

LEAP WIRELESS INTERNATIONAL INC

Form POS AM

April 14, 2006

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**As filed with the Securities and Exchange Commission on April 14, 2006**

**Registration No. 333-126246**

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

**Post-Effective Amendment No. 1  
to  
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**  
*(State or other jurisdiction of  
incorporation or organization)*

**4812**  
*(Primary Standard Industrial  
Classification Code Number)*

**33-0811062**  
*(I.R.S. Employer  
Identification Number)*

**10307 Pacific Center Court  
San Diego, CA 92121  
(858) 882-6000**  
*(Address, including zip code, and telephone number, including area code, of  
registrant's principal executive offices)*

**S. Douglas Hutcherson  
Chief Executive Officer  
Leap Wireless International, Inc.  
10307 Pacific Center Court  
San Diego, CA 92121  
(858) 882-6000**  
*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

***Copies To:***

**Barry M. Clarkson, Esq.  
Latham & Watkins LLP  
12636 High Bluff Drive, Suite 400  
San Diego, CA 92130  
(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, as amended (the Securities Act ), check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) 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.  \_\_\_\_

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.  \_\_\_\_

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.  \_\_\_\_

**This Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 (Ref. No. 333-126246) shall hereafter become effective in accordance with the provisions of Section 8(c) of the Securities Act of 1933, as amended.**

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The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 14, 2006

**PROSPECTUS**

**16,860,077 Shares**

**LEAP WIRELESS INTERNATIONAL, INC.**

**Common Stock**

This prospectus relates to up to 16,860,077 shares of our common stock, par value \$0.0001 per share, which may be offered for sale from time to time by the selling stockholders named in this prospectus. The shares of common stock may be sold at fixed prices, prevailing market prices at the times of sale, prices related to the prevailing market prices, varying prices determined at the times of sale or negotiated prices. The shares of common stock offered by this prospectus and any prospectus supplement may be offered by the selling stockholders directly to investors or to or through underwriters, dealers or other agents. We will not receive any of the proceeds from the sale of the shares of common stock sold by the selling stockholders. We will bear all expenses of the offering of common stock, except that the selling stockholders will pay any applicable underwriting fees, discounts or commissions and transfer taxes.

Our common stock is listed for trading on the Nasdaq National Market, under the symbol LEAP. On April 13, 2006, the last reported sale price of our common stock on the Nasdaq National Market was \$47.05 per share.

**Investing in our common stock involves risks. See 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 , 2006

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## ABOUT THIS PROSPECTUS

This prospectus is part of a resale registration statement that we filed with the Securities and Exchange Commission, or SEC, using a "shelf" registration process. The selling stockholders may offer and sell, from time to time, an aggregate of up to 16,860,077 shares of our common stock under the prospectus. In some cases, the selling stockholders will also be required to provide a prospectus supplement containing specific information about the selling stockholders and the terms on which they are offering and selling our common stock. We may also add, update or change in a prospectus supplement any information contained in this prospectus. You should read this prospectus and any accompanying prospectus supplement, as well as any post-effective amendments to the registration statement of which this prospectus is a part, together with the additional information described under "Where You Can Find More Information" before you make any investment decision.

You should rely only on the information contained in this prospectus. Neither we nor the selling stockholders have authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock.

As used in this prospectus, the terms we, our, ours and us refer to Leap Wireless International, Inc., a Delaware corporation and its wholly owned subsidiaries, unless the context suggests otherwise.

### **MARKET AND INDUSTRY DATA**

This prospectus includes market and industry data and other statistical information, which are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our internal estimates, which are derived from our review of internal surveys as well as independent sources. We have not independently verified this information, or any of the data or analyses underlying such information, and cannot assure you of its accuracy and completeness in any respect. As a result, you should be aware that market and industry data set forth herein, and estimates and beliefs based on such data, may not be reliable. Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2006 population estimates provided by Claritas Inc.

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**PROSPECTUS SUMMARY**

*This summary highlights selected information from this prospectus and does not contain all the information that you should consider before buying shares in this offering. You should read the entire prospectus carefully, especially Risk Factors and the financial statements and notes, before deciding to invest in shares of our common stock.*

**Our Company**

Leap Wireless International, Inc., or Leap, together with its wholly owned subsidiaries, is a wireless communications carrier that offers digital wireless service in the United States of America, or the U.S., under the brands Cricket® and Jump Mobile. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends and distributions, if any, from its operating subsidiaries. The Cricket and Jump Mobile services are offered by Leap's wholly owned subsidiary, Cricket Communications Inc., or Cricket. The Cricket and Jump Mobile services are also offered in certain markets through Alaska Native Broadband 1 License, LLC, or ANB 1 License, a wholly owned subsidiary of Alaska Native Broadband 1, LLC, or ANB 1, a joint venture in which Cricket owns a 75% non-controlling interest. Although Cricket does not control ANB 1, it has agreements with it which allow Cricket to actively participate in the development of these markets and the provision of Cricket and Jump Mobile services in them.

**Cricket Business Overview**

We offer wireless voice and data services primarily under the brand Cricket on a flat-rate, unlimited-usage basis without requiring fixed-term contracts. At December 31, 2005, Cricket operated in 19 states and had approximately 1,668,000 customers, and the total potential customers, or POPs, covered by our networks in our operating markets was approximately 27.7 million. As of December 31, 2005, we and ANB 1 License owned wireless licenses covering a total of 70.0 million POPs in the aggregate. We are currently building out and launching the new markets that we and ANB 1 License have acquired, and we anticipate that our combined network footprint will cover over 42 million POPs by the end of 2006.

We believe that our business model is different from most other wireless companies, and that our services primarily target market segments underserved by traditional communications companies. Our Cricket service allows customers to make and receive unlimited calls for a flat monthly rate, without a fixed-term contract or credit check. Most other wireless service providers offer customers a complex array of rate plans that may include additional charges for minutes above a set maximum. This approach may result in monthly service charges that are higher than their customers expect or may cause customers to use the services less than they desire to avoid higher charges.

We have designed the Cricket service to appeal to customers who value unlimited mobile calling with a predictable monthly bill and who make the majority of their calls from within their local area. With wireless penetration in the U.S. estimated at approximately 70% as of December 31, 2005, the majority of existing wireless customers subscribe to post-pay services that require credit approval and a contractual commitment from the subscriber for a period of one year or greater. We believe that customers who require a significantly larger amount of voice usage than average, who are price-sensitive or who prefer not to enter into fixed-term contracts represent a large portion of the remaining growth potential in the U.S. wireless market. We believe we are able to serve this customer segment and generate significant adjusted OIBDA (operating income before depreciation and amortization) performance because of our high quality networks and low customer acquisition and operating costs.

Our premium Cricket service plan offers customers unlimited local and domestic long distance service combined with unlimited use of multiple calling features and messaging services for a flat rate of \$45 per month. We also offer a similar plan without calling features and messaging services for \$40 per month and a service which allows customers to make unlimited calls within a local calling area and receive unlimited calls from any area for a flat rate of \$35 per month. In June 2004 we began offering additional enhancements that include games and other improved data services. In April 2005 we added instant messaging and multimedia (picture) messaging to our



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product portfolio. In May 2005 we introduced our Travel Time<sup>®</sup> roaming option, for our customers who occasionally travel outside their Cricket service area.

We sell our Cricket handsets and service primarily through two channels: Cricket's own retail locations and kiosks (the direct channel); and authorized dealers and distributors, including premier dealers, local market authorized dealers, national retail chains and other indirect distributors (the indirect channel). As of December 31, 2005, we had 90 direct locations and 1,607 indirect distributors. Our direct sales locations were responsible for approximately 32% of our gross customer additions in 2005. Premier dealers, which sell Cricket products, usually exclusively, in stores that look and function similar to our company-owned stores, enhance the in-store experience for customers and expand our brand presence within a market. We had approximately 80 premier dealers deployed at December 31, 2005.

We believe that our business model can be expanded successfully into adjacent and new markets because we offer a differentiated service and an attractive value proposition to our customers at costs significantly lower than most of our competitors. By building or enhancing market clusters, we are able to increase the size of our unlimited local calling area for our customers, while leveraging our existing network investments to improve our economic returns. Examples of our market-cluster strategy include the Fresno, California market we recently launched to complement the Visalia and Modesto, California markets in our Central Valley cluster and the Oregon cluster we intend to create by contributing our Salem and Eugene, Oregon markets to a new joint venture, LCW Wireless, LLC, or LCW Wireless, which owns a license for Portland, Oregon. Examples of our strategic market expansion include the five licenses in central Texas, including Houston, Austin and San Antonio, and the San Diego, California license that we and ANB 1 License acquired in the FCC's Auction #58, all of which meet our internally developed criteria concerning customer demographics and population density which we believe will enable us to offer Cricket service on a cost-competitive basis in those markets.

### **Cricket Business Strategy**

Our business strategy is to (1) target market segments underserved by traditional communications companies, (2) develop and evolve our product and service offerings, (3) build our brand awareness and improve the productivity of our distribution system and (4) enhance our current market clusters and expand into new geographic markets.

