets under SFAS No. 142. Wireless licenses, net, totaled $718.2 million at January 1, 2002.

In November 2001, the EITF reached a consensus on Issue No. 01-09, Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor s Products, which is a codification of EITF Issue No. 00-14, Issue No. 00-22 and Issue No. 00-25. We previously adopted those elements of EITF Issue No. 01-09 that codify Issue No. 00-14 and Issue No. 00-22. The elements pertaining to EITF Issue No. 00-25 provide that consideration paid from a vendor to a customer or reseller of the vendor s products is presumed to be a reduction of the selling prices of the vendor s products and, therefore, should be characterized as a reduction in revenues. That presumption is overcome and the consideration characterized as a cost only if, and to the extent that, certain criteria are met. Leap adopted the elements pertaining to EITF Issue No. 00-25 on January 1, 2002. We do not expect that the adoption of the elements pertaining to EITF Issue No. 00-25 will have a material impact on our consolidated financial position or our results of operations.

In June 2001, the FASB issued SFAS No. 143 Accounting for Asset Retirement Obligations. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset. We will adopt SFAS No. 143 on January 1, 2003. We have not yet determined the impact that the adoption of SFAS No. 143 will have on our consolidated financial position or our results of operations.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS No. 145 requires that gains and losses from the extinguishments of debt be classified as extraordinary items only if they meet the criteria in Accounting Principles Board Opinion No. 30 Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Recurring Events and Transactions. Applying the provisions of Opinion No. 30 will distinguish transactions that are part of an entity s recurring operations from those that are unusual and infrequent that meet criteria for classification as an extraordinary item. We will adopt SFAS No. 145 on January 1, 2003, at which time we will reclassify the $4.7 million extraordinary loss on the early extinguishment of debt incurred during the year ended December 31, 2000 to other income/expense.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 requires that a liability associated with an exit or disposal activity be recognized at its fair value when the liability has been incurred, and supercedes EITF Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. Under EITF Issue No. 94-3, certain exit costs were accrued upon management s commitment to an exit plan, which was generally before an actual liability had been incurred. We will adopt SFAS No. 146 on January 1, 2003. We have not yet determined the impact that the adoption of SFAS No. 146 will have on our consolidated financial position or our results of operations.

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Results of Operations

Three and Nine Months Ended September 30, 2002 Compared to Three and Nine Months Ended September 30, 2001

At September 30, 2002, customers of our Cricket service increased to approximately 1,497,000, compared to approximately 724,000 at September 30, 2001. During the three months ended September 30, 2002, gross and net customer additions were approximately 246,000 and 45,000, respectively, compared to approximately 301,000 and 252,000, respectively, during the three months ended September 30, 2001. During the three months ended September 30, 2002, we continued aggressive win back programs pursuant to which we provided up to a free month of service to former customers with profiles showing them as good reactivation candidates. These programs encourage former customers to return to our network. While our experience with these programs in the past has shown that these customers are less likely to stay on our network on a long-term basis than new customers, we have implemented new loyalty incentive programs that we expect will improve their long-term retention. These programs include additional incentives over time and additional direct contact with the customer. We believe that the win back programs are positive contributors to both customer growth and EBITDA. During the nine months ended September 30, 2002, gross and net customer additions were approximately 895,000 and 377,000, respectively, compared to approximately 645,000 and 532,000, respectively, during the nine months ended September 30, 2001. During the three months ended March 31, 2002, we launched network service in Buffalo, New York, completing the launch of all markets under our 40 Market Plan and bringing the total potential customers (POPs) covered by Cricket networks to 25.4 million. During the three months ended September 30, 2001, we launched network service in Fayetteville, Arkansas, Boise, Idaho, Dayton, Ohio, Phoenix, Arizona and Denver, Colorado for a total of 25 markets in service.

During the nine months ended September 30, 2002, we experienced slower customer growth rates than planned, which we believe was due in large part to the current economic slowdown, increased competition, and the concerns over the potential negative outcomes of our announcement of and participation in restructuring discussions. Furthermore, in conjunction with efforts to restructure our indebtedness, we expect to focus on the conservation of cash resources, which may have a negative impact on customer growth rates. Other carriers have also reported slower customer growth rates compared to prior periods. We have seen a continuation of competitive pressures in the wireless telecommunications market causing some major carriers to offer plans with increasingly large bundles of minutes of use at increasingly lower prices which may compete with the Cricket predictable and virtually unlimited calling plan. These competitive plans appear to be promotional in nature and our competitors generally appear to be moving back to higher pricing. However, the trend towards lower pricing across the industry has continued and may continue to impact the Cricket service differentiation. In August 2002, we launched a new service named Cricket Talk that bundles certain features, a number of long distance minutes and virtually unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. Customer acceptance by both new and existing customers who have migrated to this offer has been strong. We expect this new bundled service offering will represent a significant portion of our gross customer additions in the future.

Earlier this year, during the second quarter of 2002, cost per gross customer addition (CPGA) increased to $316 from $246 in the first quarter of 2002, and the rate of customer churn increased to 4.6% from 3.2% in the first quarter of 2002. The increase in our CPGA was influenced by higher selling and marketing expenses, increased sales incentives and lower gross customer additions (due in part to the slow down in the economy), increased price competition described above and the removal of potentially fraudulent customers from our customer base. The removal of potentially fraudulent customers from our customer base also impacted CPGA because we deduct customers who do not make payment on their first monthly bill from our gross customer additions and, as a result, we incur the loss on the sale of a handset without an offsetting gross customer addition. We experienced continuing improvement in the reduction of potentially fraudulent customers during the third quarter of 2002.

During the third quarter of 2002, CPGA decreased to $312 from $316 in the second quarter of 2002, and the rate of customer churn decreased to 4.5% from 4.6% in the second quarter of 2002. The decrease in CPGA was primarily due to a decrease in the equipment subsidy associated with gross customer additions, influenced by increases in the selling prices of handsets, increased sales of high-end handsets, and a decrease in the number of customers who did not make payment of their first monthly bill, offset by the effect of a similar level of selling and marketing expenses as incurred in the prior quarter with lower gross customer additions. We are addressing the increase in CPGA and customer churn over the levels we generally experienced before the second quarter of 2002 by revising our advertising and messaging strategies, introducing our new Cricket Talk service plan that we believe improves the competitive value of our service offering, modifying our payment terms to eliminate the month of service previously included in the purchase of a handset, increasing incentive programs to improve customer loyalty and making changes to our distribution strategies.

During the three and nine months ended September 30, 2002, we generated $143.6 million and $416.0 million in service revenues and $11.6 million and $30.5 million in equipment revenues, respectively, compared to $57.2 million and $122.4 million in service revenues and $9.5 million and $28.8 million in equipment revenues, respectively, in the corresponding periods of the prior year. The increase in service revenues over the corresponding periods of the prior year related primarily to the increase in our customer base, the expansion of network service to additional markets in the U.S., and the launch of our new bundled service plan in August 2002. Service revenues during the three months ended September 30, 2002 decreased compared to the prior quarter due primarily to billing credits related to existing customers migrating to Cricket Talk, and an increase in customer sales incentives that contain a minimum service requirement and are recorded as a reduction in service revenues. After an initial transition period that includes the effect of our change from a pay in advance to a pay in arrears service, we expect our revenue per customer will increase in the future due to the new bundled service plan.

Although gross customer additions decreased during the third quarter of 2002 compared to the prior quarter and the corresponding period of the prior year, equipment revenues increased, in part due to increases in the selling prices of handsets and increased sales of high-end handsets, offset by increased sales incentives to customers. For the nine months ended September 30, 2002, the increase in equipment revenues over the corresponding period of the prior year related primarily to the increase in gross customer additions, offset by competitive pressures reducing the average price for which we sell handsets to new customers as well as increased incentives offered to our dealers and distributors.

During the three and nine months ended September 30, 2002, we incurred $51.5 million and $136.9 million in cost of service and $58.6 million and $202.8 million in cost of equipment, respectively, compared to $27.3 million and $57.0 million in cost of service and $53.2 million and $116.6 million in cost of equipment, respectively, in the corresponding periods of the prior year. The increase in cost of service over the corresponding periods of the prior year related to the expansion of network service to additional markets in the U.S. and a corresponding increase in our customer base. Also during the three months ended September 30, 2002, we recorded additional expenses of approximately $5.8 million for network software maintenance fees. Furthermore, we incurred increased costs related to a significant increase in the number of long distance minutes used by our Cricket Talk customers. We expect our costs of service to increase in the future due to the new bundled service plan, which generally results in higher levels of long distance minute usage. The increase will vary depending upon the actual level of long distance used under this service offering. Although gross customer additions decreased, cost of equipment increased during the three months ended September 30, 2002 compared to the corresponding period of the prior year primarily due to increased sales of higher priced handsets. The increase in cost of equipment during the nine months ended September 30, 2002 compared to the corresponding period of the prior year primarily related to increased gross customer additions, the impacts of the occurrence of fraud in the first and second quarters of 2002 and an increase in the number of customers who did not make payment of their first monthly bill. During the three and nine months ended September 30, 2002, $44.1 million and $159.3 million of our losses on handset sales were to acquire new customers, respectively, compared to $42.1 million and $83.8 million in the corresponding periods of the prior year.

Selling and marketing expenses were $32.7 million and $95.6 million for the three and nine months ended September 30, 2002, respectively, compared to $32.2 million and $71.0 million in the corresponding periods of the prior year. Although we experienced slower customer growth, selling and marketing expenses remained relatively flat during the three months ended September 30, 2002 compared to the corresponding period of the

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prior year as we supported our customer acquisition efforts and new service offerings. The increase in selling and marketing expenses for the nine months ended September 30, 2002 was due primarily to increased gross customer additions compared to the corresponding period of the prior year. For the three and nine months ended September 30, 2002, $32.7 million and $95.4 million of selling and marketing expenses were to acquire new customers, respectively, compared to $31.2 million and $68.7 million in the corresponding periods of the prior year. Selling and marketing expenses consisted primarily of advertising, promotion and public relations and related payroll expenses. As part of our efforts to restructure our indebtedness, we expect to focus on the conservation of cash resources, which will likely result in reductions to selling and marketing expenses.

General and administrative expenses were $39.0 million and $135.7 million for the three and nine months ended September 30, 2002, respectively, compared to $39.3 million and $96.7 million in the corresponding periods of the prior year. The increase in general and administrative expenses for the nine months ended September 30, 2002 was due primarily to increased personnel and other expenses associated with the operation of additional markets compared to the corresponding period of the prior year, partially offset by reductions in force and our cost reduction efforts in 2002 to align our costs with slower customer growth. These reductions in expenses helped our general and administrative expenses to remain relatively flat for the three months ended September 30, 2002 compared to the corresponding period of the prior year. Our Chief Executive Officer and our President and Chief Operating Officer also voluntarily reduced their salaries by an average of approximately 35%, and we have suspended the payments for split-dollar life insurance on the life of our Chief Executive Officer which have previously been paid by us. Our rights to receive a return of premiums previously paid have not been affected by the suspension. General and administrative expenses consisted primarily of customer service and billing expenses, corporate costs and expenses such as administration, human resources, legal, government relations, information technology, accounting and finance, business development, and related expenses. We expect that significant legal, financial advisory services and other expenses related to our restructuring efforts will be incurred during the next two quarters and will offset recent cost reductions.

Earlier this year, during the three months ended March 31, 2002, we experienced a significant increase in the occurrence of fraud, which has been an issue in the wireless industry, over that experienced in the preceding year. The three types of fraud that have affected our business are credit card fraud, subscription fraud and distribution fraud. With the exception of some normal delays in the reporting of credit card misuse, which are not material, we believe that the financial costs of these activities are reflected in our financial results for the applicable period.

We believe we significantly reduced fraudulent activity after taking aggressive steps to implement processes, systems and controls designed to detect fraud and screen out customers and dealers who engage in fraudulent activity. As a result of fraud, we experienced a negative impact on our calculated ARPU and CPGA during the six months ended June 30, 2002, and we experienced a negative impact on our customer churn during the six months ended June 30, 2002.

Depreciation and amortization was $70.3 million and $201.2 million for the three and nine months ended September 30, 2002, respectively, compared to $33.5 million and $68.8 million in the corresponding periods of the prior year. The increase in depreciation and amortization resulted from a larger base of equipment in service compared to the corresponding periods of the prior year. We adopted SFAS No. 142 on January 1, 2002. Accordingly, amortization of goodwill and wireless licenses ceased as of that date. These assets will be subject to periodic impairment tests. Amortization of goodwill and wireless licenses totaled $1.6 million and $4.0 million for the three and nine months ended September 30, 2001, respectively. We expect depreciation expense will continue to increase in the future as our network construction expenditures, recorded as construction-in-progress, are placed in service and as we incur additional capital expenditures to improve the coverage and capacity of our networks in markets under our 40 Market Plan.

Because of Cricket s existing defaults under the vendor credit facilities, the substantial risk that the stock of the Cricket Companies has no value to Leap, and the substantial risk that Leap s existing stockholders will lose all of their value in Leap common stock in connection with any restructuring, we recorded an estimated impairment charge during the three months ended September 30, 2002 equal to the remaining goodwill

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balance of $26.9 million. The goodwill resulted from our June 2000 acquisition of the remaining interest in Cricket Communications Holdings that we did not already own.

In the fourth quarter of 2001, Leap discontinued the use of the equity method of accounting for Pegaso and ceased recognizing its share of Pegaso s losses, as the carrying amount of its investment in and loans to Pegaso had been reduced to zero. During the three and nine months ended September 30, 2001, Leap s equity share in the net loss of unconsolidated wireless operating company was $14.3 million and $57.6 million, respectively, and related only to Pegaso. In September 2002, Leap completed the sale of its 20.1% interest in Pegaso to Telefónica Móviles, S.A. and recognized a gain of $39.5 million.

Interest income was $1.3 million and $4.7 million for the three and nine months ended September 30, 2002, respectively, compared to $4.9 million and $23.6 million in the corresponding periods of the prior year. The decrease in interest income related to decreased average cash and cash equivalents and investment balances as we continued to incur operating losses and negative cash flows from operations and capital expenditures.

Interest expense was $58.4 million and $168.5 million for the three and nine months ended September 30, 2002, respectively, compared to $44.3 million and $123.7 million in the corresponding periods of the prior year. The increase in interest expense primarily related to increased vendor financing for the expansion of our wireless networks.

Income tax expense was $1.4 million and $21.6 million for the three and nine months ended September 30, 2002, respectively, compared to $0.8 million and $2.0 million in the corresponding periods of the prior year. The increase in income tax expense related primarily to a one-time income tax expense of $15.9 million for the three months ended March 31, 2002 to increase the valuation allowance related to our net operating loss carryforwards in connection with the adoption of SFAS No. 142.

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The following table presents condensed consolidated statement of operations data for the periods indicated (in thousands).

	Year Ended December 31,		
	2001	2000	1999
Revenues:			
Service revenues	$ 215,917	$ 40,599	$ 9,177
Equipment revenues	39,247	9,718	306
Total revenues	255,164	50,317	9,483
Operating expenses:			
Cost of service	(94,510)	(20,821)	(3,263)
Cost of equipment	(202,355)	(54,883)	(7,931)
Selling and marketing	(115,222)	(31,709)	(4,620)
General and administrative	(152,051)	(85,640)	(35,652)
Depreciation and amortization	(119,177)	(24,563)	(10,884)
Total operating expenses	(683,315)	(217,616)	(62,350)
Gains on sale of wireless licenses	143,633		
Operating loss	(284,518)	(167,299)	(52,867)
Equity in net loss of investments in and loans receivable from unconsolidated wireless operating companies	(54,000)	(78,624)	(130,441)
Interest income	26,424	48,477	2,482
Interest expense	(178,067)	(112,358)	(20,041)
Foreign currency transaction gains (losses), net	(1,257)	13,966	(10,005)
Gain on sale of wholly-owned subsidiaries		313,432	9,097
Gain on issuance of stock by unconsolidated wireless operating company		32,602	3,609
Other income (expense), net	8,443	1,913	(3,490)
Income (loss) before income taxes and extraordinary items	(482,975)	52,109	(201,656)
Income taxes	(322)	(47,540)	
Income (loss) before extraordinary items	(483,297)	4,569	(201,656)
Extraordinary loss on early extinguishment of debt		(4,737)	
Net income (loss)	$ (483,297)	$ (168)	$ (201,656)

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

At December 31, 2001, customers of our Cricket service rose to approximately 1,119,000, compared to approximately 190,000 at December 31, 2000. We added approximately 929,000 customers in 2001 due to the launch of 29 new markets and increased penetration in our existing markets. Gross customer additions were approximately 1,118,000 during the year ended December 31, 2001. In February 2002, we launched our Buffalo, New York market, bringing the total potential customer base covered by our networks in 40 markets across the U.S. to approximately 25.2 million.

During the year ended December 31, 2001, we generated $215.9 million in service revenues and $39.2 million in equipment revenues, compared to $19.1 million in service revenues and $9.6 million in equipment revenues, excluding Smartcom, in the year ended December 31,

2000. The increase in service and equipment revenues over the corresponding period of the prior year, excluding Smartcom, related to the increase in our customer base from the launch of network service in new markets and increased penetration in our existing markets. We expect service and equipment revenues will continue to increase in the future as a result of having completed the launch of all our existing markets by February 2002 and expected increases in our customer base in markets under our 40 Market Plan.