We have deployed a state-of-the-art 100% Code Division Multiple Access radio transmission technology, or CDMA 1xRTT, network in each of our markets that delivers high capacity and outstanding quality at a low cost, and that can be easily upgraded to support enhanced capacity. We recently announced our plans to begin deploying in 2006 CDMA2000<sup>®</sup> 1xEV-DO technology in certain existing and new Cricket markets as appropriate to support next generation high-speed data services, such as mobile content, location-based services and high-quality music downloads at speeds of up to 2.4 Megabits per second.

### **Corporate Information**

Leap was formed as a Delaware corporation in June 1998 as a subsidiary of Qualcomm Incorporated, or Qualcomm. Qualcomm distributed the common stock of Leap in a spin-off distribution to Qualcomm's stockholders in September 1998. Under a license from Leap, the Cricket service was first introduced in Chattanooga, Tennessee in March 1999 by Chase Telecommunications, Inc., a company that Leap acquired in March 2000.

In April 2003, Leap, Cricket and substantially all of their subsidiaries filed voluntary petitions for relief under Chapter 11 in federal bankruptcy court. On August 16, 2004, our plan of reorganization became effective and we emerged from Chapter 11 bankruptcy. On that date, a new board of directors of Leap was appointed, Leap's previously existing stock, options and warrants were cancelled, Leap's long-term indebtedness was reduced substantially, and Leap issued 60 million shares of new Leap common stock to two classes of creditors. See Business Chapter 11

Proceedings Under the Bankruptcy Code. On June 29, 2005, Leap became listed on the Nasdaq National Market under the symbol LEAP.

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Our principal executive offices are located at 10307 Pacific Center Court, San Diego, California 92121 and our telephone number at that address is (858) 882-6000. Our principal websites are located at [www.leapwireless.com](http://www.leapwireless.com), [www.mycricket.com](http://www.mycricket.com) and [www.jumpmobile.com](http://www.jumpmobile.com). The information contained in, or that can be accessed through, our websites is not part of this prospectus.

Leap and the Leap logo design are U.S. registered trademarks of Leap. Cricket is a U.S. registered trademark of Cricket. In addition, the following are trademarks or service marks of Cricket: Unlimited Access, Unlimited Plus, Unlimited Classic, Jump, Travel Time, Cricket Clicks and the Cricket K.

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**The Offering**

Common stock offered by the selling stockholders	16,860,077 shares
Common stock outstanding before offering	61,212,528 shares
Common stock outstanding after the offering	61,212,528 shares
Use of proceeds	We will not receive any proceeds from this offering.
Registration rights	We have agreed to use all reasonable efforts to keep the shelf registration statement, of which this prospectus forms a part, effective and current until the date that all of the shares of common stock covered by this prospectus may be freely traded without the effectiveness of such registration statement.
Trading	Our common stock is listed for trading on the Nasdaq National Market under the symbol LEAP.
Risk factors	See Risk Factors and the other information in this prospectus for a discussion of the factors you should carefully consider before deciding to invest in our common stock.

The outstanding share information shown above is based on our shares outstanding as of April 10, 2006, and this information excludes:

600,000 shares of common stock issuable upon the exercise of outstanding warrants at an exercise price of \$16.83;

791,970 shares of common stock available for future issuance under our Employee Stock Purchase Plan;

2,075,519 shares of common stock reserved for issuance upon the exercise of outstanding stock options at a weighted average exercise price of \$30.21;

an aggregate of 1,519,983 shares of common stock available for future issuance under our 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan; and

additional shares of common stock constituting up to five percent of our outstanding shares, or 3,060,626 shares as of April 10, 2006, which we will be obligated to reserve for potential issuance to CSM Wireless, LLC upon the exercise of CSM's option to put its entire equity interest in LCW Wireless to our subsidiary, Cricket. Subject to certain conditions, we will be obligated to satisfy the put price in cash or in shares of our common stock, or a combination of cash and common stock, in our sole discretion. See Business Arrangements with LCW Wireless.

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**RISK FACTORS**

*You should consider carefully the following information about the risks described below, together with the other information contained in this prospectus before you decide to buy the common stock offered by this prospectus. If any of the following risks actually occurs, our business, financial condition, results of operations and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you may lose all or part of the money you paid to buy our common stock.*

**Risks Related to Our Business and Industry**

***We Have Experienced Net Losses, and We May Not Be Profitable in the Future.***

We experienced net losses of \$8.4 million and \$49.3 million (excluding reorganization items, net) for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively. In addition, we experienced net losses of \$597.4 million for the year ended December 31, 2003, \$664.8 million for the year ended December 31, 2002 and \$483.3 million for the year ended December 31, 2001. Although we had net income of \$30.0 million for the year ended December 31, 2005, we may not generate profits in the future on a consistent basis, or at all. If we fail to achieve consistent profitability, that failure could have a negative effect on our financial condition.

***We May Not Be Successful in Increasing Our Customer Base Which Would Negatively Affect Our Business Plans and Financial Outlook.***

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

***If We Experience High Rates of Customer Turnover or Credit Card Subscription or Dealer Fraud, Our Ability to Become Profitable Will Decrease.***

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

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

***We Have Made Significant Investment, and Will Continue to Invest, in Joint Ventures and Designated Entities, including ANB 1 and LCW Wireless, That We Do Not Control.***

In November 2004, we acquired a 75% non-controlling interest in ANB 1, whose wholly owned subsidiary was awarded certain licenses in Auction #58. In November 2005, we entered into an agreement pursuant to which we will acquire a 73.3% non-controlling interest in LCW Wireless, which owns a wireless license for the Portland, Oregon market and to which we expect to contribute two wireless licenses and our operating assets in Eugene and

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Salem, Oregon. Our participation in these joint ventures is structured as a non-controlling interest in order to comply with FCC rules and regulations. We have agreements with our joint venture partner in ANB 1 and we plan to have similar agreements in connection with future joint venture arrangements we may enter into that are intended to allow us to actively participate in the development of the business of the joint venture. However, these agreements do not provide us with control over the business strategy, financial goals, build-out plans or other operational aspects of any such joint venture. The FCC's rules restrict our ability to acquire controlling interests in such entities during the period that such entities must maintain their eligibility as a designated entity, as defined by the FCC. The entities that control the joint ventures may have interests and goals that are inconsistent or different from ours which could result in the joint venture taking actions that negatively impact our business or financial condition. In addition, if any of the other members of a joint venture files for bankruptcy or otherwise fails to perform its obligations or does not manage the joint venture effectively, we may lose our equity investment in, and any present or future rights to acquire the assets (including wireless licenses) of, such entity.

***We Face Increasing Competition Which Could Have a Material Adverse Effect on Demand for the Cricket Service.***

In general, the telecommunications industry is very competitive. Some competitors have announced rate plans substantially similar to Cricket's service plans (and have also introduced products that consumers perceive to be similar to Cricket's service plans) in markets in which we offer wireless service. In addition, the competitive pressures of the wireless telecommunications market have caused other carriers to offer service plans with large bundles of minutes of use at low prices which are competing with the predictable and unlimited Cricket calling plans. Some competitors also offer prepaid wireless plans that are being advertised heavily to demographic segments that are strongly represented in Cricket's customer base. These competitive offerings could adversely affect our ability to maintain our pricing and increase or maintain our market penetration. Our competitors may attract more customers because of their stronger market presence and geographic reach. Potential customers may perceive the Cricket service to be less appealing than other wireless plans, which offer more features and options. In addition, existing carriers and potential non-traditional carriers are exploring or have announced the launch of service using new technologies and/or alternative delivery plans.

In addition, some of our competitors are able to offer their customers roaming services on a nationwide basis and at lower rates. We currently offer roaming services on a prepaid basis. Many competitors have substantially greater financial and other resources than we have, and we may not be able to compete successfully. Because of their size and bargaining power, our larger competitors may be able to purchase equipment, supplies and services at lower prices than we can. As consolidation in the industry creates even larger competitors, any purchasing advantages our competitors have may increase, as well as their bargaining power as wholesale providers of roaming services.

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

The FCC is pursuing policies designed to increase the number of wireless licenses available in each of our markets. For example, the FCC has adopted rules that allow the partitioning, disaggregation or leasing of PCS and other wireless licenses, and continues to allocate and auction additional spectrum that can be used for wireless services, which may increase the number of our competitors.

***We Have Identified Material Weaknesses in Our Internal Control Over Financial Reporting, and Our Business and Stock Price May Be Adversely Affected If We Do Not Remediate All of These Material Weaknesses, or If We Have Other Material Weaknesses in Our Internal Control Over Financial Reporting.***

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In connection with their evaluations of our disclosure controls and procedures, our CEO and CFO have concluded that certain material weaknesses in our internal control over financial reporting existed as of September 30, 2004, December 31, 2004, March 31, 2005, June 30, 2005, September 30, 2005 and December 31, 2005 with



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respect to turnover and staffing levels in our accounting, financial reporting and tax departments (arising in part in connection with our now completed bankruptcy proceedings) and the preparation of our income tax provision.