During the year ended December 31, 2001, we incurred $94.5 million in cost of service and $202.4 million in cost of equipment compared to $13.8 million in cost of service and $33.1 million in cost of equipment during the year ended December 31, 2000, excluding Smartcom. We sell our handsets to customers and third-party dealers and distributors at prices below cost to grow and maintain our customer base, which is typical of wireless providers. During the year ended December 31, 2001, $156.4 million of our losses on equipment sales were directly related to acquiring new customers. We expect cost of service and cost of equipment will continue to increase in the future as a result of expected increases in our customer base in markets under our 40 Market Plan.

Selling and marketing expenses were $115.2 million and $22.2 million for the years ended December 31, 2001 and 2000, respectively, excluding Smartcom. General and administrative expenses were $152.1 million and $74.1 million for the years ended December 31, 2001 and 2000, respectively, excluding Smartcom. The increase in selling and marketing and general and administrative expenses was due primarily to higher expenses associated with the development and launch of network service in additional markets, customer acquisition efforts and the development of new service offerings. For the year ended December 31, 2001, $112.5 million of our selling and marketing expenses were directly related to acquiring new customers. Selling and marketing expenses for the year ended December 31, 2001 consisted primarily of advertising and public relations and related payroll expenses. General and administrative expenses for the year ended December 31, 2001 included customer service and billing expenses, costs for business development associated with negotiations for and acquisitions of wireless licenses, government relations, public reporting and investor relations, legal expenses and development of our wireless information service offerings. In addition, we incurred stock-based compensation expense of $5.5 million and $13.9 million during the years ended December 31, 2001 and 2000, respectively, primarily related to the exchange of stock options from our June 2000 acquisition of the remaining interest in Cricket Communications Holdings that we did not already own. We expect that selling and marketing and general and administrative expenses will continue to increase in the future as a result of our customer acquisition efforts and the development of new service offerings in markets under our 40 Market Plan.

Depreciation and amortization was $119.2 million and $14.5 million for the years ended December 31, 2001 and 2000, respectively, excluding Smartcom. The increase in depreciation and amortization resulted from a larger base of equipment and wireless licenses in service compared to the prior year. In connection with the adoption of SFAS No. 142, we will cease amortization of goodwill with a net book value of $26.9 million commencing January 1, 2002. We had recorded $1.5 million of goodwill amortization in 2001 and would have recorded $1.5 million in amortization during 2002. We expect depreciation and amortization expenses will continue to increase in the future as a result of having completed the launch of all our existing markets by February 2002 and additional equipment being placed in service due to our continued buildout of markets under our 40 Market Plan.

Gains on sale of wireless licenses for the year ended December 31, 2001 consisted of $136.3 million from the sale of a portion of our wireless licenses in the Salt Lake City and Provo, Utah basic trading areas and $7.4 million related to the exchange of certain wireless licenses.

During the year ended December 31, 2001 our operating loss was $284.5 million ($428.2 million excluding gains on sale of wireless licenses), compared to $129.2 million in the corresponding period of the prior year, excluding Smartcom. The increase in operating loss was due primarily to the launch of 29 new markets and adding approximately 929,000 customers in 2001. We expect to incur significant operating losses in the future while we continue to build out our networks, add new customers and record depreciation for the equipment in service under our 40 Market Plan.

During the year ended December 31, 2001, our equity share in the net loss of unconsolidated wireless operating company was $54.0 million and related only to Pegaso. During the year ended December 31, 2000, our equity share in the net loss of unconsolidated wireless operating companies was $78.6 million and related to Pegaso and Chase Telecommunications Holdings before March 2000. In 2001, we invested an additional

$20.5 million in Pegaso by purchasing convertible subordinated notes. In the fourth quarter of 2001, we discontinued the use of the equity method of accounting for Pegaso and ceased recognizing our share of Pegaso s losses as the carrying amount of our investment in and loans to Pegaso have been reduced to zero.

Interest income was $26.4 million and $48.4 million for the years ended December 31, 2001 and 2000, respectively, excluding Smartcom. The decrease in interest income related to decreased average cash and cash equivalents and investment balances as we continue to incur operating losses and negative cash flows from operations.

Interest expense was $178.1 million and $103.2 million for the years ended December 31, 2001 and 2000, respectively, excluding Smartcom. The increase in interest expense related primarily to interest on our senior notes and senior discount notes issued in our February 2000 units offering, increased vendor financing of our wireless networks, seller financing of wireless license acquisitions, and amortization of debt issuance costs and loan origination fees to interest expense under the effective interest method. We expect interest expense to increase substantially in the future due to expected additional borrowings to finance the continued buildout and expansion of our wireless networks under our 40 Market Plan, amortization of debt issuance costs and loan origination fees to interest expense and additional borrowings for the purchase of wireless licenses in the event of the grant to us of the 22 wireless licenses on which Leap was the winning bidder in Auction 35.

During the year ended December 31, 2001, foreign currency transaction gains (losses) primarily reflected unrealized exchange gains (losses) recognized by Leap on cash balances and payables as a result of changes in the exchange rate between the U.S. dollar and the Chilean peso. During the year ended December 31, 2000, foreign currency transaction gains (losses) primarily reflected unrealized exchange gains (losses) recognized by Smartcom on U.S. dollar denominated loans as a result of changes in the exchange rate between the U.S. dollar and the Chilean peso.

Other income of $8.4 million, net, for the year ended December 31, 2001 included $4.9 million related to the reversal of previously recorded interest expense upon the cancellation of indebtedness to Qualcomm in August 2001 and a $4.2 million fee we received related to a terminated wireless licenses purchase agreement. For the year ended December 31, 2000, we reported an extraordinary loss on early extinguishment of debt of $4.7 million, consisting of the write-off of unamortized debt issuance costs in connection with the repayment of amounts outstanding under our credit agreement with Qualcomm in February 2000 and the repayment of bank loans due to the sale of Smartcom in June 2000.

Consolidation of Smartcom

As a direct result of the consolidation of Smartcom, we recorded $21.5 million and $0.1 million of additional service and equipment revenues, respectively, $7.0 million and $21.8 million of additional cost of service and cost of equipment, respectively, $9.5 million of additional selling and marketing, $11.5 million of additional general and administrative expenses, $10.0 million of additional depreciation and amortization, $9.0 of additional net interest expense, $10.8 million of additional foreign currency transaction gains and $0.3 million of additional net other income, in each case for the year ended December 31, 2000.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Before March 2000, we did not report any revenues and related cost of revenues from our domestic Cricket business because Chase Telecommunications, which introduced Cricket service in Chattanooga, Tennessee in March 1999 and Nashville, Tennessee in January 2000, was accounted for under the equity method of accounting. Excluding Smartcom, we generated $19.1 million and $9.6 million in service and equipment revenues, respectively, and incurred $13.8 million and $33.1 million of cost of service and cost of equipment, respectively, from our Cricket operations for the period from March 17, 2000 to December 31, 2000.

At December 31, 2000, customers of our Cricket service rose to more than 190,000, compared to approximately 22,000 at December 31, 1999. We added over 127,000 customers in the fourth quarter of 2000,

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many in the month of December due to the launch of four new markets covering approximately 4.0 million potential customers.

Excluding Smartcom, selling, general and administrative expenses were $96.3 million and $28.4 million for the years ended December 31, 2000 and 1999, respectively. The increase in selling, general and administrative expenses was due primarily to higher expenses associated with the development and launch of network service in additional markets in the U.S. Excluding Smartcom, sales and marketing expenses for the year ended December 31, 2000 totaled $22.6 million and consisted primarily of advertising and public relations and related payroll expenses. General and administrative expenses totaled $59.8 million for the year ended December 31, 2000 and included costs for raising capital, business development, including acquiring wireless licenses, government relations, public reporting and investor relations, legal expenses and developing our wireless information services businesses. In addition, we incurred stock-based compensation expense of $13.9 million related to the exchange of stock options from our June 2000 acquisition of the remaining interest in Cricket Communications Holdings that we did not already own.

Excluding Smartcom, depreciation and amortization was $14.5 million and $0.6 million for the years ended December 31, 2000 and 1999, respectively. The increase in depreciation and amortization was due primarily to the consolidation of Chase Telecommunications from March 2000, network construction expenditures and wireless licenses being placed in service in conjunction with market launches, as well as amortization of goodwill associated with our June 2000 purchase of the remaining interest in Cricket Communications Holdings that we did not already own.

Excluding Smartcom, our operating loss was $129.2 million and $29.0 million for the years ended December 31, 2000 and 1999, respectively. The increase in operating loss primarily reflected the consolidation of Chase Telecommunications from March 2000 and the increase in market development and launch costs in the U.S.

During the year ended December 31, 2000, our equity share in the net loss of our unconsolidated wireless operating companies related to Pegaso and to Chase Telecommunications before March 2000. During the corresponding period of the prior year, our share of the net loss of and write-down of investments in and loan receivable from unconsolidated wireless operating companies also included Smartcom before June 1999 (before Leap s acquisition of the remaining 50 percent interest) and our Russian investments which were largely written-down or liquidated.

Excluding Smartcom, our interest income was $48.4 million and $2.1 million for the years ended December 31, 2000 and 1999, respectively. The increase in interest income related to increased balances of our cash and cash equivalents and investments received from our equity offering and units offering in February 2000, and cash and notes receivable related to the sale of Smartcom in June 2000.

Excluding Smartcom, our interest expense was $103.2 million and $14.3 million for the years ended December 31, 2000 and 1999, respectively. The increase in interest expense related primarily to interest on our senior notes and senior discount notes issued in our February 2000 units offering and to vendor financing of our wireless networks.

Foreign currency transaction gains (losses) primarily reflected unrealized exchange gains (losses) recognized by Smartcom on U.S. dollar denominated loans as a result of changes in the exchange rate between the U.S. dollar and the Chilean peso.

Gain on sale of subsidiary of $313.4 million reflects our June 2000 sale of Smartcom, before related income tax effects of $34.5 million. In addition to the taxes payable on this gain, we incurred an additional $13.0 million in income taxes related to interest income and foreign exchange gains earned by our Chilean holding company on U.S. dollar cash balances and notes receivable from the sale.

Gain on issuance of stock by unconsolidated wireless operating company reflected reductions in our share of Pegaso s accumulated losses as a result of decreases in our percentage ownership interest of Pegaso. In July 1999, several of the other investors contributed $50.0 million to Pegaso. In April 2000, Sprint PCS invested

$200 million in Pegaso by purchasing shares from Pegaso and shareholders other than Leap. In August 2000, several other existing investors contributed $50.0 million to Pegaso.

For the year ended December 31, 2000, we wrote-off and reported as an extraordinary loss $4.7 million in unamortized debt issuance costs, primarily in connection with the repayment of amounts outstanding under our credit agreement with Qualcomm in February 2000.

Consolidation of Smartcom

As a direct result of the consolidation of Smartcom, we recorded $9.2 million and $0.3 million of additional service and equipment revenues, respectively, $3.3 million and $7.9 million of additional cost of service and cost of equipment, respectively, $11.9 million of additional selling, general and administrative expenses, $10.3 million of additional depreciation and amortization, $5.4 million of additional net interest expense, $10.0 million of additional foreign currency transaction gains and $0.1 million of additional net other expense, in each case for the year ended December 31, 1999.

Four Months Ended December 31, 1999 Compared to Four Months Ended December 31, 1998

We incurred a net loss of $75.8 million during the four month period ended December 31, 1999, compared to a net loss of $26.1 million in the corresponding period of the prior year. The increase related primarily to the costs associated with the launch of network service in new markets. Pegaso, for which we recognize our equity share of net loss, launched operations in Tijuana, Guadalajara and Monterrey in February through September 1999. Cricket wireless service was launched in Nashville, Tennessee in late January 2000. In addition, in November 1999 we re-launched service in Chile under a new brand name and corporate identity. As a result, total customers on our networks reached approximately 206,000 customers at December 31, 1999 (22,000 in the U.S., 78,000 in Chile and 106,000 in Mexico), compared to a total customer base of approximately 23,000 customers at December 31, 1998.

As a direct result of the consolidation of Smartcom, we recorded $6.6 million of operating revenues, $10.2 million of cost of operating revenues, $9.9 million of additional selling, general and administrative expenses, $6.7 million of additional depreciation and amortization, $4.7 million of additional net interest expense, and $8.2 million of foreign currency transaction losses during the four month period ended December 31, 1999. Smartcom s net loss of $33.1 million was recognized during the four month period ended December 31, 1999, compared to $4.5 million that we recognized under the equity method for our 50% interest in the corresponding period of the prior year. During the four months ended December 31, 1998, we did not report any operating revenues because all of our revenue generating operating companies were accounted for under the equity method of accounting. Our operating companies did not generate material revenues in the four months ended December 31, 1998.

We incurred $19.3 million of selling, general and administrative expenses during the four-month period ended December 31, 1999, compared to $5.3 million in the corresponding period of the prior year. The increase included $9.9 million from the consolidation of Smartcom. Excluding Smartcom, selling, general and administrative expenses increased by $4.1 million over the corresponding four month period of the prior year due to increased staffing and business development activities related to Cricket.

We incurred an operating loss of $29.7 million during the four month period ended December 31, 1999, compared to an operating loss of $5.5 million in the corresponding period of the prior year. The $24.2 million increase primarily reflected the consolidation of Smartcom.

Equity in net loss of unconsolidated wireless operating companies was $23.1 million during the four-month period ended December 31, 1999, compared to $19.9 million in the corresponding period of the prior year. During the four months ended December 31, 1999, our equity share in the net loss of our unconsolidated wireless operating companies related to Pegaso and Chase Telecommunications. During the corresponding period of the prior year, our equity share in the net loss of our unconsolidated wireless operating companies also included Smartcom (before Leap s acquisition of the remaining 50 percent interest) and our Russian investments which have been subsequently written-down, liquidated or are in the process of liquidation.

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Despite these changes, equity in net loss of unconsolidated wireless operating companies increased as a result of the costs associated with the launch of Pegaso s service and the expansion of Cricket services by Chase Telecommunications.

Interest expense was $12.3 million during the four month period ended December 31, 1999, compared to $1.3 million in the corresponding period of the prior year. Interest expense related primarily to borrowings under our credit agreement with Qualcomm and Smartcom s financing of its wireless communications network.

Foreign currency transaction losses of $8.2 million during the four-month period ended December 31, 1999 reflected unrealized foreign exchange losses recognized by Smartcom on U.S. dollar denominated loans as a result of changes in the exchange rate between the U.S. dollar and the Chilean peso.

Liquidity and Capital Resources

Both Leap and the Cricket Companies are highly leveraged. At September 30, 2002, Leap and its subsidiaries had consolidated debt totaling $2,159.8 million, including $1,511.6 million of debt under Cricket s vendor credit facilities, net of unamortized discounts. We have retained UBS Warburg to assist in exploring a restructuring of the significant outstanding indebtedness of Leap and Cricket and to assist in obtaining new sources of financing for the Cricket Companies. Leap and Cricket have begun restructuring discussions with informal committees of their respective creditors. All of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.) have been pledged to secure the obligations of Cricket under the vendor credit facilities, and Cricket is in default under its vendor credit facilities. In August 2002, Leap paid a purchase price adjustment to MCG PCS, Inc., as ordered by an arbitrator, in connection with acquisitions of wireless licenses in Buffalo and Syracuse by issuing approximately 21 million shares of its common stock. The issuance of these shares constituted an event of default under Cricket s vendor credit facilities. After Leap s issuance of these shares in August 2002, the lenders under Cricket s vendor credit facilities ceased funding new loan requests, including requests to fund interest payments that previously had been financed through draws under the credit facilities. In early September 2002, Cricket chose not to make interest payments that were due on the loans under these facilities, which constituted an additional event of default under the vendor credit facilities. While Cricket subsequently paid approximately $1.9 million of interest and fees due under its vendor credit facilities, Cricket remains in default under the facilities. These and other existing events of default provide the credit facility lenders with various rights under their credit agreements and related security agreements, including the right:

- to terminate the commitments under those agreements;
- to declare the existing loans to be immediately due and payable; and
- to foreclose on the collateral pledged to secure the outstanding loans, which includes all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.).

In addition, the holders of the vendor debt could institute an involuntary bankruptcy proceeding against the Cricket Companies. Lucent and Nortel have terminated their commitments under their credit agreements. At the request of Ericsson, Cricket reduced the commitment under the Ericsson credit agreement to approximately $33 million as of September 30, 2002. To date, the secured vendor facility lenders have not exercised any other material creditors remedies under the vendor credit agreements. However, if they choose to exercise these rights in the future, Leap and Cricket would likely seek the protection afforded by Chapter 11 of the federal bankruptcy laws and that exercise would have a material adverse effect on both Leap s and Cricket s business. Cricket s default on its vendor credit facilities and our need to restructure our indebtedness and our potential need to seek protection under the federal bankruptcy laws raise substantial doubt about our ability to continue as a going concern. Because of the existing defaults under the vendor credit facilities, and because Cricket is currently unable to fully repay the amounts outstanding under the facilities and has been unable to raise new funds which would enable it to repay those amounts, there is substantial risk that the stock of the Cricket Companies has no value to Leap. If Cricket s outstanding indebtedness under the vendor credit

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facilities is accelerated, and the indebtedness is not repaid in full or the acceleration is not rescinded within 30 days, that acceleration will constitute an event of default under the indenture governing Leap s senior notes and senior discount notes, providing the trustee or the required note holders with the right to declare Leap s notes to be immediately due and payable. If the notes are declared due and payable, the creditors of Leap would have claims in excess of the existing cash and other assets held by Leap. Since Leap is currently unable to fully repay the amounts outstanding under the indenture and has been unable to raise new funds which would enable it to repay those amounts, there would likely be no assets available for distribution to the stockholders of Leap if the obligations under Leap s senior notes and senior discount notes were to be accelerated.