With respect to turnover and staffing, we did not maintain a sufficient complement of personnel with the appropriate skills, training and company-specific experience to identify and address the application of generally accepted accounting principles in complex or non-routine transactions. Specifically, we have experienced staff turnover, and as a result, we have experienced a lack of knowledge transfer to new employees within our accounting, financial reporting and tax functions. In addition, we do not have a full-time director of our tax function. This control deficiency contributed to the material weakness concerning the preparation of our income tax provision described below. Additionally, this control deficiency could result in a misstatement of accounts and disclosures that would result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

With respect to the preparation of our income tax provision, we did not maintain effective controls over our accounting for income taxes. Specifically, we did not have adequate controls designed and in place to ensure the completeness and accuracy of the deferred income tax provision and the related deferred tax assets and liabilities and the related goodwill in conformity with generally accepted accounting principles. This control deficiency resulted in the restatement of our consolidated financial statements for the five months ended December 31, 2004 and the consolidated financial statements for the two months ended September 30, 2004 and the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005, as well as audit adjustments to our 2005 annual consolidated financial statements. Additionally, this control deficiency could result in a misstatement of income tax expense, deferred tax assets and liabilities and the related goodwill that would result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

In connection with their evaluations of our disclosure controls and procedures, our CEO and CFO also previously concluded that certain material weaknesses in our internal control over financial reporting existed as of December 31, 2004 and March 31, 2005 with respect to the application of lease-related accounting principles, fresh-start reporting oversight, and account reconciliation procedures. We believe we have adequately remediated the material weaknesses associated with lease accounting, fresh-start reporting oversight and account reconciliation procedures.

Although we are engaged in remediation efforts with respect to the material weaknesses related to staffing levels and income tax provision preparation, the existence of one or more material weaknesses could result in errors in our financial statements, and substantial costs and resources may be required to rectify any internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed.

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

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

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

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

***Our Primary Business Strategy May Not Succeed in the Long Term.***

A major element of our business strategy is to offer consumers service plans that allow unlimited calls for a flat monthly rate without entering into a fixed-term contract or passing a credit check. However, unlike national wireless carriers, we do not seek to provide ubiquitous coverage across the U.S. or all major metropolitan centers, and instead have a smaller network footprint covering only the principal population centers of our various markets. This strategy may not prove to be successful in the long term. From time to time, we also evaluate our service offerings and the demands of our target customers and may modify, change or adjust our service offerings or offer new services. We cannot assure you that these service offerings will be successful or prove to be profitable.

***We Expect to Incur Substantial Costs in Connection with the Build-Out of Our New Markets, and any Delays in the Build-Out of Our New Markets Could Adversely Affect Our Business.***

Our ability to achieve our strategic objectives will depend in part on the successful, timely and cost-effective build-out of the networks associated with newly acquired FCC licenses, including those owned by ANB 1 License and LCW Wireless, into new markets that complement our clustering strategy or provide strategic expansion opportunities. Large scale construction projects such as the build-out of our new markets may suffer cost-overruns. In addition, the build-out of the networks may be delayed or adversely affected by a variety of factors, uncertainties and contingencies, such as natural disasters, difficulties in obtaining zoning permits or other regulatory approvals, our relationships with our joint venture partners, and the timely performance by third parties of their contractual obligations to construct portions of the networks. Any failure to complete the build-out of our new markets on budget or on time could delay the implementation of our clustering and strategic expansion strategies, and could have a material adverse effect on our results of operations and financial condition.

***If We Are Unable to Manage Our Planned Growth, Our Operations Could Be Adversely Impacted.***

We have experienced growth in a relatively short period of time and expect to continue to experience growth in the future in our existing and new markets. The management of such growth will require, among other things, continued development of our financial and management controls and management information systems, stringent control of costs, diligent management of our network infrastructure and its growth, increased spending associated with marketing activities and acquisition of new customers, the ability to attract and retain qualified management personnel and the training of new personnel. Failure to successfully manage our expected growth and development could have a material adverse effect on our business, financial condition and results of operations.

***The Wireless Industry is Experiencing Rapid Technological Change, and We May Lose Customers if We Fail to Keep Up with These Changes.***

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. In the future, competitors may seek to provide competing wireless telecommunications service through the use of developing technologies such as Wi-Fi, Wi-Max, and Voice over Internet Protocol, or

VoIP. The cost of implementing or competing against future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep up with these changes.

For example, we have committed a substantial amount of capital to upgrade our network with 1xEV-DO technology to offer advanced data services. However, if such upgrades, technologies or services do not become commercially acceptable, our revenues and competitive position could be materially and adversely affected. We

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cannot assure you that there will be widespread demand for advanced data services or that this demand will develop at a level that will allow us to earn a reasonable return on our investment.

***The Loss of Key Personnel and Difficulty Attracting and Retaining Qualified Personnel Could Harm Our Business.***

We believe our success depends heavily on the contributions of our employees and on attracting, motivating and retaining our officers and other management and technical personnel. We do not, however, generally provide employment contracts to our employees. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

We have experienced higher than normal employee turnover in the past, in part because of our bankruptcy, including turnover of individuals at the most senior management levels. We may have difficulty attracting and retaining key personnel in future periods, particularly if we were to experience poor operating or financial performance. The loss of key individuals in the future may have a material adverse impact on our ability to effectively manage and operate our business.

***Risks Associated with Wireless Handsets Could Pose Product Liability, Health and Safety Risks That Could Adversely Affect Our Business.***

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

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

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

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

***We Rely Heavily on Third Parties to Provide Specialized Services; a Failure by Such Parties to Provide the Agreed Services Could Materially Adversely Affect Our Business, Results of Operations and Financial Condition.***

We depend heavily on suppliers and contractors with specialized expertise in order for us to efficiently operate our business. In the past, our suppliers, contractors and third-party retailers have not always performed at the levels we expect or at the levels required by their contracts. If key suppliers, contractors or third-party retailers fail to comply with their contracts, fail to meet our performance expectations or refuse or are unable to supply us in the

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future, our business could be severely disrupted. Generally, there are multiple sources for the types of products we purchase. However, some suppliers, including software suppliers, are the exclusive sources of their specific products. In addition, we currently purchase a substantial majority of the handsets we sell from one supplier. Because of the costs and time lags that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could have a material adverse affect on our business, results of operations and financial condition.

### ***System Failures Could Result in Higher Churn, Reduced Revenue and Increased Costs, and Could Harm Our Reputation.***

Our technical infrastructure (including our network infrastructure and ancillary functions supporting our network such as billing and customer care) is vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, fires, human error, terrorism, intentional wrongdoing, or similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. In addition, we are in the process of upgrading some of our internal network systems, including our billing system, and we cannot assure you that we will not experience delays or interruptions while we transition our data and existing systems onto our new systems. If any of the above events were to occur, we could experience higher churn, reduced revenues and increased costs, any of which could harm our reputation and have a material adverse effect on our business.

### ***We May Not be Successful in Protecting and Enforcing Our Intellectual Property Rights.***

We rely on a combination of patent, service mark, trademark, and trade secret laws and contractual restrictions to establish and protect our proprietary rights, all of which only offer limited protection. We endeavor to enter into agreements with our employees and contractors and agreements with parties with whom we do business in order to limit access to and disclosure of our proprietary information. Despite our efforts, the steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary rights. Moreover, others may independently develop processes and technologies that are competitive to ours. The enforcement of our intellectual property rights may depend on any legal actions that we may undertake against such infringers being successful, but we cannot be sure that any such actions will be successful, even when our rights have been infringed.

We cannot assure you that our pending, or any future, patent applications will be granted, that any existing or future patents will not be challenged, invalidated or circumvented, that any existing or future patents will be enforceable, or that the rights granted under any patent that may issue will provide competitive advantages to us. Similarly, we cannot assure you that any trademark or service mark registrations will be issued with respect to pending or future applications or that any registered trademarks or service marks will be enforceable or provide adequate protection of our brands.

### ***We May Be Subject to Claims of Infringement Regarding Telecommunications Technologies That Are Protected by Patents and Other Intellectual Property Rights.***

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

us to enter into royalty or licensing agreements (which may not be available on acceptable terms, or at all), or requiring us to redesign our business operations or systems to avoid claims of infringement.



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

### ***Regulation by Government Agencies May Increase Our Costs of Providing Service or Require Us to Change Our Services.***

The FCC regulates the licensing, construction, modification, operation, ownership, sale and interconnection of wireless communications systems, as do some state and local regulatory agencies. We cannot assure you that the FCC or any state or local agencies having jurisdiction over our business will not adopt regulations or take other enforcement or other actions that would adversely affect our business, impose new costs or require changes in current or planned operations. In particular, state regulatory agencies are increasingly focused on the quality of service and support that wireless carriers provide to their customers and several agencies have proposed or enacted new and potentially burdensome regulations in this area. In addition, we cannot assure you that the Communications Act of 1934, as amended, or the Communications Act, from which the FCC obtains its authority, will not be further amended in a manner that could be adverse to us.

Our operations are subject to various other regulations, including those regulations promulgated by the Federal Trade Commission, the Federal Aviation Administration, the Environmental Protection Agency, the Occupational Safety and Health Administration and state and local regulatory agencies and legislative bodies. Adverse decisions or regulations of these regulatory bodies could negatively impact our operations and costs of doing business. Because of our smaller size, governmental regulations and orders can significantly increase our costs and affect our competitive position compared to other larger telecommunications providers. We are unable to predict the scope, pace or financial impact of regulations and other policy changes that could be adopted by the various governmental entities that oversee portions of our business.

### ***If Call Volume under Our Cricket Flat Price Plans Exceeds Our Expectations, Our Costs of Providing Service Could Increase, Which Could Have a Material Adverse Effect on Our Competitive Position.***

Cricket customers currently use their handsets approximately 1,450 minutes per month, and some markets are experiencing substantially higher call volumes. We offer service plans that bundle certain features, long distance and unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. If customers exceed expected usage, we could face capacity problems and our costs of providing the services could increase. Although we own less spectrum in many of our markets than our competitors, we seek to design our network to accommodate our expected high call volume, and we consistently assess and try to implement technological improvements to increase the efficiency of our wireless spectrum. However, if future wireless use by Cricket customers exceeds the capacity of our network, service quality may suffer. We may be forced to raise the price of Cricket service to reduce volume or otherwise limit the number of new customers, or incur substantial capital expenditures to improve network capacity.

### ***We May Be Unable to Acquire Additional Spectrum in the Future at a Reasonable Cost or on a Timely Basis.***

Because we offer unlimited calling services for a fixed fee, our customers' average minutes of use per month is substantially above the U.S. wireless customer average. We intend to meet this demand by utilizing spectrum efficient technologies. There may come a point where we need to acquire additional spectrum in order to maintain an

acceptable grade of service or provide new services to meet increasing customer demands. However, we cannot assure you that additional spectrum would be made available by the FCC on a timely basis or that we will be able to acquire additional spectrum at auction or in the after-market at a reasonable cost. If such additional spectrum is not available to us at that time, our results of operations could be adversely affected.

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***Future Declines in the Fair Value of Our Wireless Licenses Could Result in Future Impairment Charges.***

During the three months ended June 30, 2003, we recorded an impairment charge of \$171.1 million to reduce the carrying value of our wireless licenses to their estimated fair value. However, as a result of our adoption of fresh-start reporting under American Institute of Certified Public Accountants' Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code, or SOP 90-7, we increased the carrying value of our wireless licenses to \$652.6 million at July 31, 2004, the fair value estimated by management based in part on information provided by an independent valuation consultant. During the year ended December 31, 2005, we recorded impairment charges of \$12.0 million.

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

consolidation in the wireless industry allows or requires carriers to sell significant portions of their wireless spectrum holdings;

a sudden large sale of spectrum by one or more wireless providers occurs; or

market prices decline as a result of the bidding activity in upcoming FCC auctions, including the upcoming auction allocated for Advanced Wireless Services.

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

***Declines in Our Operating Performance Could Ultimately Result in an Impairment of Our Indefinite-Lived Assets, Including Goodwill, or Our Long-Lived Assets, Including Property and Equipment.***

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

***We May Incur Higher Than Anticipated Inter-carrier Compensation Costs.***

When our customers use our service to call customers of other carriers, we are required under the current inter-carrier compensation scheme to pay the carrier that serves the called party. Similarly, when a customer of another carrier calls one of our customers, that carrier is required to pay us. While in most cases we have been successful in negotiating agreements with other carriers that impose reasonable reciprocal compensation arrangements, some carriers have claimed a right to unilaterally impose what we believe to be unreasonably high charges on us. The FCC is actively considering possible regulatory approaches to address this situation but we cannot assure you that the FCC rulings will be beneficial to us. An adverse ruling or FCC inaction could result in carriers successfully collecting higher inter-carrier fees from us, which could adversely affect our business.

The FCC also is considering making various significant changes to the intercarrier compensation scheme to which we are subject. We cannot predict with any certainty the likely outcome of this FCC proceeding. Some of the alternatives that are under active consideration by the FCC could severely increase the interconnection costs we pay. If we are unable to cost-effectively provide our products and services to customers, our competitive position and business prospects could be materially adversely affected.

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***Because Our Consolidated Financial Statements Reflect Fresh-Start Reporting Adjustments Made upon Our Emergence from Bankruptcy, Financial Information in Our Current and Future Financial Statements Will Not Be Comparable to Our Financial Information for Periods Prior to Our Emergence from Bankruptcy.***

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

***Our Indebtedness Could Adversely Affect Our Financial Health.***

We have now and will continue to have a significant amount of indebtedness. As of December 31, 2005, our total outstanding indebtedness under our secured credit facility was \$594.4 million. We also had \$110 million available for borrowing under our revolving credit facility (which forms part of our secured credit facility). To the extent we raise additional funds in the future, we expect to obtain much of such capital through debt financing. The existing indebtedness under our secured credit facility bears interest at a variable rate, but we have entered into interest rate swap agreements with respect to \$355 million of our indebtedness.

Our substantial indebtedness could have important consequences. For example, it could:

make it more difficult for us to satisfy our debt obligations;

increase our vulnerability to general adverse economic and industry conditions;

impair our ability to obtain additional financing in the future for working capital needs, capital expenditures, building out our network, acquisitions and general corporate purposes;

require us to dedicate a substantial portion of our cash flows from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of our cash flows to fund working capital needs, capital expenditures, acquisitions and other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

place us at a disadvantage compared to our competitors that have less indebtedness; and

subject us to higher interest expense in the event of increases in interest rates because our indebtedness under our secured credit facility bears interest at a variable rate. For a description of our secured credit facility, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Secured Credit Facility below.

***Despite Current Indebtedness Levels, We May Incur Substantially More Indebtedness. This Could Further Increase the Risks Associated with Our Leverage.***

We will be able to incur substantial additional indebtedness in the future. Our secured credit facility permits us to incur additional indebtedness under various financial ratio tests. As of April 10, 2006, we had made no drawings

under our \$110 million revolving credit facility (which forms part of our secured credit facility). If new indebtedness is added to our current levels of indebtedness, the related risks that we now face could intensify. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Secured Credit Facility below.

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***To Service Our Indebtedness and Fund Our Working Capital and Capital Expenditures, We Will Require a Significant Amount of Cash. Our Ability to Generate Cash Depends on Many Factors Beyond Our Control.***

Our ability to make payments on our indebtedness will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings, including borrowings under our revolving credit facility, will be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. If the cash flow from our operating activities is insufficient, we may take actions, such as delaying or reducing capital expenditures (including expenditures to build out our newly acquired wireless licenses), attempting to restructure or refinance our indebtedness prior to maturity, selling assets or operations or seeking additional equity capital. Any or all of these actions may be insufficient to allow us to service our debt obligations. Further, we may be unable to take any of these actions on commercially reasonable terms, or at all.

***Covenants in Our Secured Credit Agreement May Limit Our Ability to Operate Our Business.***

Under our senior secured credit agreement, referred to in this prospectus as the Credit Agreement, we must comply, among other things, with certain specified financial ratios, including a fixed charge coverage ratio, a maximum total leverage ratio and a maximum senior secured leverage ratio. If we default under the Credit Agreement because of a covenant breach or otherwise, all outstanding amounts could become immediately due and payable. The restrictions in our Credit Agreement could limit our ability to obtain debt financing, repurchase stock, refinance or pay principal or interest on our outstanding indebtedness, complete acquisitions for cash or debt or react to changes in our operating environment.

Our failure to timely file our Annual Report on Form 10-K for fiscal year ended December 31, 2004 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2005 constituted defaults under our secured credit agreement, and the restatement of certain of the historical consolidated financial information contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 may have constituted a default under our secured credit agreement. Although we were able to obtain limited waivers under our Credit Agreement with respect to these events, we cannot assure you that we will be able to obtain a waiver in the future should a default occur.

***Rises in Interest Rates Could Adversely Affect our Financial Condition.***

An increase in prevailing interest rates would have an immediate effect on the interest rates charged on our variable rate debt, which rise and fall upon changes in prevailing interest rates. As of December 31, 2005, we estimate that approximately 40% of our debt was variable rate debt. If prevailing interest rates or other factors result in higher interest rates on our variable rate debt, the increased interest expense would adversely affect our cash flow and our ability to service our debt.

***Risks Related to this Offering and Ownership of Our Common Stock***

***Our Stock Price May Be Volatile, and You May Lose All or Some of Your Investment.***

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

variations in our operating results;

announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;

recruitment or departure of key personnel;



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changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock; and

market conditions in our industry and the economy as a whole.

***The 16,860,077 Shares of Leap Common Stock Registered for Resale by Our Shelf Registration Statement on Form S-1, of Which This Prospectus Forms a Part, May Adversely Affect the Market Price of Leap's Common Stock.***

As of April 10, 2006, 61,212,528 shares of Leap common stock were issued and outstanding. Our resale shelf registration statement on Form S-1, of which this prospectus forms a part, registers for resale 16,860,077 shares, or approximately 27.5% of Leap's outstanding common stock. We are unable to predict the potential effect that sales into the market of any material portion of such shares may have on the then prevailing market price of Leap's common stock. If any of these holders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital.