Because of Leap s and Cricket s pending restructuring discussions, the defaults existing under Cricket s vendor credit facilities and the high levels of debt outstanding at both the Leap and Cricket levels, we have presented liquidity and capital resources information for each of Leap and Cricket separately below, rather than on a consolidated basis.

Leap

As of September 30, 2002, Leap had available a total of approximately $69.0 million in unrestricted cash, cash equivalents and short-term investments. In addition, Leap had $10.8 million on deposit with the FCC for the purchase of wireless licenses, and restricted cash equivalents and investments of $28.4 million as of September 30, 2002, consisting primarily of U.S. government debt securities that have been pledged to provide for the payment of scheduled interest payments on Leap s senior notes through April 2003.

In September 2002, Leap completed the sale of its 20.1% interest in Pegaso to Telefónica Móviles, S.A. At the closing, Leap received cash proceeds of approximately $22.2 million for the sale of its shares and, in October 2002, also received approximately $15.8 million of additional cash from a loan repayment related to the sale. In connection with the sale, Leap was released from its obligations under a $33 million guarantee to Qualcomm of Pegaso s outstanding working capital loans from Qualcomm, by delivering to Qualcomm its rights under the warrants that it acquired in connection with the guarantee. Under the vendor credit facilities, Leap is obligated to set aside or contribute to the Cricket Companies approximately $25.8 million of the proceeds from the sale of Pegaso. Because of the financial condition and expected restructuring of Leap and Cricket, however, Leap did not make the set asides and contributions and instead retained the funds at Leap. Leap s failure to contribute or set aside those amounts was a breach of contract by Leap and an additional event of default under Cricket s vendor credit facilities.

Effective October 26, 2002, all Leap employees were transferred to Cricket because they spend a majority of their time supporting the Cricket business. In the future, a portion of their costs will be allocated to Leap. Leap currently expects to incur approximately $3.4 million for general corporate overhead and other expenses in the fourth quarter of 2002 and each subsequent quarter in which the restructuring continues. These expenses cannot be funded from existing or future cash flows from Cricket because of vendor loan covenants.

At September 30, 2002, Leap had $225 million ($174.6 million net of discount) of principal outstanding under its 12.5% senior notes and approximately $468.1 million ($388.2 million net of discount) in accreted value of principal and accrued interest outstanding under its 14.5% senior discount notes, and $9.9 million ($8.6 million net of discount) of notes payable. Interest on the senior notes is payable semi-annually. Accrued and unpaid interest under Leap s senior notes is to be paid through April 2003 from restricted investments established at the time the senior notes were issued. Commencing in October 2003, semi-annual cash interest payments on the outstanding senior notes will be $14.1 million per period. The senior discount notes begin accruing cash interest on April 15, 2005, with the first semi-annual interest payment due October 15, 2005.

Leap is currently in discussions with its creditors regarding restructuring its significant outstanding indebtedness. Leap may not be successful in these efforts. See Risk Factors Leap and Cricket Have Commenced Restructuring Discussions with Their Respective Lenders, and a Restructuring Is Likely to Have a Material Adverse Impact on the Value of Interests in Leap. As described above, Cricket is currently in default under its vendor credit facilities. If Cricket s outstanding indebtedness under the vendor credit facilities is accelerated, and the indebtedness is not repaid in full or the acceleration is not rescinded within

30 days, that acceleration will be a default under the indenture governing Leap s senior notes and senior discount notes, providing the trustee or the required note holders with the right to declare Leap s notes to be immediately due and payable. See Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business.

Leap has a $35.0 million promissory note receivable from its sale of Smartcom, subject to a right of set-off to secure indemnification claims under the purchase agreement. Endesa has asserted claims of up to approximately $48.7 million against Leap and its wholly-owned subsidiary, Inversiones Leap Wireless Chile, S.A., for breach of representations and warranties under the purchase agreement and has notified Leap that it is offsetting the claims against the entire unpaid balance of the note. Under the terms of the purchase agreement, the maximum recovery for breaches of the representations and warranties is the principal and interest under the note. The note matured on June 2, 2001, and Leap expects it to remain unpaid until the issues related to the claims are resolved. Proceedings relating to the resolution of these claims are currently pending in both Chile and the U.S. Leap believes Endesa s claims are without merit and is contesting Endesa s claims. Leap believes that the ultimate outcome of this matter will not have a material adverse effect on Leap s consolidated financial position or results of operations.

Leap was the winning bidder for 22 wireless licenses covering approximately 24.1 million potential customers in the FCC s Auction 35. If the FCC grants these licenses to Leap, Leap would likely have an aggregate payment obligation of $350.1 million (less any amounts then on deposit with the FCC) payable within 10 business days of a public notice issued by the FCC establishing a payment deadline. Leap currently does not have sufficient cash available to purchase these licenses. The grant of these licenses to Leap has been substantially delayed by the NextWave litigation. If the FCC is able to complete the sale of these wireless licenses to Leap, and Leap is unable to raise additional debt or equity to complete the purchase of the Auction 35 wireless licenses, Leap may not purchase some or all of the wireless licenses, which may result in the forfeiture of its deposit, potential liability for damages and other administrative penalties imposed by the FCC. The FCC has offered bidders in Auction 35 the option to receive a refund of their funds currently on deposit with the FCC relating to Auction 35 and to elect not to purchase these licenses without incurring a financial penalty. We currently expect to withdraw from the commitment to purchase the licenses on which we were the successful bidder in Auction 35.

The Cricket Companies

As of September 30, 2002, the Cricket Companies had available a total of approximately $103.7 million in cash, cash equivalents and investments. In addition, Cricket had restricted cash equivalents of $10.3 million as of September 30, 2002, that have been pledged to secure operating obligations. Under its current business plan, during the fourth quarter of 2002 the Cricket Companies expect to expend approximately $25 million of cash for operations in excess of expected revenues, primarily for operating expenses and working capital, and excluding principal and interest payments under Cricket s outstanding indebtedness. The Cricket Companies also expect to incur approximately $50 million of capital expenditures during the 12 month period beginning October 1, 2002, including $11 million before December 31, 2002. Substantially all of the capital expenditures are expected to be incurred to satisfy subscriber traffic growth in existing markets. Assuming no further payments of principal, interest or fees and no accelerated repayment of any of the outstanding indebtedness of Cricket under its vendor credit facilities, we expect that the Cricket Companies existing liquidity sources should be sufficient for the Cricket Companies to continue to conduct business as currently planned through the end of 2003 or later.

At September 30, 2002, the Cricket Companies had $1,552.2 million ($1,511.6 million net of discount) outstanding under its senior secured vendor credit facilities. Aggregate interest and fees scheduled to be payable under the vendor credit facilities during the 12 months commencing October 1, 2002 are approximately $193.3 million. Principal payments under each credit agreement are scheduled to begin in December 2002 for Lucent and in December 2003 for Nortel and Ericsson, with a final maturity in June 2007 for Lucent and in September 2008 for Nortel and Ericsson. Aggregate scheduled principal payments due and payable under the vendor credit facilities during the 12 month period commencing October 1, 2002 are $106.2 million.

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In addition, the Cricket Companies had $77.3 million payable to Lucent, Nortel and Ericsson for the purchase of equipment and services, and $81.6 million ($76.8 million net of discount) of U.S. government financing. Leap s creditors have asserted that certain contributions of capital from Leap to the Cricket Companies and pledges of licenses to secure the vendor credit facilities may be voidable because Leap failed to receive reasonably equivalent value at a time that it may have been insolvent.

As described above, Cricket is in default under its vendor credit facilities. These and other existing events of default provide the credit facility lenders with various rights under their credit agreements and related security agreements, including the right:

- to terminate the commitments under those agreements;
- to declare the existing loans to be immediately due and payable; and
- to foreclose on the collateral pledged to secure the outstanding loans, which includes all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.).

In addition, the holders of the vendor debt could institute an involuntary bankruptcy proceeding against the Cricket Companies. Lucent and Nortel have terminated their commitments under their credit agreements with Cricket. At the request of Ericsson, Cricket reduced the commitment under the Ericsson credit agreement to approximately $33 million as of September 30, 2002. As a result of the existing events of default and termination of commitments, the vendors are not obligated to make any new loans to Cricket, and Cricket is unable to obtain financing under its vendor credit facilities. See Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business. Cricket is currently in discussions with its senior secured creditors regarding restructuring its significant outstanding indebtedness. Cricket may not be successful in these efforts. See Risk Factors Leap and Cricket Have Commenced Restructuring Discussions with Their Respective Lenders, and a Restructuring Is Likely to Have a Material Adverse Impact on the Value of Interests in Leap.

Certain Contractual Obligations, Commitments and Contingencies

The following three tables summarize in a single location information at September 30, 2002 regarding certain future minimum contractual obligations for the next five fiscal years and thereafter, excluding Leap s remaining payment obligation for Auction 35 wireless licenses, for each of (i) Leap and its consolidated subsidiaries, (ii) Leap and (iii) the Cricket Companies (in thousands):

Leap and Its Consolidated Subsidiaries

			Year Ending December 31,				
	Total	Remainder of 2002	2003	2004	2005	2006	Thereafter
Vendor credit facilities(1)	$1,552,180	$1,552,180	$	$	$	$	$
Long-term debt(2)	984,442	505	19,552	20,949	22,445	26,645	894,346
Operating leases	215,183	14,516	53,900	53,766	50,227	23,102	19,672
Chase earn-out(3)	41,000					41,000	
Total	$2,792,805	$1,567,201	$73,452	$74,715	$72,672	$90,747	$914,018

(1) Amounts shown for Cricket s vendor credit facilities do not include interest and $77.3 million in amounts payable to Lucent, Nortel and Ericsson for the purchase of equipment and services. Cricket is currently in default under its vendor financing agreements and, as a result, Cricket s outstanding debt under these credit facilities may be accelerated. Therefore, the amounts outstanding under these credit facilities are shown as current in this table. See Credit Facilities and Other Financing Arrangements below and Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its

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Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business.

(2) Amounts shown for Leap s and its consolidated subsidiaries long-term debt, including amounts due pursuant to Leap s senior notes and senior discount notes, U.S. government financing and notes payable, do not include interest.

(3) Our March 2000 acquisition of substantially all of the assets of Chase Telecommunications Holdings, Inc. included contingent earn-out payments of up to $41.0 million (plus certain expenses) based on the earnings of the business acquired during the fifth full year following the closing of the acquisition. This obligation was assigned to and assumed by Cricket in 1999. However, Leap was not released from its obligation to Chase Telecommunications Holdings at the time of the assignment.

Leap

			Year Ending December 31,				
	Total	Remainder of 2002	2003	2004	2005	2006	Thereafter
Long-term debt(1)	$902,860	$	$1,830	$1,962	$2,103	$3,965	$893,000
Operating leases	4,897	430	1,750	1,617	1,100		
Total	$907,757	$430	$3,580	$3,579	$3,203	$3,965	$893,000

(1) Amounts shown for Leap s long-term debt, including amounts due pursuant to Leap s senior notes and senior discount notes, and notes payable, do not include interest. See Credit Facilities and Other Financing Arrangements below and Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business.

The contingent earn-out obligation described above was assigned to and assumed by Cricket in 1999 and is not reflected in the table above. However, Leap was not released from its obligation to Chase Telecommunications Holdings at the time of the assignment.

The Cricket Companies

			Year Ending December 31,				
	Total	Remainder of 2002	2003	2004	2005	2006	Thereafter
Vendor credit facilities(1)	$1,552,180	$1,552,180	$	$	$	$	$
Long-term debt(2)	81,582	505	17,722	18,987	20,342	22,680	1,346
Operating leases	210,286	14,086	52,150	52,149	49,127	23,102	19,672
Chase earn-out(3)	41,000					41,000	
Total	$1,885,048	$1,566,771	$69,872	$71,136	$69,469	$86,782	$21,018

(1) Amounts shown for Cricket s vendor credit facilities do not include interest and $77.3 million in amounts payable to Lucent, Nortel and Ericsson for the purchase of equipment and services. Cricket is currently in default under its vendor financing agreements and, as a result, Cricket s outstanding debt under these credit facilities may be accelerated. Therefore, the amounts outstanding under these credit facilities are shown as current in this table. See Credit Facilities and Other Financing Arrangements below and Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business.

(2) Amounts shown for the Cricket Companies long-term debt, including U.S. government financing, do not include interest and do not include payments under Leap s senior notes and senior discount notes, which are guaranteed by Cricket Communications Holdings, Inc.

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(3) Leap s March 2000 acquisition of substantially all of the assets of Chase Telecommunications Holdings, Inc. included contingent earn-out payments of up to $41.0 million (plus certain expenses) based on the earnings of the business acquired during the fifth full year following the closing of the acquisition. This obligation was assigned to and assumed by Cricket in 1999. However, Leap was not released from its obligation to Chase Telecommunications Holdings at the time of the assignment.

Leap was the winning bidder for 22 wireless licenses in Auction 35 for an aggregate payment obligation of $350.1 million, covering approximately 24.1 million potential customers. NextWave Telecom Inc., the former holder of the 22 wireless licenses for which Leap was the winning bidder in Auction 35, is a party to litigation against the federal government challenging the validity of Auction 35 and has prevailed on some of its claims in the United States Court of Appeals for the District of Columbia Circuit. In response to a petition for certiorari by the FCC, the U.S. Supreme Court has agreed to review the case. The grant to Leap of these Auction 35 wireless licenses has been substantially delayed by the NextWave litigation. The FCC has offered bidders in Auction 35 the option to receive a refund of their funds currently on deposit with the FCC relating to Auction 35 and to elect not to purchase these licenses without incurring a financial penalty. We currently expect to withdraw from the commitment to purchase the licenses on which we were the successful bidder in Auction 35. If these Auction 35 wireless licenses ultimately are granted to Leap, Leap will likely be required to make the full payment for them of $350.1 million (less any amounts then on deposit with the FCC) within 10 business days of a public notice issued by the FCC establishing a payment deadline. In January 2001, Leap entered into a secured loan agreement with Qualcomm under which Qualcomm agreed to loan to Leap approximately $125.3 million to finance Leap s acquisition of wireless licenses in Auction 35. Leap does not expect to be able to satisfy the conditions precedent to draw under this facility or to draw on this loan even if the sale of licenses pursuant to Auction 35 is completed on its regular terms. Leap currently does not have sufficient cash available to purchase these licenses. Leap cannot predict what effect any challenges before the FCC or in court to Auction 35, or to the grant of these wireless licenses to Leap specifically, will have on Leap. If the FCC is able to complete the sale of these wireless licenses to Leap, and Leap is unable to raise additional debt or equity to complete the purchase of the Auction 35 wireless licenses, Leap may not purchase some or all of the wireless licenses, which may result in the forfeiture of Leap s deposit, potential liability for damages and other administrative penalties imposed by the FCC.

Credit Facilities and Other Financing Arrangements

Units Offering

Cricket is in default under the significant outstanding indebtedness under its senior secured vendor credit facilities, which totaled approximately $1,511.6 million at September 30, 2002, and is also in default with respect to $77.3 million in amounts payable to Lucent, Nortel and Ericsson for the purchase of equipment and services. If Cricket s outstanding indebtedness under its vendor credit facilities is accelerated, and the indebtedness is not repaid in full or the acceleration is not rescinded within 30 days, that acceleration will be a default under the indenture governing Leap s senior notes and senior discount notes described below. See Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business.

In February 2000, Leap completed an offering of 225,000 senior units, each senior unit consisting of one 12.5% senior note due 2010 (Senior Note) and one warrant to purchase Leap common stock, and 668,000 senior discount units, each senior discount unit consisting of one 14.5% senior discount note due 2010 (Senior Discount Note) and one warrant to purchase Leap common stock. The total gross proceeds from the sale of the senior units and senior discount units were $225.0 million and $325.1 million, respectively, of which $164.4 million was allocated to the fair value of the warrants, estimated using the Black-Scholes option pricing model. The warrants issued in the units offering are exercisable for an aggregate of 2,829,854 shares of Leap common stock at an exercise price of $96.80 per share from February 23, 2001 to before April 15, 2010. The terms and conditions of the warrants are more fully described in the warrant agreement for the warrants, which is filed as an exhibit to the registration statement of which this prospectus forms a part.

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Leap has outstanding 225,000 Senior Notes and 668,000 Senior Discount Notes. Each note has a principal amount at maturity of $1,000. Interest on the Senior Notes is payable semi-annually. The Senior Discount Notes begin accruing cash interest on April 15, 2005, with the first semi-annual interest payment due October 15, 2005. At September 30, 2002, the effective interest rates on the Senior Notes and Senior Discount Notes were 15.8% and 16.3% per annum, respectively. Each Senior Discount Note has an initial accreted value of $486.68 and a principal amount at maturity of $1,000. Leap may redeem any of the notes beginning April 15, 2005. The initial redemption price of the Senior Notes is 106.25% of their principal amount plus accrued interest. The initial redemption price of the Senior Discount Notes is 107.25% of their principal amount at maturity plus accrued interest. In addition, before April 15, 2003, Leap may redeem up to 35% of both the Senior Notes and the Senior Discount Notes using proceeds from certain qualified equity offerings at 112.5% of their principal amount and 114.5% of their accreted value, respectively. The notes are guaranteed by Cricket Communications Holdings, Inc., Backwire.com Inc. and Telephone Entertainment Network, Inc. The terms of the notes include covenants that restrict Leap s ability to, among other things, incur additional indebtedness, create liens, pay dividends, make investments, sell assets, issue or sell stock of some of Leap s subsidiaries, and effect a consolidation or merger. These limitations are subject to a number of important qualifications and exceptions contained in the indenture.

Upon the occurrence of events constituting a change in control of Leap, holders of the Senior Notes and Senior Discount Notes have the right to require Leap to repurchase all or part of the notes for cash at an aggregate purchase price of 101% of the principal amount of the Senior Notes or the accreted value of the Senior Discount Notes to be repurchased, as applicable, plus accrued and unpaid interest thereon. In addition, in some cases if Leap sells assets and does not use the net proceeds of the sale either to retire senior debt or to reinvest in other assets that are used in the business of Leap and its subsidiaries, Leap must offer to repurchase the notes at a purchase price equal to 100% of the principal amount of the Senior Notes or accreted value of the Senior Discount Notes, plus accrued and unpaid interest thereon.

Events of default under the notes include, among others, Leap s failure to make payments under the notes and certain other debt when due, Leap s failure to comply with covenants or other provisions of the indenture, an event of default occurs in respect of more than $5.0 million of other indebtedness of Leap or its subsidiaries that results in the acceleration of that indebtedness before its maturity, or bankruptcy or insolvency of Leap or some of its subsidiaries. In the case of an event of default arising from bankruptcy or insolvency, all outstanding notes would become immediately due and payable. If any other event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the Senior Notes or the holders of at least 25% of the aggregate principal amount at maturity of the Senior Discount Notes may declare the Senior Notes or the Senior Discount Notes, as the case may be, to be immediately due and payable.

The terms and conditions of the notes are more fully described in the indenture for the notes, which is filed as an exhibit to the registration statement of which this prospectus forms a part.

Vendor Financing

Cricket has entered into purchase agreements and senior secured credit facilities with each of Lucent, Nortel and Ericsson for the purchase of network infrastructure products and services and the financing of these purchases plus interest expense and other costs and origination and commitment fees related to the credit facilities. At September 30, 2002, Cricket had $1,511.6 million outstanding under the senior secured vendor credit agreements and $77.3 million in amounts payable to Lucent, Nortel and Ericsson for the purchase of equipment and services. Cricket is currently in default under each of the vendor credit facilities. These defaults could have a material adverse effect on Leap, Cricket and the Cricket business. See Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business. Leap and Cricket are currently in discussions with the respective creditors of Leap and Cricket regarding restructuring Leap s and Cricket s significant outstanding indebtedness. Leap and Cricket may not be successful in these efforts. See Rick Factors Leap and Cricket Have Commenced

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Restructuring Discussions with Their Respective Lenders, and a Restructuring Is Likely to Have a Material Adverse Impact on the Value of Interests in Leap.

These and other existing events of default provide the credit facility lenders with various rights under their credit agreements and related security agreements, including the right:

- to terminate the commitments under those agreements;

- to declare the existing loans to be immediately due and payable; and

- to foreclose on the collateral pledged to secure the outstanding loans, which includes all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.).

In addition, the holders of the vendor debt could institute an involuntary bankruptcy proceeding against the Cricket Companies. Lucent and Nortel have terminated their commitments under their credit agreements with Cricket, and at the request of Ericsson, Cricket reduced the commitment under the Ericsson credit agreement to approximately $33 million as of September 30, 2002. To date, the secured vendor facility lenders have not exercised any other material creditors remedies under the vendor credit agreements. If they choose to exercise these rights in the future, Leap and Cricket would likely seek the protection afforded by Chapter 11 of the federal bankruptcy laws and that exercise would have a material adverse effect on both Leap s and Cricket s business. Cricket s default on its vendor credit facilities and our need to restructure our indebtedness and our potential need to seek protection under the federal bankruptcy laws raise substantial doubt about our ability to continue as a going concern.

Lenders under Cricket s vendor financing facilities have agreed to share collateral and limit total loans secured thereunder to $1,845.0 million. The obligations under the credit agreements are secured by a pledge of all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.). Borrowings under each of the credit facilities accrue interest at a rate equal to LIBOR plus 3.5% to 4.25% or a bank base rate plus 2.5% to 3.25%, in each case with the specific rate based on the ratio of total indebtedness to EBITDA, as defined in the credit agreements. If an event of default has occurred and is continuing, the administrative agent under a credit agreement, at the request of the lenders under the agreement, may restrict Cricket s ability to choose LIBOR interest rates for outstanding borrowings. Any amount that is not paid when due under a vendor credit agreement will bear interest after the due date at the rate then applicable to base rate loans plus 2%. The vendor financing facilities provide that principal payments under the credit agreements are scheduled to begin in December 2002 for Lucent and in December 2003 for Nortel and Ericsson, with a final maturity in June 2007 for Lucent and in September 2008 for Nortel and Ericsson. Repayment of principal is required in 20 quarterly payments, with the annual principal repayments totaling 10%, 15%, 20%, 25% and 30% of the principal outstanding at the end of the availability period, respectively, during the first through fifth years following the end of the scheduled availability period. Borrowings under the vendor credit agreements at September 30, 2002 had a weighted-average effective interest rate of 7.3% per annum. The credit agreements require that Cricket maintain hedging agreements so that 50% of the long-term indebtedness of Cricket either bears interest at a fixed rate or is covered by the hedging agreements. As of September 30, 2002, premiums paid for hedging agreements have not been significant.

Fees payable by Cricket under the vendor credit agreements include (i) commitment fees of 0.75% to 1.25% per annum on the unused commitments under the facilities, with the rate applicable to each facility based on the total borrowings under that facility, and (ii) origination fees totaling $49.8 million. The origination fees are payable from time to time when a vendor assigns loans or commitments to a third party, when the commitment is reduced to an amount less than the origination fee payable under the facility, and certain other circumstances, but not later than November 2002 for Lucent, November 2003 for Nortel and December 2003 for Ericsson. At September 30, 2002, origination fees totaling $49.8 were accrued, of which $10.0 million had been paid through borrowings under the vendor credit facilities. Commitment fees are recorded as interest expense. The debt discount that results from the origination fees is recorded as a direct reduction of the vendor debt and amortized as interest expense over the terms of the respective credit agreements using the effective interest method.

Each of the credit agreements contain various covenants and conditions, including minimum levels of customers and covered potential customers that must increase over time, minimum revenues, minimum EBITDA, limits on annual capital expenditures, dividend restrictions (other than the Nortel agreement) and other financial ratio tests. Cricket is currently in default under the vendor credit agreements. We cannot assure you that adverse results in Cricket s business or other factors will not result in a failure to meet its financial or operating covenants in the future.

Under the vendor credit agreements, Cricket s outstanding borrowings may be accelerated before maturity upon the occurrence of certain events of default. Cricket is currently in default under the vendor credit agreements, and its outstanding borrowings may be accelerated at the discretion of the required lenders. See Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business.

These covenants, conditions and events of default are more fully described in the credit agreements, as amended, which are filed as exhibits to the registration statement of which this prospectus forms a part.

Qualcomm Term Loan

In January 2001, Leap entered into a secured loan agreement with Qualcomm under which Qualcomm agreed to loan Leap approximately $125.3 million to finance Leap s acquisition of wireless licenses in Auction 35. Leap does not expect to be able to satisfy the conditions precedent to draw under this facility or to draw on this loan even if the sale of licenses pursuant to Auction 35 is completed on its regular terms.

Debt Obligations to the FCC and Note Payable

The Cricket Companies have assumed $94.8 million ($85.9 million, net of discount) in debt obligations to the FCC and a third party as part of the purchase price for wireless licenses. The terms of the notes include interest rates ranging from 6.25% to 9.75% per annum and quarterly principal and interest payments until maturity through July 2007. The notes were discounted using management s best estimate of the prevailing market interest rate at the time of purchase of the wireless licenses ranging from 9.75% to 10.75% per annum. In April 2002, Cricket completed the exchange of certain wireless licenses with a third party. Pursuant to the agreement, the third party assumed Cricket s FCC debt totaling $8.4 million related to certain of the wireless licenses Cricket provided in the exchange. In consideration for the third party s assumption of the FCC debt, Cricket provided to the third party a note payable totaling $8.4 million, which is secured by certain of Cricket s wireless licenses. The terms of Cricket s note payable are parallel to the payment terms under the assumed FCC debt. At September 30, 2002, the weighted-average effective interest rate for Cricket s debt obligations to the FCC was 9.9% per annum.

Operating Activities

We used $170.8 million in cash for operating activities during the nine months ended September 30, 2002 compared to $239.9 million in the corresponding period of the prior year. The decrease was primarily attributable to a greater portion of our net loss consisting of non-cash depreciation and amortization and interest expense and a net decrease in working capital compared to the corresponding period of the prior year. In February 2002, we completed the launch of the final market in our 40 Market Plan.

We used $310.4 million in cash for operating activities during the year ended December 31, 2001 compared to $81.4 million in the corresponding period of the prior year. The increase was primarily attributable to increased operating expenses associated with the development and launch of network service in additional markets and adding new customers.

We used $81.4 million in cash for operating activities during the year ended December 31, 2000 compared to $52.2 million in the corresponding period of the prior year. The increase was primarily attributable to the increase in operating expenses associated with the launch of network service in additional markets in the U.S. We used $31.6 million in cash for operating activities during the four month period ended December 31, 1999, compared to $13.5 million in the corresponding period of the prior year. The increase was primarily attributable to our net loss, as well as the effect of the full consolidation of Smartcom. Cash used in operating activities in the year ended August 31, 1999 included $8.5 million attributable to the consolidation of Smartcom during the fourth quarter.

Investing Activities

Cash used in investing activities was $26.7 million during the nine months ended September 30, 2002 compared to $111.1 million in the corresponding period of the prior year. Investing activities during the nine months ended September 30, 2002 consisted primarily of the sale and maturity of investments of $214.8 million, offset by the purchase of investments of $250.7 million, the partial refund of our deposit for Auction 35 of $74.2 million, $22.2 million of partial proceeds from the sale of Pegaso and the purchase of property and equipment primarily for the improvement of the coverage and capacity of our existing networks of $87.4 million. Investing activities during the nine months ended September 30, 2001 consisted primarily of $108.1 million in proceeds from the sale and repayment of notes receivable from the sale of Smartcom, the sale and maturity of investments of $275.9 million and restricted investments, net of $12.7 million, offset by the purchase of investments of $117.2 million, the purchase of property and equipment primarily for the continued build out of our networks of $132.8 million, the purchase of wireless licenses of $230.9 million and loans to Pegaso of $20.5 million.

Cash used in investing activities during the year ended December 31, 2001 was $85.5 million and consisted primarily of $108.1 million in proceeds from the sale and repayment of notes receivable from the sale of Smartcom, $142.2 million in net proceeds from the sale of wireless licenses and $347.2 million from the sale and maturity of investments and restricted investments, offset by the purchase of investments of $198.7 million, equipment purchases for the continued buildout of our wireless networks of $214.3 million, the purchase of wireless licenses of $243.0 million and the purchase of convertible subordinated promissory notes from Pegaso of $20.5 million.

Cash used in investing activities during the year ended December 31, 2000 was $310.6 million and consisted primarily of $44.9 million of net restricted cash equivalents and investments, which have been pledged to provide for the payment of the first seven scheduled interest payments on the senior notes payable through April 2003, the net purchase of investments of $204.4 million, the purchase of wireless licenses totaling $179.2 million, capital expenditures of $72.2 million, and loans to unconsolidated wireless operating companies of $18.5 million, offset by $210.1 million of net proceeds from the sale of Smartcom and $4.3 million of proceeds from the liquidation of our Russian investee companies. Investing activities in the corresponding prior year consisted primarily of loans and advances of $40.4 to our operating companies, the acquisition of the remaining 50% interest in Smartcom for $26.9 million (net of cash acquired), and the purchase of wireless licenses totaling $19.0 million, offset by $16.0 million of proceeds received from the liquidation of our Russian investee companies.

Cash used in investing activities was $27.8 million during the four month period ended December 31, 1999, compared to $90.2 million in the corresponding period of the prior year. Investments during the four month period ended December 31, 1999 consisted primarily of $20.5 million held as restricted cash to secure a Smartcom line of credit and capital expenditures, primarily by Smartcom, of $4.6 million. Investments in the corresponding period of the prior year consisted primarily of a $60.7 million capital contribution to Pegaso and loans and advances of $26.1 million to our operating companies.

Cash used in investing activities was $158.3 million in the year ended August 31, 1999, consisting of $124.5 million of investments in and loans to our unconsolidated operating companies (of which $71.4 million was made before we began to operate as an independent company), $28.0 million for our acquisition of the remaining shares of Smartcom, and $18.7 million for U.S. license acquisitions. Cash used in investing activities was partially offset by $16.0 million provided from the sale of our OzPhone subsidiary.

Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2002 was $10.7 million and consisted of cash proceeds from Cricket s vendor loan facilities of $35.9 million for the purchase of property and equipment and $0.4 million in proceeds from Leap s issuance of common stock, partially offset by repayments of notes payable and long-term debt of $19.7 million and $5.9 million in debt financing costs related to the March 2002 amendments to Cricket s vendor loan facilities. Cash provided by financing activities in the corresponding period of the prior year was $312.4 million, and consisted primarily of $170.0 million in proceeds from the sale of common stock, primarily from Leap s May 2001 underwritten public offering and under Leap s stock purchase agreement with Acqua Wellington, in addition to cash proceeds under Cricket s vendor loan facilities for the purchase of property and equipment and wireless licenses of $191.8 million, offset by repayments of notes payable and long-term debt of $49.4 million.

Cash provided by financing activities during the year ended December 31, 2001 was $300.0 million and consisted of $171.3 million in net proceeds from the sale of common stock, primarily from Leap s May 2001 underwritten public offering and under Leap s common stock purchase agreement with Acqua Wellington, in addition to cash proceeds from loans under Cricket s vendor loan facilities for the purchase of equipment and wireless licenses of $217.1 million, partially offset by repayments of notes payable and long-term debt of $88.4 million.

Cash provided by financing activities during the year ended December 31, 2000 was $701.3 million and consisted primarily of proceeds from Leap s public equity offering and units offering and loans from equipment vendors and banks totaling $964.8 million, offset by repayment of Leap s credit agreements with Qualcomm and banks totaling $248.2 million and payment of debt financing costs of $15.2 million. Cash provided by financing activities in the prior year ended December 31, 1999 was $161.2 million, primarily from borrowings under Leap s credit agreement with Qualcomm.

Cash provided by financing activities during the four month period ended December 31, 1999 consisted primarily of proceeds from Leap s borrowings under the credit agreement with Qualcomm of $63.4 million. Cash provided by financing activities in the corresponding period of the prior year was $118.7 million, representing $95.3 million of funding from Qualcomm for Leap s operating and investing activities before the distribution of Leap common stock to Qualcomm s stockholders in September 1998, and $23.3 million of borrowings under the Qualcomm credit agreement. Cash provided by financing activities during the year ended August 31, 1999 amounted to $216.5 million, representing $95.3 million of funding from Qualcomm for Leap s operating and investing activities before the distribution of Leap common stock to Qualcomm s stockholders in September 1998 and $111.1 million of net borrowings under the credit agreement with Qualcomm after the distribution.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our variable rate long-term debt obligations. The general level of U.S. interest rates and/or LIBOR affect the interest expense that we recognize on our variable rate long-term debt obligations. As of September 30, 2002, the principal amounts of our variable rate long-term debt obligations amounted to approximately $1,553.7 million. An increase of 10% in interest rates would increase our interest expense for the next 12 months by approximately $11.3 million. This hypothetical amount is only suggestive of the effect of changes in interest rates on our results of operations for the next 12 months.

Hedging Policy. As required by our vendor loan agreements, Leap will maintain hedging agreements which fix or limit the interest cost to Cricket and the Leap subsidiaries that guarantee the vendor loans (other than Cricket Communications Holdings, Inc.) to a portion of their long-term indebtedness sufficient to cause 50% of their consolidated long-term indebtedness to be comprised of a combination of (a) indebtedness bearing interest at a fixed rate and (b) indebtedness covered by the hedging agreements. These agreements are accounted for at fair value and marked to fair value at each period end. To date, changes in the fair value of these agreements have not been significant. In addition, Leap does not engage in hedging activities against foreign currency exchange rate or interest rate risks.

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BUSINESS

When used in this prospectus, the words we, our, ours and us refer to Leap Wireless International, Inc. and, unless the context otherwise requires, its consolidated subsidiaries, and not to the selling security holder. Leap refers to Leap Wireless International, Inc. Cricket Communications, Inc. is Leap s subsidiary that operates the Cricket business and is referred to as Cricket. Cricket and the subsidiaries of Cricket and Leap that hold assets that are used in the Cricket business or that hold assets pledged as security under Cricket s vendor credit facilities are collectively referred to as the Cricket Companies. Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2002 population estimates provided by Claritas Inc.

Overview

Leap and the Cricket Companies are highly leveraged. At September 30, 2002, we had consolidated debt totaling $2,159.8 million, including $1,511.6 million of debt under Cricket s senior secured vendor credit facilities. Each of the Cricket Companies is a borrower or guarantor under the senior secured vendor credit facilities of Cricket, and Cricket is currently in default under the vendor credit facilities because it has failed to pay interest and has failed to comply with other covenants under those facilities. Cricket s obligations under the vendor credit facilities are secured by a pledge of all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.). We have retained UBS Warburg to assist in exploring a restructuring of the significant outstanding indebtedness of Leap and Cricket and to assist in obtaining new sources of financing for the Cricket Companies. Leap and Cricket have begun restructuring discussions with informal committees of their respective creditors.