***Your Ownership Interest in Leap Will Be Diluted Upon Issuance of Shares We Have Reserved for Future Issuances, and Future Issuances or Sales of Such Shares May Adversely Affect The Market Price of Leap's Common Stock.***

As of April 10, 2006, 61,212,528 shares of Leap common stock were issued and outstanding, and 4,987,472 additional shares of Leap common stock were reserved for issuance, including 3,595,502 shares reserved for issuance upon exercise of awards granted or available for grant under Leap's 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan, 791,970 shares reserved for issuance under Leap's Employee Stock Purchase Plan, and 600,000 shares reserved for issuance upon exercise of outstanding warrants.

In addition, upon the closing of the LCW Wireless transaction, Leap will be obligated to reserve up to five percent of its outstanding shares, or 3,060,626 shares as of April 10, 2006, for potential issuance to CSM Wireless, LLC, or CSM, upon the exercise of CSM's option to put its entire equity interest in LCW Wireless to Cricket. Under the amended and restated limited liability company agreement with CSM and WLPCS Management, LLC, or WLPCS, which is referred to in this prospectus as the LCW LLC Agreement, the purchase price for CSM's equity interest will be calculated on a *pro rata* basis using either the appraised value of LCW Wireless or a multiple of Leap's enterprise value divided by its adjusted EBITDA and applied to LCW Wireless' adjusted EBITDA to impute an enterprise value and equity value for LCW Wireless. Cricket may satisfy the put price either in cash or in Leap common stock, or a combination thereof, as determined by Cricket in its discretion. However, the covenants in Cricket's \$710 million senior secured credit facility do not permit Cricket to satisfy any substantial portion of its put obligations to CSM in cash. If Cricket satisfies its put obligations to CSM with Leap common stock, the obligations of the parties are conditioned upon the block of Leap common stock issuable to CSM not constituting more than five percent of Leap's outstanding common stock at the time of issuance. Dilution of the outstanding number of shares of Leap's common stock could adversely affect prevailing market prices for Leap's common stock.

We have agreed to prepare and file a resale shelf registration statement for any shares of Leap common stock issued to CSM in connection with the put, and to use our reasonable efforts to cause such registration statement to be declared effective by the SEC. In addition, we have registered all shares of common stock that we may issue under our stock option, restricted stock and deferred stock unit plan and under our employee stock purchase plan. When we issue shares under these stock plans, they can be freely sold in the public market. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital. See Business Arrangements with LCW

Wireless below.

***Our Directors and Affiliated Entities Have Substantial Influence over Our Affairs.***

Our directors and entities affiliated with them beneficially owned in the aggregate approximately 27.9% of our common stock as of April 10, 2006. These stockholders have the ability to exert substantial influence over all matters requiring approval by our stockholders. These stockholders will be able to influence the election and

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removal of directors and any merger, consolidation or sale of all or substantially all of Leap's assets and other matters. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination.

***Provisions in Our Amended and Restated Certificate of Incorporation and Bylaws or Delaware Law Might Discourage, Delay or Prevent a Change in Control of Our Company or Changes in Our Management and, Therefore, Depress The Trading Price of Our Common Stock.***

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

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

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

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

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

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

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

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Except for the historical information contained herein, this prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current forecast of certain aspects of Leap's future. You can identify most forward-looking statements by forward-looking words such as believe, think, may, could, will, estimate, continue, anticipate, intend, seek, plan, and similar expressions in this prospectus. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors' initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- our ability to comply with the covenants in our senior secured credit facilities;
- our ability to attract, motivate and retain an experienced workforce;
- failure of network systems to perform according to expectations; and
- other factors detailed in the section entitled "Risk Factors" commencing on page 5 of this prospectus.

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

**Table of Contents****USE OF PROCEEDS**

We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

**PRICE RANGE OF COMMON STOCK**

Our common stock traded on the OTC Bulletin Board until August 16, 2004 under the symbol LWINQ. When we emerged from our Chapter 11 proceedings on August 16, 2004, all of our formerly outstanding common stock was cancelled in accordance with our plan of reorganization and our former common stockholders ceased to have any ownership interest in us. The new shares of our common stock issued under our plan of reorganization traded on the OTC Bulletin Board under the symbol LEAP. Commencing on June 29, 2005, our common stock became listed for trading on the Nasdaq National Market under the symbol LEAP.

Because the value of one share of our new common stock bears no relation to the value of one share of our old common stock, the trading prices of our new common stock are set forth separately from the trading prices of our old common stock.

The following table sets forth the high and low prices per share of our common stock for the quarterly periods indicated, which correspond to our quarterly fiscal periods for financial reporting purposes. Prices for our old common stock are bid quotations on the OTC Bulletin Board through August 16, 2004. Prices for our new common stock are bid quotations on the OTC Bulletin Board from August 17, 2004 through June 28, 2005 and sales prices on the Nasdaq National Market on and after June 29, 2005. Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	<b>High (\$)</b>	<b>Low (\$)</b>
<b>Old Common Stock</b>		
<b>Calendar Year 2004</b>		
First Quarter	0.06	0.03
Second Quarter	0.04	0.01
Third Quarter through August 16, 2004	0.02	0.01
<b>New Common Stock</b>		
Third Quarter beginning August 17, 2004	27.80	19.75
Fourth Quarter	28.10	19.00
<b>Calendar Year 2005</b>		
First Quarter	29.87	25.01
Second Quarter	28.90	23.00
Third Quarter	37.47	25.87
Fourth Quarter	39.45	31.15

On April 13, 2006, the last reported sale price of Leap's common stock on the Nasdaq National Market was \$47.05 per share. As of April 10, 2006, there were 61,212,528 shares of common stock outstanding held by approximately 159 holders of record.

**DIVIDEND POLICY**

Leap has never paid or declared any cash dividends on its common stock and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. The terms of our senior secured credit facilities entered into in January 2005 restrict our ability to declare or pay dividends. We intend to retain future earnings, if any, to fund our growth. Any future payment of dividends to our stockholders will depend on decisions that will be made by our board of directors and will depend on then existing conditions, including our financial condition, contractual restrictions, capital requirements and business prospects.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA****(In thousands, except per share data)**

The following selected financial data are derived from our consolidated financial statements and have been restated for the five months ended December 31, 2004 to reflect adjustments that are further discussed in Note 3 to the consolidated financial statements included elsewhere in this prospectus. These tables should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements included elsewhere in this prospectus. References in these tables to Predecessor Company refer to Leap and its subsidiaries on or prior to July 31, 2004. References to Successor Company refer to Leap and its subsidiaries after July 31, 2004, after giving effect to the implementation of fresh-start reporting. The financial statements of the Successor Company are not comparable in many respects to the financial statements of the Predecessor Company because of the effects of the consummation of the plan of reorganization as well as the adjustments for fresh-start reporting. For a description of fresh-start reporting, see Note 2 to the consolidated financial statements included elsewhere in this prospectus.

	<b>Successor Company</b>			<b>Predecessor Company</b>		
	<b>Five Months</b>		<b>Seven Months</b>			
	<b>Year Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Year Ended December 31,</b>		
	<b>December 31, 2005</b>	<b>December 31, 2004</b>	<b>July 31, 2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>(As Restated)</b>					
<b>Statement of</b>						
<b>Operations Data:</b>						
Revenues:						
Service revenues	\$ 763,680	\$ 285,647	\$ 398,451	\$ 643,566	\$ 567,694	\$ 215,917
Equipment revenues	150,983	58,713	83,196	107,730	50,781	39,247
Total revenues	914,663	344,360	481,647	751,296	618,475	255,164
Operating expenses:						
Cost of service (exclusive of items shown separately below)	(200,430)	(79,148)	(113,988)	(199,987)	(181,404)	(94,510)
Cost of equipment	(192,205)	(82,402)	(97,160)	(172,235)	(252,344)	(202,355)
Selling and marketing	(100,042)	(39,938)	(51,997)	(86,223)	(122,092)	(115,222)
General and administrative	(159,249)	(57,110)	(81,514)	(162,378)	(185,915)	(152,051)
Depreciation and amortization	(195,462)	(75,324)	(178,120)	(300,243)	(287,942)	(119,177)
Impairment of indefinite-lived intangible assets	(12,043)			(171,140)	(26,919)	