Leap conducts operations through its subsidiaries. Leap has no independent operations or sources of operating revenue other than through dividends, if any, from its operating subsidiaries. The Cricket Companies operate together as a wireless communications carrier that provides innovative, affordable, simple wireless services designed to accelerate the transformation of wireless service into a mass consumer product. The Cricket Companies generally seek to address a much broader population segment than traditional wireless providers have addressed to date. In the U.S., we are offering wireless service under the brand Cricket®. Our innovative Cricket strategy is designed to extend the benefits of mobility to the mass market by offering wireless service that is as simple to use and understand as, and is a competitive mobile alternative to, traditional landline service. In each of its markets, Cricket is deploying 100% digital, Code Division Multiple Access, or CDMA, networks that we believe provide higher capacity and more efficient deployment of capital than competing technologies. CDMA technology, when combined with our efforts to streamline operation and distribution, allows Cricket to be a low-cost provider of wireless services in each of its markets.

Cricket service allows customers to make and receive virtually unlimited calls within a local calling area for a flat monthly rate. Cricket customers can also make long distance calls on a per-minute basis or as part of a packaged offering. Through September 2002, Cricket customers paid in advance for each month s service from a simple, straightforward bill. Commencing in October 2002, we no longer include a first month of service with the handset purchase and new Cricket customers pay for their service in arrears. Because we recognize revenues for customers who pay in arrears only when received, we do not record a reserve for bad debt for service revenues. The simplicity of the Cricket service allows Cricket to sustain lower operating costs per customer compared to traditional wireless providers. Cricket s networks are designed and built to provide coverage in the local calling area where our target customers live, work and play. As a result, we believe that Cricket s per minute network operating costs are the lowest, or among the lowest, incurred by traditional wireless providers.

We continue to focus on enhancing our Cricket service with new products and services designed to meet the needs of our growing customer base. We have expanded our competitively priced long distance offers by introducing Canadian long distance. We have also introduced Spanish language marketing and advertising campaigns, Spanish directory assistance and Spanish language billing as part of our ongoing focus on the growing Hispanic market. In June and July 2002, we launched unlimited inter-carrier text messaging in all 40 of our markets. In August 2002, we launched a new service named Cricket Talk that bundles certain

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features, a number of long distance minutes and virtually unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. Since its launch, Cricket Talk has represented a significant portion of our gross customer additions.

Under a license from Leap, Chase Telecommunications, a company that we acquired in March 2000, introduced the Cricket service in Chattanooga, Tennessee in March 1999. As of September 30, 2002, Cricket offered service in 40 markets covering a total population of approximately 25.4 million potential customers. These markets are located in 48 basic trading areas, or BTAs, and make up all of the markets that we refer to as our 40 Market Plan. As of September 30, 2002, Cricket had approximately 1,497,000 customers in its markets across the U.S. Through September 30, 2002, we had incurred approximately $1,450.6 million of capital expenditures for our Cricket business. As of September 30, 2002, we had acquired wireless licenses covering approximately 53.5 million potential customers in 33 states. In addition, Leap was the winning bidder for 22 wireless licenses with an aggregate purchase price of $350.1 million, covering approximately 24.1 million potential customers, in an FCC auction that was completed in January 2001, referred to as Auction 35. Leap currently does not have sufficient cash available to purchase these licenses. NextWave Telecom Inc., the original holder of these licenses, is a party to litigation against the federal government challenging the validity of the auction and has prevailed on some of its claims in the United States Court of Appeals for the District of Columbia Circuit. In response to a petition for certiorari by the FCC, the U.S. Supreme Court has agreed to review the case. The grant to us of these Auction 35 wireless licenses has been substantially delayed by the NextWave litigation. The FCC has offered bidders in Auction 35 the option to receive a refund of their funds currently on deposit with the FCC relating to Auction 35 and to elect not to purchase these licenses without incurring a financial penalty. We currently expect to withdraw from the commitment to purchase the licenses on which we were the successful bidder in Auction 35.

In August 2002, Leap paid a purchase price adjustment to MCG PCS, Inc., as ordered by an arbitrator, in connection with acquisitions of wireless licenses in Buffalo and Syracuse by issuing approximately 21 million shares of its common stock. The issuance of these shares constituted an event of default under Cricket s vendor credit facilities. After issuance of these shares, the lenders under Cricket s vendor credit facilities ceased funding new loan requests, including requests to fund interest payments that previously had been financed through draws under the credit facilities. In early September 2002, Cricket chose not to make interest payments that were due on the loans under these facilities, which constituted an additional event of default under the vendor credit facilities. While Cricket subsequently paid approximately $1.9 million of interest and fees due under its vendor credit facilities, Cricket remains in default under the facilities. These and other existing events of default provide the credit facility lenders with various rights under their credit agreements and related security agreements, including the right:

- to terminate the commitments under those agreements;
- to declare the existing loans to be immediately due and payable; and
- to foreclose on the collateral pledged to secure the outstanding loans, which includes all of the stock and assets of the Cricket Companies (other than the stock of Cricket Communications Holdings, Inc.).

In addition, the holders of the vendor debt could institute an involuntary bankruptcy proceeding against the Cricket Companies. Lucent Technologies Inc. and Nortel Networks Inc. have terminated their commitments under their credit agreements with Cricket. At the request of Ericsson Credit AB, Cricket reduced the commitment under the Ericsson credit agreement to approximately $33 million as of September 30, 2002. To date, the secured vendor facility lenders have not exercised any other material creditors remedies under the vendor credit agreements. However, if they choose to exercise these rights in the future, Leap and Cricket would likely seek the protection afforded by Chapter 11 of the federal bankruptcy laws and that exercise would have a material adverse effect on both Leap s and Cricket s business. Cricket s default on its vendor credit facilities and our need to restructure our indebtedness and our potential need to seek protection under the federal bankruptcy laws raise substantial doubt about our ability to continue as a going concern. There is also substantial risk that the stock of the Cricket Companies has no value to Leap and that there would likely be no assets available for distribution to the stockholders of Leap if the obligations under Leap s senior notes and senior discount notes were to be accelerated. However, we believe that the value of the Cricket Companies business is higher than the value of the Cricket Companies assets in liquidation. We currently expect to restructure Cricket s indebtedness and capital structure in a manner that would allow the Cricket Companies to emerge from the restructuring with significantly reduced indebtedness and the ability to continue as a stronger business offering high quality, affordable wireless service to customers and good opportunities for its employees. No restructuring agreement has been reached, however, and we cannot assure you that a restructuring agreement will be reached on terms that are acceptable to all of the parties involved, or at all. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources, and Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business and Leap and Cricket Have Commenced Restructuring Discussions with Their Respective Lenders, and a Restructuring Is Likely to Have a Material Adverse Impact on the Value of Interests in Leap.

Leap received a Nasdaq Staff determination indicating that its common stock is to be de-listed from the Nasdaq National Market because Leap did not obtain stockholder approval before issuing 21,020,431 shares of common stock to MCG, Leap s common stock has traded below $1.00 per share for at least 30 consecutive trading days and other factors cited by the Nasdaq Staff in its de-listing determination letter. Leap requested an oral hearing to appeal the Nasdaq Staff s determination. As a result, Nasdaq stayed the de-listing pending the outcome of the hearing. The hearing was held on November 14, 2002. Leap is awaiting the Nasdaq hearing panel s decision. See Risk Factors Leap Received a Nasdaq Staff Determination Indicating that Its Common Stock Is To Be De-Listed from the Nasdaq National Market.

In September 2002, Leap completed the sale of its 20.1% interest in Pegaso Telecomunicaciones, S.A. de C.V., a company providing wireless service in Mexico, to Telefónica Móviles, S.A. At the closing, Leap received cash proceeds of approximately $22.2 million for the sale of its shares and, in October 2002, also received approximately $15.8 million of additional cash from a loan repayment related to the sale.

Business Strategy

Our business strategy is to bring innovative wireless communications products and services to markets with strong growth potential. Key elements of this strategy include:

Enhancing the Mass Market Appeal of Wireless Service. We are working to remove the price and complexity barriers that we believe have prevented many potential customers from using wireless service. We believe that large segments of the population do not use wireless service because they view wireless service as an expensive luxury item, believe they cannot control the cost of service, or find existing service plans too confusing. Our service plans are designed to offer appealing value in simple formats that customers can understand and for which they can budget.

Offering an Appealing Value Proposition. We strive to provide service offerings that combine high quality and advanced features with simplicity and attractive pricing to create a high value/reasonable price proposition and broaden the market for wireless services. In the U.S., we offer Cricket service at a flat rate, that is a competitive alternative to traditional landline service.

Controlling and Minimizing Costs. To become one of the lowest-cost providers in the wireless industry, we are designing high-quality networks to minimize our capital costs and streamlining marketing, distribution and back-office procedures.

Leveraging CDMA Technology. We are deploying state-of-the-art CDMA networks that are designed to provide higher capacity at a lower capital cost which can be easily upgraded to support enhanced capacity. We believe this enables us to operate superior networks that support rapid customer growth and high usage. In addition, we believe our CDMA networks will provide a better platform to expand into data and other wireless services based on advances in second and third generation digital technology in the future.

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U.S. Business

Cricket

General. In the U.S., our business strategy is different from existing models used by typical cellular or PCS wireless providers. Most of these providers offer consumers a complex array of rate plans that include additional charges for minutes above a set maximum, as well as fees for roaming, that may result in monthly service charges that are higher than expected. Approximately 50% of the U.S. population currently does not subscribe to wireless service, and we believe that many of these potential customers perceive wireless service as too expensive and complicated. The Cricket service is based on our vision that the mass market wants wireless service to be predictable, affordable and as simple to understand and use as traditional landline telephone service, but with the benefits of mobility.

We have designed the Cricket service to appeal to consumers who make the majority of their calls from within the local areas in which they live, work and play. The Cricket service allows customers to make and receive virtually unlimited calls within a local calling area for an affordable, flat monthly rate that is a competitive mobile alternative to traditional landline service. Through September 2002, Cricket customers paid in advance each month s service from a simple, straightforward bill. Commencing in October 2002, we no longer include a first month of service with the handset purchase and new Cricket customers pay for their service in arrears. Because we recognize revenues for customers who pay in arrears only when received, we do not record a reserve for bad debt for service revenues. In addition to local calling, directory assistance calls and long distance minutes can be purchased in advance and direct dialed without the use of a special code or card or can be purchased as part of a packaged offering.

We expect Cricket s simple pricing to attract customers who have been apprehensive about the more complicated and unpredictable pricing plans offered by traditional wireless providers. The simplicity of the Cricket service also allows us to reduce costs by eliminating costly features of wireless services, including expansive geographic coverage and roaming, that our target customers are likely to use infrequently. We are therefore able to offer our customers a high quality mobile service at an affordable price.

We continue to focus on enhancing our Cricket service with new products and services designed to meet the needs of our growing customer base. We have expanded our competitively priced long distance offers by introducing Canadian long distance. We have also introduced Spanish language marketing and advertising campaigns, Spanish directory assistance and Spanish language billing as part of our ongoing focus on the growing Hispanic market. In June and July 2002, we launched unlimited inter-carrier text messaging in all 40 of our markets. In August 2002, we launched a new service named Cricket Talk that bundles certain features, a number of long distance minutes and virtually unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. Since its launch, Cricket Talk has represented a significant portion of our gross customer additions.

Strategy. We believe that the Cricket service offering will help transform wireless phone service from a luxury product into a mass consumer product. The Cricket strategy is to provide digital wireless service to the mass market with a simple, easy to understand approach. As a part of the Cricket strategy, we intend to:

- *attract new customers more quickly* than traditional wireless providers that offer complex pricing plans with peak/off-peak rates, roaming charges and expensive extra minutes;

- *maintain lower customer acquisition costs* by offering simple service plans with a limited choice of handsets, and by distributing our product through company stores and multiple third-party retail stores where the mass market shops;

- *sustain lower operating costs* per customer compared to traditional wireless providers through reduced network operation costs, streamlined billing procedures, lower customer care expenses, lower credit investigation costs and reduced bad debt; and

- *deploy our capital more efficiently* by building our networks to cover only the urban and suburban areas of our markets where most of our potential customers live, work and play, while avoiding rural areas and corridors between distant markets.

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Market Opportunity. Wireless penetration was approximately 50% in the U.S. at the end of September 2002. Traditional wireless companies have generally focused their U.S. marketing on highly mobile customers, including business users, who are likely to generate the highest revenues. Their customers are typically offered multiple service plans with prices based on the customer s minutes of use during the billing period. Leap believes that the numerous plans offered by wireless companies have tended to confuse many potential customers. Market research indicates that many people are interested in a wireless product but are concerned about the cost, complexity and unpredictability of traditional wireless pricing plans.

Sales and Distribution. We differentiate the Cricket service concept and expect to continue to increase our market share through promoting a simplified buying process and focusing marketing efforts on potential customers in the communities covered by our local wireless networks. The Cricket approach is to rapidly penetrate our target markets while minimizing our sales and marketing expenses, primarily by keeping the customer s purchase decision simple, thus minimizing the need for sales agent commissions and associated residuals.

The Cricket service and wireless handsets are sold through three main channels:

- Cricket retail stores in high-traffic locations and Cricket kiosks located in major shopping malls;

- the local stores of national retail chains; and

- independent third-party dealers who are well positioned through their principal lines of business to reach our target potential customers, including furniture and appliance retailers and rental companies, convenience stores and other local service businesses.

The Cricket service plan is designed so that a potential customer can make a purchase decision with little or no sales assistance. Customers can read about the Cricket service on the retail package for our wireless handsets and learn virtually all they need to know about the service without consulting a complicated plan summary or a specialized sales person. We simplify the customer s decision process by limiting the number of Cricket handset models available. We believe the sales costs for the Cricket service are lower than traditional wireless providers because of this streamlined sales approach.

We currently offer handsets in a limited number of price points. We expect to continue to charge customers a partially subsidized price for handsets to ensure that they have made an investment in the equipment related to our wireless service and provide a moderate economic incentive to maintain the Cricket service rather than switching to the services of a competitor.

We combine mass marketing strategies and tactics to build awareness of the Cricket service concept and brand name within the communities we service. Because the Cricket service is offered in distinct island markets, we advertise in local publications, on local radio stations and in local spot television commercials. In addition to local advertising efforts, we maintain an informational Web site for the Cricket service. We currently sell our products and services over the Internet, and some third-party Internet retailers also sell the Cricket service over the Internet.

Network and Operations. The Cricket service is based on providing customers with levels of usage equivalent to landline and at prices substantially lower than most of our wireless competitors for similar usage. We believe our success depends on designing and operating our networks to provide high, concentrated capacity with good in-building coverage rather than the broad, geographically dispersed coverage provided by traditional wireless carriers. Our current and planned Cricket networks are in local population centers of self-contained communities where we believe roaming is not an important component of service for our target customers. Unlike traditional wireless providers who build comprehensive networks to permit full-roaming by their customers, we believe that we can deploy our capital more efficiently by tailoring our networks only to our target population centers and omitting underused roaming sites between those population centers.

We also seek to maintain lower operating costs through simplified billing. Our simple, straight-forward bills show the monthly flat rate without any per-call itemization. This simple format is expected to result in fewer billing inquiries to our customer service center. Fewer calls to our customer service center should, in turn, result in reduced customer service expenses compared to more traditional wireless providers. We also

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maintain low operating costs by outsourcing our customer service center to third-party call centers. By centralizing customer service in a few locations, we are able to streamline our customer care operations and gain economies of scale while maximizing customer service availability.

The appeal of our service in any given market is not dependent on the Cricket service having ubiquitous coverage in the rest of the country or region surrounding the market. Because our business model is scalable, we can launch our networks on a market-by-market basis.

Cricket Communications, Inc. has entered into infrastructure equipment purchase agreements with Lucent, Nortel and Ericsson to lead the overall buildout of our Cricket networks for the 40 Market Plan. However, Cricket has not paid amounts it owes to Lucent, Nortel and Ericsson under its respective equipment purchase agreements with these suppliers, Cricket s purchase agreement with Lucent now requires that Cricket pay for purchases in advance, and Nortel and Ericsson have indicated to Cricket that they require similar payment terms. Further, as a result of events of default and terminations of commitments, Cricket is no longer able to borrow under its vendor credit agreements to pay for purchases of equipment and services, and Cricket may not have cash available for purchases from these vendors that are necessary to improve the coverage and capacity of its existing networks. See Risk Factors We May Experience Difficulties in Expanding and Operating Our Telecommunications Networks. Under the terms of the agreements, Cricket has contracted most site acquisition activities and other services associated with site development to third parties, including but not limited to these vendors. To the extent the vendors have been contracted to perform these services, they have subcontracted many of these services to a number of different suppliers. In connection with Cricket s purchase of equipment and services from Lucent, Nortel and Ericsson, these vendors previously agreed to provide financing for the equipment and services they provide and for other related expenses. At September 30, 2002, Cricket had $1,511.6 million of debt under its senior secured vendor credit agreements, and $77.3 million payable to Lucent, Nortel and Ericsson for the purchase of equipment and services. Borrowings under the vendor credit agreements at September 30, 2002 had a weighted-average interest rate of 7.3% per annum. Cricket is currently in default under the vendor credit agreements. These agreements are described elsewhere in this prospectus under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Credit Facilities and Other Financing Arrangements. See also, Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business.

Wireless Licenses. The following table shows the wireless licenses that we owned as of September 30, 2002, which cover approximately 53.5 million potential customers:

Market	Population(1)	MHz
Anchorage, AK	467,422	30
Birmingham, AL	1,338,096	15
Tuscaloosa, AL	258,085	15
Fayetteville, AR(2)	340,740	30
Fort Smith, AR(2)	333,623	30
Hot Springs, AR(2)	142,209	15
Jonesboro, AR(2)	184,285	10
Little Rock, AR(2)	979,869	25
Pine Buff, AR(2)	155,312	20
Russellville, AR	100,881	15
Nogales, AZ	39,695	20
Phoenix, AZ(2)	3,622,225	10
Tucson, AZ(2)	870,435	15
Merced, CA(2)	232,925	15
Modesto, CA(2)	513,881	15

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Market	Population(1)	MHz
Redding, CA(3)	280,109	15
Visalia, CA(2)	509,867	15
Denver/ Boulder, CO(2)	2,808,808	10
Ft. Collins, CO(2)	261,360	10
Greeley, CO(2)	188,382	10
Pueblo, CO(2)(3)	319,522	30
Lakeland, FL	495,740	10
Albany, GA	360,228	15
Columbus, GA(2)	367,939	30
Macon, GA(2)	674,123	30
Boise, ID(2)(3)	609,200	30
Idaho Falls, ID(3)(4)	227,941	30
Lewiston, ID(3)	125,512	30
Twin Falls, ID(3)(4)	166,241	30
Peoria, IL	462,956	15
Evansville, IN	525,972	10
Ft. Wayne, IN	725,696	10
Coffeyville, KS	61,192	15
Pittsburg, KS(6)	96,624	30
Wichita, KS(2)	664,523	30
Owensboro, KY	165,683	10
Adrian, MI	99,900	25
Battle Creek, MI(2)	242,434	25
Escanaba, MI(3)	47,595	10
Flint, MI(2)	508,715	10
Grand Rapids, MI	1,104,294	25
Houghton, MI(6)	47,318	10
Iron Mountain, MI(6)	45,824	10
Ironwood, MI(6)	31,852	20
Jackson, MI(2)	207,485	25
Kalamazoo, MI(2)	382,152	10
Lansing, MI	512,321	10
Marquette, MI(6)	74,077	10
Mount Pleasant, MI	139,616	10
Muskegon, MI	227,988	25
Saginaw-Bay City, MI	642,409	10
Sault Ste. Marie, MI(6)	56,763	20
Traverse City, MI	252,833	10
Bemidji, MN(3)	67,792	10
Brainerd, MN(3)	100,428	10
Duluth, MN	415,862	10
Jackson, MS	687,415	10
Vicksburg, MS	61,792	10
Bozeman, MT(3)	86,277	20
Charlotte/ Gastonia, NC(2)	2,139,136	10
Greensboro/ Winston-Salem/ High Point, NC(2)	1,485,806	10
Hickory, NC(2)	349,288	10
Fargo, ND	319,099	15

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Market	Population(1)	MHz
Grand Forks, ND	202,277	15
Lincoln, NE(2)	352,539	15
Omaha, NE(2)	1,004,837	10
Albuquerque, NM(2)	853,280	15
Gallup, NM	147,508	15
Roswell, NM	82,349	15
Santa Fe, NM(2)	225,450	15
Reno, NV(2)	612,437	10
Buffalo, NY(2)	1,210,156	10
Plattsburgh, NY	119,353	10
Syracuse, NY(2)	779,144	15
Utica, NY	299,377	10
Watertown, NY	302,692	15
Dayton/ Springfield, OH(2)	1,221,241	10
Marion, OH	98,612	10
Sandusky, OH(2)	139,506	15
Steubenville, OH	130,317	10
Toledo, OH(2)	790,134	15
Tulsa, OK(2)	966,936	15
Eugene, OR(2)	328,965	10
Salem/ Corvallis, OR(2)(3)	541,410	35
Johnstown, PA	230,890	10
Pittsburgh/ Butler/ Uniontown/Washington/ Latrobe, PA(2)	2,464,811	10
Chattanooga, TN(2)	576,867	15
Clarksville, TN(2)	272,253	15
Knoxville, TN(2)	1,144,419	15
Memphis, TN(2)	1,579,375	15
Nashville/ Murfreesboro, TN(2)	1,811,753	15
Eagle Pass, TX	119,697	15
Lufkin, TX	164,791	10
Provo, UT(2)	392,981	15
Salt Lake City/ Ogden, UT(2)	1,677,325	15
Kennewick/ Pasco/ Richland, WA	198,099	15
Spokane, WA(2)	760,885	15
Yakima, WA	262,053	15
Appleton-Oshkosh, WI	460,186	10
Eau Claire, WI	197,655	10
La Crosse, WI-Winona, MN	324,039	10
Marinette, WI-Menominee, MI(6)	68,006	10
Stevens Point-Marshfield-Wisconsin Rapids, WI	216,597	20
Casper, WY(3)	147,826	30
Total	53,488,800(5)	

(1) 2002 market population estimates provided by Claritas Inc.

(2) Designates wireless licenses or portions of wireless licenses in markets launched under our 40 Market Plan.

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(3) Designates wireless licenses covering a total of approximately 3.2 million potential customers that we have contracted to exchange and sell in several transactions for operating assets, cash and wireless licenses which cover a total of approximately 1.2 million potential customers in Rochester, New York. In these transactions, we have contracted to exchange only 15 MHz of our wireless licenses in the Boise, Idaho market and only 10 MHz of our wireless licenses in the markets of Pueblo, Colorado and Salem, Oregon.

(4) Designates wireless licenses, covering a total of approximately 0.4 million potential customers, for which we have agreed to contribute a 15 MHz portion of each wireless license to a third party in exchange for an equity ownership interest in the third party.

(5) In October 2002, we completed the transaction described in footnote (4) above. In exchange for the wireless licenses contributed, we obtained a 30% interest in a joint venture in Idaho. Upon the completion of the transaction described in footnote (3), we will own wireless licenses covering approximately 53.1 million potential customers.

(6) Designates wireless licenses subject to an FCC buildout date which has expired without completion of the required buildout. These wireless licenses have no book value and are subject to forfeiture to the FCC.

The following table shows the 22 wireless licenses with an aggregate purchase price of $350.1 million, covering approximately 24.1 million potential customers, for which Leap was the winning bidder in the FCC s re-auction of C-Block and F-Block PCS spectrum that was completed in January 2001. These license grants are subject to the resolution of litigation between the FCC and NextWave Telecom, Inc. currently under appeal before the U.S. Supreme Court.

Market	Population(1)	MHz
New London, CT	371,663	10
Jacksonville, FL	1,393,491	10
Melbourne, FL	487,803	10
Columbus, IN	157,708	10
Indianapolis, IN	1,587,869	10
Lexington, KY	944,285	10
Louisville, KY	1,506,973	10
Worcester, MA	758,116	10
Asheville, NC	622,884	10
Las Cruces, NM	257,899	10
Albany, NY	1,051,302	10
Poughkeepsie, NY	465,818	10
Columbus, OH	1,724,081	10
Scranton, PA	670,983	10
Providence, RI	1,589,912	10
Austin, TX	1,389,366	10
Brownsville, TX	366,948	10
Bryan, TX	190,015	10
El Paso, TX	763,539	10
Houston, TX	5,192,779	10
McAllen, TX	652,974	10
San Antonio, TX	1,904,762	10
Total	24,051,170	

(1) 2002 market population estimates provided by Claritas Inc.

*Leap s Rights and Interests*Our wholly-owned subsidiary, Cricket Communications Holdings, Inc., owns Cricket Communications, which is the operating company that is implementing the Cricket strategy.

On June 15, 2000, through a subsidiary merger, we acquired the 5.11% of Cricket Communications Holdings that we did not already own. These shares were owned by individuals and entities, including directors and employees of Leap and Cricket Communications Holdings. Under the terms of the merger, each issued and outstanding share of Cricket Communications Holdings common stock not held by Leap was converted into the right to receive 0.315 of a fully paid and nonassessable share of Leap common stock. As a result, an aggregate of 1,048,635 shares of Leap common stock were issued. We also assumed Chase Telecommunications Holdings warrant to purchase 1% of the common stock of Cricket Communications Holdings, which was converted into a warrant to acquire 202,566 shares of Leap common stock, at an aggregate exercise price of $1.0 million. The aggregate fair value of the shares issued and warrant assumed in excess of the carrying value of the minority interest was allocated to goodwill. In addition, we assumed all unexpired and unexercised Cricket Communications Holdings stock options outstanding at the time of the merger, whether vested or unvested, which upon conversion amounted to options to purchase 407,784 shares of Leap common stock.

Capital Requirements and Projected Investments. We will require additional capital to develop and operate wireless networks in our existing 40 Market Plan, and if we decide to build networks beyond our existing 40 Market Plan, we would require substantial additional capital. The amount of financing that we will require for these efforts will vary depending on the number of these networks that are developed, including any markets covered by our future license acquisitions, and the speed at which we construct and launch these networks. For a more detailed description of our capital requirements and liquidity, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Regulatory Environment. For a description of the extensive regulation governing our domestic business, see Government Regulation, Risk Factors Our Failure to Remain Qualified to Hold C-Block and F-Block Licenses Could Have a Material Adverse Effect on Our Business and Our Financial Condition and Results of Operations, Risk Factors We May Not Satisfy the Buildout Deadlines and Geographic Coverage Requirements Applicable to Our Licenses, Which May Result in the Revocation of Some of Our Licenses or the Imposition of Fines and/or Other Sanctions, and Risk Factors Failure to Comply with Regulations or Adverse Regulatory Changes Could Impair Our Ability To Maintain Existing Licenses and Obtain New Licenses.

International Investments

Pegaso

Leap was a founding shareholder and made investments in and loans to Pegaso Telecomunicaciones, S.A. de C.V., a company providing wireless service in Mexico, totaling $120.5 million. As of June 30, 2002, we owned 20.1% of the outstanding capital stock of Pegaso. In the fourth quarter of fiscal 2001, Leap discontinued its use of the equity method of accounting for Pegaso and ceased recognizing its share of Pegaso s losses because its investment in and loans to Pegaso had been reduced to zero on its books of account.

In September 2002, Leap completed the sale of its 20.1% interest in Pegaso to Telefónica Móviles, S.A. At the closing, Leap received cash proceeds of approximately $22.2 million for the sale of its shares and, in October 2002, also received approximately $15.8 million of additional cash from a loan repayment related to the sale. In connection with the sale, Leap was released from its obligations under a $33 million guarantee to Qualcomm of Pegaso s outstanding working capital loans from Qualcomm, by delivering to Qualcomm its rights under the warrants Leap acquired in connection with the guarantee. Pursuant to Cricket s vendor credit facilities, Leap is obligated to set aside or contribute to the Cricket Companies approximately $25.8 million of the proceeds of the sale of Pegaso. Because of the financial condition and expected restructuring of Leap and Cricket, however, Leap did not make the set asides and contributions and instead retained the funds at Leap. Leap s failure to contribute or set aside those amounts was a breach of contract by Leap and an additional event of default under the vendor credit facilities.

Smartcom

On June 2, 2000, Leap completed the sale of its Chilean operating subsidiary, Smartcom, S.A., to Endesa, S.A., a Spanish utility company. Smartcom owns and operates a nationwide wireless system in Chile. Under the terms of Leap s agreement with Endesa, a portion of the purchase price was payable in a promissory note in the original principal amount of $35.0 million. This promissory note matured on June 2, 2001 and bears interest at a rate equal to the 3-month LIBOR, compounded semi-annually. This promissory note is subject to a one year right of set-off to secure the indemnification obligations under the purchase agreement between the parties. Endesa has asserted claims of up to $48.7 million against Leap and its wholly-owned Chilean subsidiary for breach of representations and warranties under the purchase agreement and has notified us that it is offsetting the claims against the unpaid balance of the note. Under the terms of the purchase agreement, the maximum recovery for breaches of representations and warranties is the principal and interest under the note. The note matured on June 2, 2001 and Leap expects it to remain unpaid until the issues related to the claims are resolved. Leap believes that Endesa s claims are without merit, and Leap is contesting Endesa s claims.

Competition

The telecommunications industry generally is very competitive and competition is increasing. Unlike many wireless providers, we also intend to compete as a mobile alternative to landline service providers in the telecommunications industry. Wireline carriers have also begun to aggressively advertise in the face of increasing competition from wireless carriers, cable operators and other competitors. Many competitors have substantially greater resources than we have, and we may not be able to compete successfully. Some competitors have announced rate plans substantially similar to the Cricket service plan in markets in which we have launched service. In addition, the competitive pressures of the wireless telecommunications market have caused other carriers to offer service plans with increasingly large bundled minutes of use at increasingly low prices which are competing with the Cricket predictable and virtually unlimited calling plan. These competitive plans could adversely affect our ability to maintain our pricing, market penetration and customer retention. Moreover, the wireless industry has experienced a general slow down in the rate of new customer activations during the second half of 2001 and in 2002. If these trends continue, they could have material adverse impacts on our business, financial condition and results of operations.

In the U.S., we compete directly with other wireless providers and as a mobile alternative to traditional landline service in each of our markets, many of which have greater resources than we do and entered the markets before us. A few of our competitors operate wireless telecommunications networks covering most of the U.S. Our competitors earlier entry and broader presence in the U.S. telecommunications market may have a negative effect on our ability to successfully implement our strategy. Furthermore, the FCC is actively pursuing policies designed to increase the number of wireless competitors in each of our markets. For example, the FCC has announced that it plans to auction licenses that will authorize the entry of two additional wireless providers in each market. In addition, other wireless providers in the U.S. either have implemented or could attempt to implement plans substantially similar to our domestic strategy of providing unlimited local service at a flat monthly rate. 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.

We compete with companies that use other communications technologies, including paging and digital two-way paging, enhanced specialized mobile radio and domestic and global mobile satellite service. These technologies may have advantages over the technology we use and may ultimately be more attractive to customers. We may compete in the future with companies that offer new technologies and market other services, including cable television access, landline telephone service and Internet access, that we do not currently intend to market. Some of our competitors offer these other services together with their wireless communications service, which may make their services more attractive to customers. In addition, we expect that, over time, providers of wireless communications services will compete more directly with providers of traditional landline telephone services. In addition, energy companies, utility companies and cable operators may expand their services to offer communications services.

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Government Regulation

The spectrum licensing, construction, operation, sale and interconnection arrangements of wireless communications networks are regulated to varying degrees by state regulatory agencies, the FCC, Congress, the courts and other governmental bodies. Proceedings before these bodies, including the FCC and state regulatory authorities, could have a significant impact on the competitive market structure among wireless providers and on the relationships between wireless providers and other carriers. These mandates may impose significant financial obligations on us and other wireless providers. We are unable to predict the scope, pace or financial impact of legal or policy changes that could be adopted in these proceedings.

Licensing of PCS Systems. A broadband PCS system operates under a protected geographic service area license granted by the FCC for a particular market on one of six frequency blocks allocated for broadband PCS. Broadband PCS systems generally are used for two-way voice applications. Narrowband PCS systems, in contrast, are for non-voice applications such as paging and data service and are separately licensed. The FCC has segmented the U.S. PCS markets into 51 large regions called major trading areas, which are comprised of 493 smaller regions called basic trading areas. The FCC awards two broadband PCS licenses for each major trading area and four licenses for each basic trading area. Thus, generally, six licensees will be authorized to compete in each area. The two major trading area licenses authorize the use of 30 MHz of spectrum. One of the basic trading area licenses is for 30 MHz of spectrum, and the other three are for 10 MHz each. The FCC permits licensees to split their licenses and assign a portion, on either a geographic or frequency basis or both, to a third party. In recent years, the FCC has also further split licenses in connection with re-auctions of PCS spectrum. Two cellular licenses are also available in each market. Cellular markets are defined as either metropolitan statistical or rural service areas.

The FCC s spectrum allocation for PCS includes two licenses, the 30 MHz C-Block license and a 10 MHz F-Block license, that are designated as Entrepreneur s Blocks. The FCC requires holders of these licenses to meet threshold financial size qualifications. In addition, the FCC has determined that designated entities who qualify as small businesses or very small businesses, as defined by a complex set of FCC rules, receive additional benefits, including bidding credits in C-Block or F-Block spectrum auctions or reauctions, and in some cases, an installment loan from the federal government for a significant portion of the dollar amount of the winning bids in the FCC s initial auctions of C-Block and F-Block licenses. The FCC s rules also allow for publicly traded corporations with widely dispersed voting power, as defined by the FCC, to hold C-Block and F-Block licenses and to qualify as small or very small businesses. In July 1999, the FCC issued an opinion and order that found that we were entitled to acquire C-Block and F-Block licenses as a publicly traded corporation with widely dispersed voting power and a very small business under FCC rules. In July 2000, the FCC affirmed its July 1999 order.

Under the FCC s current rules specifying spectrum aggregation limits affecting broadband PCS and cellular licensees, no entity may hold attributable interests, generally 20% or more of the equity of, or an officer or director position with, the licensee, in licenses for more than 55 MHz of PCS, cellular and certain specialized mobile radio services where there is significant overlap. Passive investors may hold up to a 40% interest. Significant overlap will occur when at least 10% of the population of the PCS licensed service area is within the cellular and/or specialized mobile radio service area(s). The FCC recently ordered that it will phase out this spectrum cap entirely effective January 1, 2003, and review spectrum transactions after that date on a case-by-case basis. The FCC also eliminated its cellular cross-interest rule in metropolitan cellular markets.

These rule modifications may make it easier for large wireless carriers to consolidate spectrum assets and to acquire smaller wireless carriers, and could adversely affect our entry into new wireless markets.

All PCS licenses have a 10-year term, at the end of which they must be renewed. The FCC will award a renewal expectancy to a PCS licensee that has:

- provided substantial service during its past license term; and

- has substantially complied with applicable FCC rules and policies and the Communications Act.