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Loss on disposal of property and equipment				(24,054)	(16,323)	
Total operating expenses	(859,431)	(333,922)	(522,779)	(1,116,260)	(1,072,939)	(683,315)
Gain on sale of wireless licenses and operating assets	14,587		532	4,589	364	143,633
Operating income (loss)	69,819	10,438	(40,600)	(360,375)	(454,100)	(284,518)
Equity in net loss of and write-down of investments in and loans receivable from unconsolidated wireless operating companies						(54,000)
Minority interest in loss of consolidated subsidiary	(31)					
Interest income	9,957	1,812		779	6,345	26,424
Interest expense	(30,051)	(16,594)	(4,195)	(83,371)	(229,740)	(178,067)
Foreign currency transaction losses, net						(1,257)
Gain on sale of unconsolidated wireless operating company					39,518	
Other income (expense), net	1,423	(117)	(293)	(176)	(3,001)	8,443
Income (loss) before reorganization items and income taxes	51,117	(4,461)	(45,088)	(443,143)	(640,978)	(482,975)
Reorganization items, net			962,444	(146,242)		
Income (loss) before income taxes	51,117	(4,461)	917,356	(589,385)	(640,978)	(482,975)
Income taxes	(21,151)	(3,930)	(4,166)	(8,052)	(23,821)	(322)
Net income (loss)	\$ 29,966	\$ (8,391)	\$ 913,190	\$ (597,437)	\$ (664,799)	\$ (483,297)
Net income (loss) per share:						
Basic net income (loss) per share(1)	\$ 0.50	\$ (0.14)	\$ 15.58	\$ (10.19)	\$ (14.91)	\$ (14.27)
Diluted net income (loss) per share(1)	\$ 0.49	\$ (0.14)	\$ 15.58	\$ (10.19)	\$ (14.91)	\$ (14.27)

Shares used in per share calculations(1):



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Basic	60,135	60,000	58,623	58,604	44,591	33,861
Diluted	61,003	60,000	58,623	58,604	44,591	33,861

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	As of December 31,				
	Successor Company		Predecessor Company		2001
	2005	2004 (As Restated)	2003	2002	
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 293,073	\$ 141,141	\$ 84,070	\$ 100,860	\$ 242,979
Working capital (deficit)(2)	240,862	145,762	(2,254,809)	(2,144,420)	189,507
Restricted cash, cash equivalents and short-term investments	13,759	31,427	55,954	25,922	40,755
Total assets	2,506,318	2,220,887	1,756,843	2,163,702	2,450,895
Long-term debt(2)	588,333	371,355			1,676,845
Total stockholders equity (deficit)	1,514,357	1,470,056	(893,356)	(296,786)	358,440

- (1) Refer to Notes 3 and 6 to the consolidated financial statements included elsewhere in this prospectus for an explanation of the calculation of basic and diluted net income (loss) per common share.
- (2) We have presented the principal and interest balances related to our outstanding debt obligations as current liabilities in the consolidated balance sheets as of December 31, 2003 and 2002, as a result of the then existing defaults under the underlying agreements.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under the section entitled Risk Factors and elsewhere in this prospectus, our actual results may differ materially from those anticipated in these forward-looking statements.*

**Overview**

*Restatement of Previously Reported Audited Annual and Unaudited Interim Consolidated Financial Information.* The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to certain restatement adjustments made to the previously reported consolidated financial statements for the five months ended December 31, 2004 and consolidated financial information for the interim period ended September 30, 2004 and the quarterly periods ended March 31, 2005, June 30, 2005 and September 30, 2005. See Note 3 to the consolidated financial statements included elsewhere in this prospectus for additional information.

*Our Business.* We offer wireless voice and data services primarily under the brand Cricket on a flat-rate, unlimited-usage basis without requiring fixed-term contracts. As of December 31, 2005, we had approximately 1,668,000 customers and our networks covered 27.7 million POPs. As of December 31, 2005, we and ANB 1 License owned wireless licenses covering a total of 70.0 million POPs, including licenses covering 22.5 million POPs that we and ANB 1 License acquired during 2005. We are currently building out or have launched the new markets that we and ANB 1 License have acquired, and we anticipate that our combined network footprint will cover over 42 million POPs by the end of 2006.

Our premium Cricket service plan offers unlimited local and domestic long distance combined with unlimited use of multiple calling features and messaging services for a flat rate of \$45 per month. We also offer a similar plan without calling features and messaging services for \$40 per month and a service which allows customers to make unlimited calls within a local calling area and receive unlimited calls from any area for a flat rate of \$35 per month. In June 2004 we began offering additional enhancements that include games and other improved data services. In September 2005 we launched our first per-minute prepaid service, Jump Mobile, to bring Cricket's attractive value proposition to customers who prefer active control over their wireless usage and to better target the urban youth market. In April 2005 we added instant messaging and multimedia (picture) messaging to our product portfolio. In May 2005 we introduced our Travel Time roaming option for our customers who occasionally travel outside their Cricket service area.

We believe that our business model can be expanded successfully into adjacent and new markets because we offer a differentiated service and attractive value proposition to our customers at costs significantly lower than most of our competitors. In 2005 we acquired four wireless licenses in the FCC's Auction #58 covering 11.3 million POPs and ANB 1 License acquired nine licenses covering 10.2 million POPs. In August 2005 we launched service in our newly acquired Fresno, California market to form a cluster with our existing Modesto and Visalia, California markets, which doubled our Central Valley network footprint to 2.4 million POPs. In November 2005 we entered into a series of agreements with CSM and the controlling members of WLPCS to obtain a 73.3% non-controlling equity interest in LCW Wireless, which currently holds a license for the Portland, Oregon market. We have agreed to contribute our existing Eugene and Salem, Oregon markets to LCW Wireless to create a new Oregon market cluster covering 3.2 million POPs. Completion of this transaction is subject to customary closing conditions, including FCC approval

and other third party consents. For a further discussion of our arrangements with ANB 1 and LCW Wireless, see Business Arrangements with Alaska Native Broadband and Business Arrangements with LCW Wireless below. In addition, in March 2006, Cricket Licensee (Reauction), Inc., entered into an agreement with a debtor-in-possession for the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of \$31.8 million. Completion of this transaction is subject to customary closing conditions, including FCC approval and approval of the court in which the seller's bankruptcy is proceeding, as well as the receipt of an FCC order agreeing to extend certain build-out requirements with respect to certain of the

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licenses. We currently intend to seek additional opportunities to enhance our current market clusters and expand into new geographic markets by participating in FCC spectrum auctions (including the upcoming auction allocated for Advanced Wireless Services ), by acquiring spectrum and related assets from third parties, or by participating in new partnerships or joint ventures.

Our principal sources of liquidity are our existing cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our \$110 million revolving credit facility (which was undrawn at April 10, 2006). From time to time, we may also generate additional liquidity through the sale of assets that are not material to or are not required for the ongoing operation of our business. We may also generate liquidity from offerings of debt and/or equity securities.

This overview is intended to be only a summary of significant matters concerning our results of operations and financial condition. It should be read in conjunction with the management discussion below and all of the business and financial information contained in this prospectus, including the consolidated financial statements included elsewhere in this prospectus.

## **Critical Accounting Policies and Estimates**

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require us to make estimates and judgments that affect our reported amounts of assets and liabilities, our disclosure of contingent assets and liabilities, and our reported amounts of revenues and expenses. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition and the valuation of deferred tax assets, long-lived assets and indefinite-lived intangible assets. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates.

We believe that the following significant accounting policies and estimates involve a higher degree of judgment and complexity than others.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of ANB 1 and its wholly owned subsidiary ANB 1 License. We own a 75% non-controlling interest in ANB 1. We consolidate our interest in ANB 1 in accordance with FASB Interpretation No. 46-R, Consolidation of Variable Interest Entities, because ANB 1 is a variable interest entity and we will absorb a majority of ANB 1's expected losses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

### ***Revenues and Cost of Revenues***

Cricket's business revenues principally arise from the sale of wireless services, handsets and accessories. Wireless services are generally provided on a month-to-month basis. Amounts received in advance for wireless services from customers who pay in advance are initially recorded as deferred revenues and are recognized as service revenue as services are rendered. Service revenues for customers who pay in arrears are recognized only after the service has been rendered and payment has been received. This is because we do not require any of our customers to sign fixed-term service commitments or submit to a credit check, and therefore some of our customers may be more likely

to terminate service for inability to pay than the customers of other wireless providers. We also charge customers for service plan changes, activation fees and other service fees. Revenues from service plan change fees are deferred and recorded to revenue over the estimated customer relationship period, and other service fees are recognized when received. Activation fees are allocated to the other elements of the multiple element arrangement (including service and equipment) on a relative fair value basis. Because the fair values of our handsets are higher than the total consideration received for the handsets and activation fees combined, we allocate the

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activation fees entirely to equipment revenues and recognize the activation fees when received. Direct costs associated with customer activations are expensed as incurred. Cost of service generally includes direct costs and related overhead, excluding depreciation and amortization, of operating our networks.

Equipment revenues arise from the sale of handsets and accessories, and activation fees as described above. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Sales of handsets to third-party dealers and distributors are recognized as equipment revenues when service is activated by customers, as we do not have sufficient relevant historical experience to establish reasonable estimates of returns by such dealers and distributors. Handsets sold by third-party dealers and distributors are recorded as inventory until they are sold to and activated by customers.

Sales incentives offered without charge to customers and volume-based incentives paid to our third-party dealers and distributors are recognized as a reduction of revenue and as a liability when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage. Returns of handsets and accessories are insignificant.