All PCS licensees must satisfy buildout deadlines and geographic coverage requirements within five and ten years after the license grant date. For 30 MHz C-Block licenses, this initial requirement is met when adequate service is offered to at least one-third of the population of the licensed service area. For 15 MHz and 10 MHz C-Block licenses and 10 MHz F-Block licenses, the initial requirement is met when adequate service is provided to at least one-quarter of the population in the licensed service area. Because we obtained many of our wireless licenses from third parties subject to existing buildout requirements, some of our licenses have initial buildout deadlines in 2004. We are currently carrying out plans to satisfy the minimum buildout requirements for all material wireless licenses. Failure to comply with these buildout requirements could cause the revocation of some of our licenses or the imposition of fines and/or other sanctions.

For a period of up to five years after the grant of a PCS license, subject to extension, a licensee will be required to share spectrum with existing licensees that operate certain fixed microwave systems within its license area. In an effort to balance the competing interests of existing microwave users and newly authorized PCS licensees, the FCC has adopted a transition plan to relocate the microwave operators to other spectrum blocks and a cost sharing plan so that if the relocation of an incumbent benefits more than one PCS licensee, those licensees will share the cost of the relocation. To secure a sufficient amount of unencumbered spectrum to operate our PCS systems efficiently and with adequate population coverage, we may need to relocate one or more of these incumbent fixed microwave licensees.

This transition plan currently allows most microwave users to operate in the PCS spectrum for a two-year voluntary negotiation period and an additional one-year mandatory negotiation period. Parties unable to reach agreement within these time periods may refer the matter to the FCC for resolution, but the incumbent microwave user is permitted to continue its operations until final FCC resolution of the matter. The transition and cost sharing plans expire on April 4, 2005, at which time remaining microwave incumbents in the PCS spectrum will be responsible for the costs of relocating to alternate spectrum locations.

PCS services are subject to FAA regulations governing the location, lighting and construction of transmitter towers and antennas and may be subject to regulation under Federal environmental laws and the FCC s environmental regulations. State or local zoning and land use regulations also apply to our activities. We expect to use common carrier point to point microwave facilities to connect the transmitter, receiver, and signaling equipment for each PCS or cellular cell, the cell sites, and to link them to the main switching office. The FCC licenses these facilities separately and they are subject to regulation as to technical parameters and service.

The Communications Act preempts state and local regulation of the entry of, or the rates charged by, any provider of private mobile radio service or of commercial mobile radio service, which includes PCS. The FCC generally does not regulate commercial mobile radio service or private mobile radio service rates.

Recent Modifications of C-Block and F-Block Eligibility Rules and Auction 35. For a description of recent modifications of C-Block and F-Block eligibility rules and Auction 35, see Risk Factors Our Failure to Remain Qualified to Hold C-Block and F-Block Licenses Could Have a Material Adverse Effect on Our Business and Our Financial Condition and Results of Operations, and It May Be More Difficult For Us to Acquire C-Block and F-Block Licenses in the Future.

Transfer and Assignment of PCS Licenses. The Communications Act and FCC rules require the FCC s prior approval of the assignment or transfer of control of a license for a PCS or cellular system. Non-controlling interests in an entity that holds an FCC license generally may be bought or sold without FCC approval, subject to the FCC s spectrum aggregation limits.

C-Block and F-Block licenses historically have been subject to additional transfer and assignment restrictions, including a prohibition on the assignment or transfer of the licenses for a period of five years following the initial license grant date to any entity that fails to satisfy C-Block and F-Block financial qualification requirements. These rules were revised by the FCC in August 2000. Under the revised rules, a C-Block or F-Block license may be transferred to non-designated entities once the licensee has met its five-year coverage requirement. These transfers will remain subject to certain costs and reimbursements to the government of any bidding credits or outstanding principal and interest payments owed to the FCC.

Foreign Ownership. Under existing law, no more than 20% of an FCC licensee s capital stock may be owned, directly or indirectly, or voted by non-U.S. citizens or their representatives, by a foreign government or its representatives or by a foreign corporation. If an FCC licensee is controlled by another entity, as is the case with our ownership structure, up to 25% of that entity s capital stock may be owned or voted by non-U.S. citizens or their representatives, by a foreign government or its representatives or by a foreign corporation. Foreign ownership above the 25% holding company level may be allowed should the FCC find the higher levels not inconsistent with the public interest. The FCC has ruled that higher levels of foreign ownership, even up to 100%, are presumptively consistent with the public interest with respect to investors from some nations. If our foreign ownership were to exceed the permitted level, the FCC could revoke our wireless licenses, although we could seek a declaratory ruling from the FCC allowing the foreign ownership or take other actions to reduce our foreign ownership percentage to avoid the loss of our licenses. We have no knowledge of any present foreign ownership in violation of these restrictions.

Other Recent Industry Developments. The FCC has a number of other complex requirements and proceedings that affect the operation of our business. For example, FCC rules currently require wireless carriers to make available emergency 911 services, including enhanced emergency 911 services that provide the caller s telephone number, and a requirement that emergency 911 services be made available to users with speech or hearing disabilities. We also are subject or potentially subject to interconnection, reciprocal compensation and universal service obligations; number portability obligations; rules governing billing and subscriber privacy; rules governing wireless resale and roaming obligations; rules that require wireless service providers to configure their networks to facilitate electronic surveillance by law enforcement officials; and rules requiring us to offer equipment and services that are accessible to and usable by persons with disabilities. These requirements are all the subject of pending FCC or judicial proceedings, and we are unable to predict how they may affect our business, financial condition or results of operations.

State Regulation and Local Approvals. Congress has given the FCC the authority to preempt states from regulating rates or entry into commercial mobile radio service, including PCS. The FCC, to date, has denied all state petitions to regulate the rates charged by commercial mobile radio service providers. State and local governments are permitted to manage public rights of way and can require fair and reasonable compensation from telecommunications providers, on a competitively neutral and nondiscriminatory basis for the use of the rights of way by telecommunications carriers, including PCS providers, so long as the compensation required is publicly disclosed by the government. The siting of base stations also remains subject to state and local jurisdiction, although proceedings are pending at the FCC to determine the scope of that authority. States may also impose competitively neutral requirements that are necessary for universal service, to protect the public safety and welfare, to ensure continued service quality and to safeguard the rights of consumers. While a state may not impose requirements that effectively function as barriers to entry or create a competitive disadvantage, the scope of state authority to maintain existing or to adopt new requirements is unclear. State commissions have become increasingly aggressive in their efforts to conserve numbering resources.

Privacy. In anticipation of our planned wireless information services, we have developed and intend to comply with a policy designed to protect the privacy of our customers and their personal information.

Financial Information Concerning Segments and Geographical Information

Financial information concerning Leap s operating segment and the geographic area in which it operates is set forth in Note 14 to the Consolidated Financial Statements set forth on pages F-2 to F-96 of this prospectus.

Employees

On September 30, 2002, Leap employed approximately 1,512 full time employees, including the approximately 1,220 employees of its subsidiary, Cricket. Effective October 26, 2002, all Leap employees were transferred to Cricket.

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PROPERTIES

We currently lease space in four office buildings in the San Diego, California area for our headquarters, totaling approximately 90,997 square feet, which we use for sales, marketing, product development and administrative purposes. We also currently lease approximately 7,679 square feet of office space in Alexandria, Virginia, which we use for administrative purposes.

As of September 30, 2002, we had leased regional administrative offices in Tulsa, Oklahoma; Albuquerque, New Mexico; and Nashville, Tennessee, which range from approximately 5,800 square feet to approximately 19,000 square feet in each market. We have 25 additional office leases in its individual markets that range from 2,300 square feet to 9,605 square feet. We also lease 85 retail stores in our markets ranging in size from 824 square feet to 3,767 square feet and lease 18 kiosks for retail sales as well as 6 retail storage spaces ranging in size from 100 square feet to 200 square feet. In addition, we currently lease approximately 2,615 cell site locations; 26 switch facilities; and 7 warehouse facilities that range in size from approximately 3,000 square feet to approximately 43,500 square feet. We do not own any real property.

As we complete the buildout of existing Cricket markets and if we elect to build out additional markets, and as capital resources permit, we may need to lease additional or substitute office facilities, retail stores, cell sites and switch and warehouse facilities.

LEGAL PROCEEDINGS

In connection with Leap s acquisitions of wireless licenses in Buffalo and Syracuse from MCG PCS, Inc., MCG asserted that, based on the prices of certain wireless licenses auctioned by the FCC in Auction 35, it was entitled to a purchase price adjustment pursuant to the terms of the purchase agreement for the licenses. The matter was submitted to binding arbitration and the arbitrator determined that the seller was entitled to a purchase price adjustment of $39.8 million payable immediately in cash, or, in Leap s sole discretion, approximately 21 million shares of Leap common stock. In August 2002, Leap paid the purchase price adjustment to MCG by issuing 21,020,431 shares of its common stock, representing approximately 36% of Leap s outstanding common stock, and approximately 28% of Leap common shares on a fully diluted basis, following the issuance. The issuance of common stock to the seller without the consent of the lenders under Cricket s vendor credit facilities constituted an event of default under Cricket s vendor credit facilities. See Risk Factors Cricket Is in Default Under Its Vendor Credit Facilities, and If Cricket Fails in Its Efforts to Restructure Its Outstanding Indebtedness, Lenders May Take Actions That Would Have Material Adverse Impacts on Leap, Cricket and the Cricket Business. In addition, because the award was payable immediately, Leap did not obtain stockholder approval of the issuance as required by the rules of the Nasdaq National Market, and Leap s common stock may be de-listed from the Nasdaq National Market as a result. See Risk Factors Leap Received a Nasdaq Staff Determination Indicating that Its Common Stock Is To Be De-Listed from the Nasdaq National Market. In November 2002, the arbitrator ordered Leap to pay MCG $1,475,000 in fees related to the arbitration. At the same time, the arbitrator ordered MCG to pay Leap $32,125 for fees related to MCG s effort to overturn Leap s right to pay the award in stock.

From April 1999 to the date of sale on June 2, 2000, Leap owned 100% of Smartcom, S.A. (Smartcom), a Chilean corporation that operates a nationwide wireless network in Chile. On June 2, 2000, Leap completed the sale of Smartcom to Endesa S.A. (Endesa). Leap has a $35.0 million promissory note receivable from Endesa that is subject to a right of set-off to secure indemnification claims under the purchase agreement. Endesa has asserted claims of up to approximately $48.7 million against Leap and its wholly-owned subsidiary, Inversiones Leap Wireless Chile, S.A., for breach of representations and warranties under the purchase agreement and has notified Leap that it is offsetting the claims against the entire unpaid balance of the note. Under the terms of the purchase agreement, the maximum recovery for breach of representations and warranties is the principal and interest under the note. The note matured on June 2, 2001, and Leap expects it to remain unpaid until the issues related to the claims are resolved. Proceedings relating to the resolution of these claims are currently pending before the Fourth District Court of Appeals for the State of California (instituted at the trial level on June 29, 2001) and in the 19th Civil Court of Santiago in the Republic of Chile (instituted on June 29, 2001). Leap believes Endesa s claims are without merit, and Leap is contesting Endesa s claims. Management of Leap believes that the ultimate outcome of this matter will not have a material adverse effect on its consolidated financial position or results of operations.

Leap is often involved in various claims arising in the course of business, seeking monetary damages and other relief. The amount of the liability, if any, from these claims cannot be determined with certainty; however, in the opinion of Leap s management, the ultimate liability for these claims will not have a material adverse effect on Leap s consolidated financial position, results of operations or cash flows.

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MANAGEMENT

Directors

Name	Age	Position with the Company	Director Since	Term Expires
Harvey P. White	68	Chairman of the Board and Chief Executive Officer	1998	2004
Thomas J. Bernard	70	Vice Chairman and Director	1998	2003
Anthony R. Chase	47	Director	2000	2005
Robert C. Dynes	60	Director	1999	2003
Thomas A. Page	68	Director	2002	2005
Susan G. Swenson	54	President, Chief Operating Officer and Director	1999	2005
Michael B. Targoff	58	Director	1998	2005
Jeffrey P. Williams	51	Director	1998	2004

Harvey P. White has served as Chairman of the Board, Chief Executive Officer and a Director of Leap since its formation in June 1998 and also served as President of Leap from June 1998 to July 1999. Mr. White served as Interim Chief Financial Officer from February 2002 until August 2002. Mr. White was one of the founders of Qualcomm and served as Vice Chairman of the Board of Qualcomm from June 1998 to September 1998. From May 1992 until June 1998, he served as President of Qualcomm and from February 1994 to August 1995, as Chief Operating Officer of Qualcomm. Before May 1992, he was Executive Vice President and Chief Operating Officer, and was also a Director of Qualcomm since it began operations in July 1985 until he resigned in September 1998 when Leap became an independent, publicly-traded company. From March 1978 to June 1985, Mr. White was an officer of LINKABIT (M/A-COM LINKABIT after August 1980), where he was successively Chief Financial Officer, Vice President, Senior Vice President and Executive Vice President. Mr. White became Chief Operating Officer of LINKABIT in July 1979 and a Director of LINKABIT in December 1979. Mr. White is currently a Director of Applied Micro Circuits Corporation, a publicly-held supplier of high-bandwidth silicon connectivity, WIDCOMM, a privately-held Bluetooth technology start-up company, Cibernet Corp., a company that provides financial settlement services to telecommunications companies, and the San Diego Padres Baseball Club. Mr. White holds a B.A. from Marshall University.

Thomas J. Bernard has served as a Director of Leap since its formation in June 1998 and is currently Vice Chairman of the Board. Mr. Bernard also served as President International Business Division of Leap from July 1999 until his retirement as an officer of Leap in December 2000. From June 1998 to July 1999, he served as Executive Vice President of Leap. From April 1996 to June 1998, Mr. Bernard served as a Senior Vice President of Qualcomm and General Manager of Qualcomm s Infrastructure Products division. Mr. Bernard had retired in April 1994, but returned to Qualcomm in August 1995 as Executive Consultant and became Senior Vice President, Marketing, in December 1995. Mr. Bernard first joined Qualcomm in September 1986. He served as Vice President and General Manager for the OmniTRACS division and in September 1992 was promoted to Senior Vice President of Qualcomm. Before joining Qualcomm, Mr. Bernard was Executive Vice President and General Manager, M/A-COM LINKABIT, Telecommunications Division, Western Operations. Mr. Bernard also serves as a Director of AirFiber Inc., a privately-held company that markets high-speed open-air optical communication systems, cVideo, a developer of software-based recording and transmission products, and Pegaso PCS, an affiliate of Pegaso Telecomunicaciones, S.A. de C.V.

Anthony R. Chase has served as a Director of Leap since August 2000. Mr. Chase has served as Chairman and Chief Executive Officer of Chasecom LP since 1998, Chairman and Chief Executive Officer of Chase Radio Partners, Inc. since 2000, and Chairman and Chief Executive Officer of both Faith Broadcasting Corporation and Chase Telecommunications, Inc. since 1993. Mr. Chase is also Chairman and Co-Founder, together with SBC Communications, Inc., of the Telecom Opportunity Institute. Mr. Chase began teaching communications law and contracts at the University of Houston Law School in 1990 and received tenure in 1996. Mr. Chase received a B.A. with honors from Harvard University in 1977 and his M.B.A. and J.D. from

Harvard Business School and Harvard Law School in 1981. Mr. Chase serves on the Boards of Directors of Cornell Companies, Inc. (NYSE), Northern Trust Bank of Texas, numerous not-for-profit organizations, and is a member of the Council on Foreign Relations.

Robert C. Dynes has served as a Director of Leap since July 1999. He has served as the Chancellor of the University of California, San Diego since 1996 and as a Professor of Physics at UCSD since 1991 and was Senior Vice Chancellor Academic Affairs of UCSD from 1995 to 1996. Before 1991, Chancellor Dynes held numerous research science positions at AT&T Bell Laboratories. Chancellor Dynes is a member of the National Academy of Sciences and a Fellow of the American Academy of Arts and Sciences, the Canadian Institute of Advanced Research and the American Physical Society. Chancellor Dynes serves on numerous scientific and educational boards and committees. Chancellor Dynes holds a B.Sc. in Mathematics and Physics from the University of Western Ontario and a M.Sc. and Ph.D. in Physics from McMaster University in Hamilton, Ontario.

Thomas A. Page has served as a Director of Leap since February 2002. Mr. Page is the former Chairman of the Board of Directors of Enova Corporation and San Diego Gas & Electric Company (SDG&E), which are now part of Sempra Energy. Mr. Page joined SDG&E in 1978 as Executive Vice President and Chief Operating Officer. In 1981, he was elected President and Chief Executive Officer, and became Chairman in 1983. He held one or more of these positions until his retirement in April 1998. Before joining SDG&E, Mr. Page held executive positions at Gulf States Utilities and served as Treasurer and Controller of Wisconsin Power and Light. Mr. Page is an elected member of the Grossmont Union High School District Board of Education and a Director of the San Diego Regional Economic Development Corporation. Mr. Page is Chairman of the Board of Directors of Cuyamaca Bank, a Director of both Targeted Molecules Corp. and Metallic Power, and an Advisory Director of Sorrento Ventures, a venture capital firm. Mr. Page holds a B.S. in Civil Engineering, a Masters in Industrial Administration and a Doctorate in Management from Purdue University.

Susan G. Swenson has served as President and a Director since July 1999 and Chief Operating Officer since October 1999. She also served as Cricket Communications Chief Executive Officer from July 1999 until July 2000. From March 1994 to July 1999, she served as President and Chief Executive Officer of Cellular One, a joint venture between AirTouch and AT&T Wireless that provided wireless telecommunications services to regions covering approximately ten million potential customers. From 1979 to 1994, Ms. Swenson held various operating positions with Pacific Telesis Group, including Vice President and General Manager of Pacific Bell s San Francisco Bay Area operating unit for one year and President and Chief Operating Officer of PacTel Cellular for two and one-half years. Ms. Swenson also serves as a Director of Wells Fargo & Company, General Magic, Inc. and Palm, Inc. Ms. Swenson holds a B.A. from San Diego State University.

Michael B. Targoff has served as a Director of Leap since September 1998. He is founder of Michael B. Targoff and Co., a company that seeks controlling investments in telecommunications and related industry companies. Mr. Targoff is also Chief Executive Officer and a 49% shareholder of ProntoCast, LLC, a company formed to acquire, launch and operate a Mexican telecommunications satellite. From its formation in January 1996 through January 1998, Mr. Targoff was President and Chief Operating Officer of Loral Space & Communications Limited. Before that time, Mr. Targoff was Senior Vice President of Loral Corporation. Mr. Targoff was also the President and is a Director of Globalstar Telecommunications Limited, the company that is the public owner of Globalstar, Loral s global mobile satellite system. Mr. Targoff is a Director of Infocrossing, Inc. and is Chairman of the Boards of Directors of two small private telecom companies. Before joining Loral Corporation in 1981, Mr. Targoff was a Partner in the New York law firm of Willkie Farr & Gallagher. Mr. Targoff holds a B.A. from Brown University and a J.D. from Columbia University School of Law, where he was a Hamilton Fisk Scholar and Editor of the Columbia Journal of Law and Social Problems.

Jeffrey P. Williams has served as a Director of Leap since September 1998. Mr. Williams is the principal officer of Jeffrey Williams & Co., an advisory firm servicing corporate clients on strategic financial matters. He was a Managing Director at Greenhill & Co., LLC, an investment banking firm, from 1998 to 2001. From September 1996 to January 1998, Mr. Williams was Executive Vice President, Strategic Development and

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Global Markets for McGraw-Hill Companies, and from 1984 through 1996, he was an investment banker with Morgan Stanley & Co. Incorporated in their Telecommunications and Media Group. Mr. Williams has a Bachelor of Architecture from the University of Cincinnati and an M.B.A. from Harvard University Graduate School of Business Administration.

Executive Officers

Biographical information for the executive officers of Leap who are not directors is set forth below. There are no family relationships between any director or executive officer and any other director or executive officer. Executive officers serve at the discretion of the Board of Directors and until their successors have been duly elected and qualified, unless sooner removed by the Board of Directors. Officers are elected by the Board of Directors annually at its first meeting following the Annual Meeting of Stockholders.

David B. Davis, 36, has served as Senior Vice President, Operations since July 2001, having previously served as Regional Vice President, Midwest Region since March 2000. Before joining Leap, Mr. Davis spent six years with Cellular One, CMT Kansas/ Missouri in various management positions culminating in his role as Vice President and General Manager. Before Cellular One, Mr. Davis was Market Manager for the PacTel-McCaw joint venture. Mr. Davis received his B.S. from the University of Central Arkansas.

James E. Hoffmann, 52, has served as Senior Vice President, General Counsel and Secretary of Leap since its formation in June 1998. Mr. Hoffmann also served as a Director of Leap from September 1998 to July 1999. From June 1998 to September 1998, Mr. Hoffmann was Vice President, Legal Counsel of Qualcomm. From February 1995 to June 1998, he served as Vice President of Qualcomm and Division Counsel for the Infrastructure Products Division, having joined Qualcomm as Senior Legal Counsel in June 1993. Before joining Qualcomm, Mr. Hoffmann was a partner in the law firm of Gray, Cary, Ames & Frye, where he practiced transactional corporate law. Mr. Hoffmann holds a B.S. from the United States Naval Academy, an M.B.A. from Golden Gate University and a J.D. from University of California, Hastings College of the Law.

Stewart Douglas Hutcheson, 46, recently became Chief Financial Officer, having previously served as Senior Vice President, Chief Strategy Officer since March 2002, as Senior Vice President, Product Development and Strategic Planning from July 2000 to March 2002, as Senior Vice President, Business Development from April 2000 to July 2000 and as Vice President, Business Development from September 1998 to April 2000. From February 1995 to September 1998, Mr. Hutcheson served as Vice President, Marketing in the Wireless Infrastructure Division at Qualcomm. Before joining Qualcomm, Mr. Hutcheson held operational and technical management positions at Solar Turbines, Inc. for 13 years. Mr. Hutcheson holds a B.S. in mechanical engineering from California State Polytechnic University and an M.B.A. from University of California, Irvine.

Daniel O. Pegg, 56, has served as Senior Vice President, Public Affairs of Leap since its formation in June 1998. From March 1997 to September 1998, Mr. Pegg served as Senior Vice President, Public Affairs of Qualcomm. Before joining Qualcomm, Mr. Pegg was President and Chief Executive Officer of the San Diego Economic Development Corporation for 14 years. Mr. Pegg served on the Board of Directors of Gensia Pharmaceuticals from 1986 to 1996. Mr. Pegg holds a B.A. from California State University at Los Angeles.

Leonard C. Stephens, 45, has served as Senior Vice President, Human Resources of Leap since its formation in June 1998. From December 1995 to September 1998, Mr. Stephens was Vice President, Human Resources Operations for Qualcomm. Before joining Qualcomm, Mr. Stephens was employed by Pfizer Inc., where he served in a number of human resources positions over a 14 year career. Mr. Stephens holds a B.A. from Howard University.

Glenn Umetsu, 52, has served as Senior Vice President, Engineering, Operations, Launch since June 2001, having previously served as Vice President, Engineering, Operations and Launch Development from April 2000 to June 2001. From September 1996 to April 2000, Mr. Umetsu served as Vice President, Engineering and Technical Operations for Cellular One in the San Francisco Bay Area. Before Cellular One, Mr. Umetsu served in various telecommunications operations roles for 24 years with AT&T Wireless, McCaw

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Communications, RAM Mobile Data (now Cingular Mobile Data), Honolulu Cellular, PacTel Cellular, AT&T Advanced Mobile Phone Service, Northwestern Bell and the United States Air Force. Mr. Umetsu holds a B.A. from Brown University.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of November 1, 2002 with respect to the beneficial ownership of Leap s common stock by: (i) each stockholder known to Leap to be the beneficial owner of more than 5% of Leap s common stock; (ii) each of the five most highly compensated executive officers of Leap; (iii) each director; and (iv) all current executive officers and directors as a group.

	Beneficial Ownership(1)	
5% Stockholders, Officers and Directors	**Number of Shares(2)**	**Percent of Total**
MCG PCS, Inc.	21,020,431	35.8%
Qualcomm Incorporated(3)	4,634,924	7.9%
Harvey P. White(4)(5)(6)(7)(8)	885,432	1.5%
Susan G. Swenson(5)(7)(8)(9)	429,512	*
James E. Hoffmann(5)(7)(8)(10)	130,503	*
Daniel O. Pegg(5)(7)(8)(11)	87,444	*
Leonard C. Stephens(5)(6)(7)(8)	163,326	*
Thomas J. Bernard(5)(6)(12)	230,829	*
Anthony R. Chase(5)(13)	116,269	*
Robert C. Dynes(5)	23,000	*
Thomas A. Page	6,000	*
Michael B. Targoff(5)(14)	172,000	*
Jeffrey P. Williams(5)	201,215	*
All Executive Officers and Directors as a group (14 persons)	2,617,609	4.5%

* Less than one percent.

(1) This table is based upon information supplied by officers, directors and principal stockholders of Leap and by Schedules 3D and 13G, and amendments thereto, filed with the Commission. Unless otherwise indicated in the footnotes to this table and subject to marital property laws where applicable, each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned and has a business address of Leap Wireless International, Inc., 10307 Pacific Center Court, San Diego, California 92121. Applicable percentages are based on 58,704,894 shares of Leap common stock outstanding as of November 1, 2002, adjusted as required by rules promulgated by the Commission.

(2) In addition to shares held in the individual s sole name, this column includes shares held by the spouse and other members of the named person s immediate household, and shares held in family trusts.

(3) Consists partially of the right to purchase 3,375,000 shares of Leap common stock for approximately $6.11 per share, or an aggregate purchase price of $20,621,250, under a warrant. The warrant is fully exercisable and expires in September 2008. This table also reflects Qualcomm s right to purchase approximately 770,924 shares of common stock at an exercise price of $96.80 per share, under warrants which Qualcomm purchased in Leap s February 2000 units offering. The warrants are currently exercisable and expire on April 15, 2010. On a fully diluted basis, as of November 1, 2002, Qualcomm would own approximately 5.7% of Leap common stock upon exercise of the warrants described above. Qualcomm s business address is 5775 Morehouse Dr., San Diego, California 92121.

(4) Includes 250 shares held in a charitable remainder trust, 77,565 shares held in a family trust for the benefit of grandchildren, 134,920 shares held in trusts for the benefit of relatives and 390 shares held as custodian for the benefit of a minor.

(5) Includes shares issuable upon exercise of options exercisable within 60 days of November 1, 2002 as follows: Mr. Bernard, 123,000 shares; Mr. Chase, 17,670 shares; Mr. Dynes, 23,000 shares; Mr. Hoffmann, 77,030 shares; Mr. Pegg, 58,498 shares; Mr. Stephens, 65,150 shares; Ms. Swenson,

313,025 shares; Mr. Targoff, 21,000 shares; Mr. White, 275,961 shares; and Mr. Williams, 32,000 shares.

(6) Includes shares subject to vesting 20% per year over a five-year period commencing September 24, 1999 as follows: Mr. White, 47,250 shares; Mr. Bernard, 23,625 shares; and Mr. Stephens, 18,900 shares.

(7) Includes shares held in trust pursuant to Leap s Executive Officer Deferred Bonus Stock Plan, which are voted at the direction of the respective officer, as follows: Mr. White, 196,178 shares; Ms. Swenson, 30,688 shares; Mr. Hoffmann, 30,309 shares; Mr. Pegg, 16,267 shares; and Mr. Stephens, 36,780 shares.

(8) Includes shares held in trust pursuant to Leap s Executive Retirement Matching Contribution Plan, which are voted at the direction of the respective officer, as follows: Mr. White, 9,955 shares; Ms. Swenson, 38,498 shares; Mr. Hoffmann, 1,798 shares; Mr. Pegg, 3,232 shares; and Mr. Stephens, 15,624 shares.

(9) Includes 5,150 shares held by Ms. Swenson s spouse.

(10) Includes 2,500 shares held in a custodial account for the benefit of Mr. Hoffmann s spouse and 18,866 shares held in a family trust.

(11) Includes 525 shares held in a custodial account for the benefit of Mr. Pegg s spouse, 5,000 shares held by a family trust and 25 shares held for the benefit of Mr. Pegg s minor son.

(12) Includes 5,710 shares held by Mr. Bernard s spouse.

(13) Includes 94,999 shares issuable upon exercise of a warrant held by Chase Telecommunications Holdings, Inc., a company through which Mr. Chase, by virtue of his position as an officer and director, has the power to vote and direct the disposition of these shares. Mr. Chase holds a 44.9% ownership interest in the warrant held by Chase Telecommunications Holdings and disclaims beneficial ownership of all but 42,645 of the 94,999 shares issuable upon exercise of the warrant.

(14) Includes 12,500 shares held by Mr. Targoff s spouse.

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EXECUTIVE COMPENSATION

The following table sets forth compensation information with respect to Leap s Chief Executive Officer and other four most highly-paid executive officers for the fiscal year ended December 31, 2001 (the Named Executive Officers). The information set forth in the following tables reflects compensation earned by the Named Executive Officers for services they rendered to Leap during the 12 months ended December 31, 2001, 2000 and 1999.

Summary Compensation Table

	Annual Compensation(1)				Long-Term Compensation	
Name and Principal Positions At Leap	**Year**	**Salary**	**Bonus(3)**	**Other Annual Compensation**	**Securities Underlying Options**	**All Other Compensation(6)**
Harvey P. White	2001	$750,000(7)	$1,106,101(4)	$ 0	300,000	$930,073(7)
Chairman of the Board and	2000	$600,000	$ 556,000	$ 0	300,000	$817,395
Chief Executive Officer	1999	$550,000	$ 305,000	$ 0	197,250	$699,581
Susan G. Swenson	2001	$520,000(7)	$ 485,609(4)	$ 0	225,000	$111,519
President, Chief Operating	2000	$410,769	$ 392,000	$116,251(5)	200,000	$ 73,467
Officer and Director	1999(2)	$180,000	$ 35,000	$ 0	360,250	$ 1,750
James E. Hoffmann	2001	$277,000	$ 269,132(4)	$ 0	45,000	$ 75,169
Senior Vice President,	2000	$250,889	$ 146,500	$ 0	60,000	$ 69,869
General Counsel, and Secretary	1999	$245,000	$ 80,000	$ 0	48,900	$ 20,308
Daniel O. Pegg	2001	$255,000	$ 192,975(4)	$ 0	33,750	$ 58,615
Senior Vice President,	2000	$238,678	$ 123,500	$ 0	45,000	$ 57,912
Public Affairs	1999	$204,504	$ 70,000	$ 0	22,600	$ 36,226
Leonard C. Stephens	2001	$252,000	$ 163,907(4)	$ 0	45,000	$ 59,256
Senior Vice President,	2000	$235,004	$ 132,000	$ 0	65,000	$ 62,470
Human Resources	1999	$220,000	$ 80,000	$ 0	48,900	$ 27,995

(1) As permitted by rules established by the Commission, no amounts are shown with respect to certain perquisites where the amounts do not exceed the lesser of either $50,000 or 10% of the total of annual salary and bonus.

(2) Represents compensation paid for partial year only, as Ms. Swenson became an employee of Leap on July 15, 1999.

(3) In November 1999, Leap adopted a deferred compensation plan that provides for mandatory deferral of 25% and voluntary deferral of up to the remaining 75% of executive officer bonuses. Bonus deferrals are converted into share units credited to the participant s account. Each share unit represents the right to receive one share of Leap common stock in accordance with the plan. Leap also credits to a matching account that number of share units equal to 20% of the share units credited to the participant s account for each bonus payday. Matching share units vest ratably over three years on each anniversary date of the applicable bonus payday. The participants accounts are unsecured and subject to the general creditors of Leap.

(4) Includes a bonus in lieu of accrued vacation awarded to executive officers in 2001, which bonuses were deferred and paid out in shares of Leap common stock under, and subject to the terms of, Leap s 2001 Executive Officer Deferred Bonus Stock Plan, as follows: Mr. White, $446,701; Ms. Swenson, $28,425; Mr. Hoffmann, $132,017; Mr. Pegg, $52,852; and Mr. Stephens, $25,433. These one-time bonus payments resulted from Leap s conversion from a vacation and sick time off plan which had no maximum number of hours an employee could accrue to a paid time off program with a maximum number of hours which an employee may accrue. The Board of Directors awarded a one-time bonus to each executive officer equal to the excess accrued vacation hours of the officer following the conversion, which was deferred by the executive officer and credited to the officer s account in share units rather than paid out in cash. Each share unit represents the right to receive one share of Leap common stock in accordance with the plan. Leap also credited to a matching account that

number of share units equal to 20% of the share units credited to the participant s account. Matching share units vest ratably over three years on each anniversary date of the applicable bonus payday. The participants accounts are unsecured and subject to the general creditors of Leap.

(5) Reflects amounts paid to Ms. Swenson in connection with her relocation expenses.

(6) Includes matching 401(k) contributions, executive benefits payments, executive retirement stock matching, executive officer deferred stock matching, deferred vacation bonus matching and financial planning services as follows:

(7) In September 2002, Mr. White and Ms. Swenson voluntarily reduced their salaries from $787,500 to $487,500 and from $546,000 to $375,000, respectively. Leap has suspended the payments for split-dollar life insurance on the life of Mr. White, which totaled $622,559 in 2001 and had previously been paid by Leap.

Name	Year	Matching 401(k) Contributions	Executive Benefits Payments	Executive Retirement Contributions(1)	Deferred Stock Matching(2)	Financial Planning Services	Total Other Compensation
Harvey P. White	2001	$5,452	$ 7,256	$69,490	$183,878	$41,438	$930,073(3)
	2000	$3,360	$11,531	$54,750	$109,556	$15,639	$817,395(4)
	1999	$4,800	$ 6,971	$50,000	$ 15,250	$ 0	$699,581(5)
Susan G. Swenson	2001	$5,250	$ 0	$84,818	$ 21,451	$ 0	$111,519
	2000	$4,827	$ 0	$34,402	$ 19,301	$14,937	$ 73,467
	1999	$ 0	$ 0	$ 0	$ 1,750	$ 0	$ 1,750
James E. Hoffmann	2001	$5,368	$ 6,460	$22,450	$ 36,125	$ 4,766	$ 75,169
	2000	$5,048	$ 7,644	$20,843	$ 28,244	$ 8,090	$ 69,869
	1999	$4,800	$ 3,508	$ 8,000	$ 4,000	$ 0	$ 20,308
Daniel O. Pegg	2001	$5,334	$11,911	$20,250	$ 15,568	$ 5,552	$ 58,615
	2000	$5,250	$ 9,985	$19,003	$ 23,674	$ 0	$ 57,912
	1999	$3,269	$10,796	$17,559	$ 3,500	$ 1,102	$ 36,226
Leonard C. Stephens	2001	$5,339	$ 6,584	$19,950			