### ***Wireless Licenses***

Wireless licenses are initially recorded at cost and are not amortized. Wireless licenses are considered to be indefinite-lived intangible assets because we expect to continue to provide wireless service using the relevant licenses for the foreseeable future and the wireless licenses may be renewed every ten years for a nominal fee. Wireless licenses to be disposed of by sale are carried at the lower of carrying value or fair value less costs to sell.

### ***Goodwill and Other Intangible Assets***

Goodwill represents the excess of reorganization value over the fair value of identified tangible and intangible assets recorded in connection with fresh-start reporting. Other intangible assets were recorded upon adoption of fresh-start reporting and consist of customer relationships and trademarks, which are being amortized on a straight-line basis over their estimated useful lives of four and fourteen years, respectively.

### ***Impairment of Long-Lived Assets***

We assess potential impairments to our long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss may be required to be recognized when the undiscounted cash flows expected to be generated by a long-lived asset (or group of such assets) is less than its carrying value. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations.

### ***Impairment of Indefinite-Lived Intangible Assets***

We assess potential impairments to our indefinite-lived intangible assets, including goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. Our wireless licenses in our operating markets are combined into a single unit of accounting for purposes of testing impairment because management believes that these wireless licenses as a group represent the highest and best use of the assets, and the value of the wireless licenses would not be significantly impacted by a sale of one or a portion of the wireless licenses, among other factors. An impairment loss is recognized when the fair value of the asset is less than its carrying value, and would be measured as the amount by which the asset's carrying value exceeds its

fair value. Any required impairment loss would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. We conduct our annual tests for impairment during the third quarter of each year. Estimates of the fair value of our wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions.



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### ***Income Taxes***

We estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax liability together with assessing temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. Deferred tax assets are also established for the expected future tax benefit to be derived from tax loss and tax credit carryforwards. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income. To the extent that we believe that recovery is not likely, we must establish a valuation allowance. Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. We have recorded a full valuation allowance on our net deferred tax assets for all periods presented because of uncertainties related to the utilization of the deferred tax assets. At such time as it is determined that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to SOP 90-7, future decreases in the valuation allowance established in fresh-start reporting are accounted for as a reduction in goodwill. Tax rate changes are reflected in income in the period such changes are enacted.

### ***Subscriber Recognition and Disconnect Policies***

We recognize a new customer as a gross addition in the month that he or she activates service. The customer must pay his or her monthly service amount by the payment due date or his or her handset will be disabled after a grace period of up to three days. When a handset is disabled, the customer is suspended and will not be able to make or receive calls. Any call attempted by a suspended customer is routed directly to our customer service center in order to arrange payment. In order to re-establish service, a customer must make all past-due payments and pay a \$15 reconnection charge to re-establish service. If a new customer does not pay all amounts due on his or her first bill within 30 days of the due date, the account is disconnected and deducted from gross customer additions during the month in which the customer's service was discontinued. If a customer has made payment on his or her first bill and in a subsequent month does not pay all amounts due within 30 days of the due date, the account is disconnected and counted as churn.

Customer turnover, frequently referred to as churn, is an important business metric in the telecommunications industry because it can have significant financial effects. Because we do not require customers to sign fixed-term contracts or pass a credit check, our service is available to a broader customer base than many other wireless providers and, as a result, some of our customers may be more likely to have their service terminated due to an inability to pay than the average industry customer.

### ***Seasonality***

Our customer activity is influenced by seasonal effects related to traditional retail selling periods and other factors that arise from our target customer base. Based on historical results, we generally expect new sales activity to be highest in the first and fourth quarters, and customer turnover, or churn, to be highest in the third quarter and lowest in the first quarter. However, sales activity and churn can be strongly affected by the launch of new markets, promotional activity and competitive actions, which have the ability to reduce or outweigh certain seasonal effects.

### ***Costs and Expenses***

Our costs and expenses include:

*Cost of Service.* The major components of cost of service are: charges from other communications companies for long distance, roaming and content download services provided to our customers; charges from other communications companies for their transport and termination of calls originated by our customers and destined for customers of other

networks; and expenses for the rent of towers, network facilities, engineering operations, field technicians and related utility and maintenance charges and the salary and overhead charges associated with these functions.

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*Cost of Equipment.* Cost of equipment includes the cost of handsets and accessories purchased from third-party vendors and resold to our customers in connection with our services, as well as lower-of-cost-or-market write-downs associated with excess and damaged handsets and accessories.

*Selling and Marketing.* Selling and marketing expenses primarily include advertising and promotional costs associated with acquiring new customers and store operating costs such as rent and retail associates' salaries and overhead charges.

*General and Administrative Expenses.* General and administrative expenses primarily include salary and overhead costs associated with our customer care, billing, information technology, finance, human resources, accounting, legal and executive functions.

*Depreciation and Amortization.* Depreciation of property and equipment is applied using the straight-line method over the estimated useful lives of our assets once the assets are placed in service. The following table summarizes the depreciable lives (in years):

	<b>Depreciable Life</b>
Network equipment:	
Switches	10
Switch power equipment	15
Cell site equipment, and site acquisitions and improvements	7
Towers	15
Antennae	3
Computer hardware and software	3-5
Furniture, fixtures and retail and office equipment	3-7

Amortization of intangible assets is applied using the straight-line method over the estimated useful lives of four years for customer relationships and fourteen years for trademarks.

*Stock-based Compensation.* We measure compensation expense for our employee and director stock-based compensation plans using the intrinsic value method. Unearned compensation recorded for the intrinsic value of restricted stock awards is amortized on a straight-line basis over the maximum vesting period of the awards of either three or five years. Stock-based compensation is included in operating expenses (cost of service, selling and marketing expense, or general and administrative expense) and allocated to the appropriate line item based on employee classification.

**Results of Operations**

As a result of our emergence from Chapter 11 bankruptcy and the application of fresh-start reporting, we became a new entity for financial reporting purposes. In this prospectus, we are referred to as the Predecessor Company for periods on or prior to July 31, 2004, and we are referred to as the Successor Company for periods after July 31, 2004, after giving effect to the implementation of fresh-start reporting. The financial statements of the Successor Company are not comparable in many respects to the financial statements of the Predecessor Company because of the effects of the consummation of our plan of reorganization as well as the adjustments for fresh-start reporting. However, for purposes of this discussion, the Predecessor Company's results for the period from January 1, 2004 through July 31, 2004 have been combined with the Successor Company's results for the period from August 1, 2004 through

December 31, 2004. These combined results are compared to the Successor Company's results for the year ended December 31, 2005 and with the Predecessor Company's results for the year ended December 31, 2003. For a more detailed description of fresh-start reporting, see Note 2 to the consolidated financial statements included elsewhere in this prospectus.

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The following table presents the consolidated statement of operations data for the periods indicated (in thousands). The financial data for the year ended December 31, 2004 presented below represents the combination of the Predecessor and Successor Companies' results for that period.

	<b>Year Ended December 31,</b>		
	<b>2005</b>	<b>2004</b> <b>(As Restated)</b>	<b>2003</b>
Revenues:			
Service revenues	\$ 763,680	\$ 684,098	\$ 643,566
Equipment revenues	150,983	141,909	107,730
Total revenues	914,663	826,007	751,296
Operating expenses:			
Cost of service (exclusive of items shown separately below)	(200,430)	(193,136)	(199,987)
Cost of equipment	(192,205)	(179,562)	(172,235)
Selling and marketing	(100,042)	(91,935)	(86,223)
General and administrative	(159,249)	(138,624)	(162,378)
Depreciation and amortization	(195,462)	(253,444)	(300,243)
Impairment of indefinite-lived intangible assets	(12,043)		(171,140)
Loss on disposal of property and equipment			(24,054)
Total operating expenses	(859,431)	(856,701)	(1,116,260)
Gain on sale of wireless licenses and operating assets	14,587	532	4,589
Operating income (loss)	69,819	(30,162)	(360,375)
Minority interest in loss of consolidated subsidiary	(31)		
Interest income	9,957	1,812	779
Interest expense	(30,051)	(20,789)	(83,371)
Other income (expense), net	1,423	(410)	(176)
Income (loss) before reorganization items and income taxes	51,117	(49,549)	(443,143)
Reorganization items, net		962,444	(146,242)
Income (loss) before income taxes	51,117	912,895	(589,385)
Income taxes	(21,151)	(8,096)	(8,052)
Net income (loss)	\$ 29,966	\$ 904,799	\$ (597,437)

**Year Ended December 31, 2005 Compared to Year Ended December 31, 2004**

At December 31, 2005, we had approximately 1,668,000 customers compared to approximately 1,570,000 customers at December 31, 2004. Gross customer additions for the years ended December 31, 2005 and 2004 were approximately 872,000 and 808,000, respectively, and net customer additions during these periods were

approximately 117,000 and 97,000, respectively. Net customer additions for the year ended December 31, 2005 exclude the effect of the transfer of approximately 19,000 customers as a result of the sale of our operating markets in Michigan in August 2005. The weighted average number of customers during the year ended December 31, 2005 and 2004 was approximately 1,609,000 and 1,529,000, respectively. At December 31, 2005, the total POPs covered by our networks in our operating markets was approximately 27.7 million.

During the year ended December 31, 2005, service revenues increased \$79.6 million, or 12%, compared to the year ended December 31, 2004. The increase in service revenues resulted from the higher average number of

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customers and higher average revenues per customer compared to the prior year. The higher average revenues per customer primarily reflects increased customer adoption of higher-value, higher-priced service offerings and reduced utilization of service-based mail-in rebate promotions in 2005.

During the year ended December 31, 2005, equipment revenues increased \$9.1 million, or 6%, compared to the year ended December 31, 2004. This increase resulted primarily from a 7% increase in handset sales due to customer additions and sales to existing subscribers.

For the year ended December 31, 2005, cost of service increased \$7.3 million, or 4%, compared to the year ended December 31, 2004, even though service revenues increased by 12% during the same period. The increase in cost of service was primarily attributable to \$9.7 million in additional long distance and other product usage costs, a \$3.0 million increase in lease costs and stock-based compensation expense of \$1.2 million. These increases were partially offset by decreases of \$3.3 million in software maintenance costs and \$1.3 million in labor and related costs. We generally expect that cost of service in 2006 will increase with growth in customers and product usage, and the introduction and customer adoption of new products. In addition, new market launches in 2006 will contribute to increases in cost of service associated with incremental fixed and variable network costs.

For the year ended December 31, 2005, cost of equipment increased \$12.6 million, or 7%, compared to the year ended December 31, 2004. Cost of equipment increased by \$5.4 million due to increases in costs to support our handset warranty exchange and replacement programs. The remaining increase of \$7.2 million was due primarily to the increase in handsets sold, partially offset by slightly lower handset costs.

For the year ended December 31, 2005, selling and marketing expenses increased \$8.1 million, or 9%, compared to the year ended December 31, 2004. The increase in selling and marketing expenses was primarily due to increases of \$4.4 million in store and staffing costs, \$2.5 million in media and advertising costs and \$1.0 million in stock-based compensation expense.

For the year ended December 31, 2005, general and administrative expenses increased \$20.6 million, or 15%, compared to the year ended December 31, 2004. The increase in general and administrative expenses consisted primarily of increases of \$12.3 million in professional services, which includes costs incurred to meet our Sarbanes-Oxley Section 404 requirements, \$10.0 million in stock-based compensation expense, \$2.3 million in franchise taxes and other related fees. These increases were partially offset by a reduction in customer care, billing and other general and administrative costs of \$3.6 million and labor and related costs of \$1.2 million.

During the year ended December 31, 2005, we recorded stock-based compensation expense of \$12.2 million in connection with the grant of restricted common shares and deferred stock units exercisable for common stock. The total intrinsic value of the deferred stock units of \$6.9 million was recognized as expense because they vested immediately upon grant. The total intrinsic value of the restricted stock awards as of the measurement date was recorded as unearned compensation in the consolidated balance sheet as of December 31, 2005. The unearned compensation is amortized on a straight-line basis over the maximum vesting period of the awards of either three or five years. Stock-based compensation expense of \$5.3 million was recorded for the amortization of the unearned compensation for the year ended December 31, 2005.

During the year ended December 31, 2005, depreciation and amortization expenses decreased \$58.0 million, or 23%, compared to the year ended December 31, 2004. The decrease in depreciation expense was primarily due to the revision of the estimated useful lives of network equipment and the reduction in the carrying value of property and equipment as a result of fresh-start reporting at July 31, 2004. Depreciation and amortization expense for the year ended December 31, 2005 also included amortization expense of \$34.5 million related to identifiable intangible assets recorded upon the adoption of fresh-start reporting. As a result of the build-out and operation of our planned new

markets, we expect a significant increase in depreciation and amortization expense in the future.

During the year ended December 31, 2005, we recorded impairment charges of \$12.0 million. Of this amount, \$0.6 million was recorded to reduce the carrying value of certain non-operating wireless licenses to their estimated fair market value as a result of our annual impairment test of wireless licenses performed in the third fiscal quarter of 2005. The remaining \$11.4 million was recorded during the second fiscal quarter of 2005 in connection with the sale of our Anchorage, Alaska and Duluth, Minnesota wireless licenses. We adjusted the carrying values of those licenses to their estimated fair market values, which were based on the agreed upon sales prices.



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During the year ended December 31, 2005, interest income increased \$8.1 million, or 450%, compared to the year ended December 31, 2004. The increase in interest income was primarily due to increased average cash, cash equivalent and investment balances in 2005 as compared to the prior year. In addition, during the seven months ended July 31, 2004, we classified interest earned during the bankruptcy proceedings as a reorganization item, in accordance with SOP 90-7.

During the year ended December 31, 2005, interest expense increased \$9.3 million, or 45%, compared to the year ended December 31, 2004. The increase in interest expense resulted from the application of SOP 90-7 until our emergence from bankruptcy, which required that, commencing on April 13, 2003 (the date of the filing of our bankruptcy petition, or the Petition Date), we cease to accrue interest and amortize debt discounts and debt issuance costs on pre-petition liabilities that were subject to compromise, which comprised substantially all of our debt. Upon our emergence from bankruptcy, we began accruing interest on the newly issued 13% senior secured pay-in-kind notes. The pay-in-kind notes were repaid in January 2005 and replaced with a \$500 million term loan. The term loan was increased by \$100 million on July 22, 2005. At December 31, 2005, the effective interest rate on the \$600 million term loan was 6.6%, including the effect of interest rate swaps described below. The increase in interest expense resulting from our emergence from bankruptcy was partially offset by the capitalization of \$8.7 million of interest during the year ended December 31, 2005. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of a new market. The amount of such capitalized interest depends on the particular markets being built out, the carrying values of the licenses and property and equipment involved in those markets and the duration of the build-out. We expect capitalized interest to be significant during the build-out of our planned new markets.

During the year ended December 31, 2005, we completed the sale of 23 wireless licenses and substantially all of our operating assets in our Michigan markets for \$102.5 million, resulting in a gain of \$14.6 million. We also completed the sale of our Anchorage, Alaska and Duluth, Minnesota licenses for \$10.0 million. No gain or loss was recorded on this sale as these licenses had already been written down to the agreed upon sales price.

During the year ended December 31, 2005, there were no reorganization items. Reorganization items for the year ended December 31, 2004 represented amounts incurred by the Predecessor Company as a direct result of the Chapter 11 filings and consisted primarily of the net gain on the discharge of liabilities, the cancellation of equity upon our emergence from bankruptcy, the application of fresh-start reporting, income from the settlement of pre-petition liabilities and interest income earned while we were in bankruptcy, partially offset by professional fees for legal, financial advisory and valuation services directly associated with our Chapter 11 filings and reorganization process.

During the year ended December 31, 2005, we recorded income tax expense of \$21.2 million compared to income tax expense of \$8.1 million for the year ended December 31, 2004. Income tax expense for the year ended December 31, 2004 consisted primarily of the tax effect of the amortization, for income tax purposes, of wireless licenses and tax-deductible goodwill related to deferred tax liabilities. During the year ended December 31, 2005, we recorded income tax expense at an effective tax rate of 41.4%. Despite the fact that we record a full valuation allowance on our deferred tax assets, we recognized income tax expense for the year because the release of valuation allowance associated with the reversal of deferred tax assets recorded in fresh-start reporting is recorded as a reduction of goodwill rather than as a reduction of income tax expense. The effective tax rate for 2005 was higher than the statutory tax rate due primarily to permanent items not deductible for tax purposes. We incurred tax losses for the year due to, among other things, tax deductions associated with the repayment of the 13% senior secured pay-in-kind notes and tax losses and reversals of deferred tax assets associated with the sale of wireless licenses and operating assets. Therefore, we expect to pay only minimal cash taxes for 2005.

***Year Ended December 31, 2004 Compared to Year Ended December 31, 2003***

At December 31, 2004, we had approximately 1,570,000 customers compared to approximately 1,473,000 customers at December 31, 2003. Gross customer additions for the years ended December 31, 2004 and 2003 were 808,000 and 735,000, respectively, and net customer additions (losses) during these periods were approximately 97,000 and (39,000), respectively. The weighted average number of customers during the years ended December 31,

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2004 and 2003 was approximately 1,529,000 and 1,479,000, respectively. At December 31, 2004, the total potential customer base covered by our networks in our 39 operating markets was approximately 26.7 million.

During the year ended December 31, 2004, service revenues increased \$40.5 million, or 6%, compared to the year ended December 31, 2003. The increase in service revenues was due to a combination of the increase in net customers and an increase in average revenue per customer. Our basic Cricket service offers customers unlimited calls within their Cricket service area at a flat price and in November 2003 we added two other higher priced plans which include different levels of bundled features. In March 2004, we introduced a plan that provides unlimited local and long distance calling for a flat rate and also introduced a plan that provides discounts on additional lines added to an existing qualified account. Since their introduction, the higher priced service plans have represented a significant portion of our gross customer additions and have increased our average service revenue per subscriber. The increase in service revenues resulting from the higher priced service offerings for the year ended December 31, 2004, as compared to the year ended December 31, 2003, was partially offset by the impacts of increased promotional activity in 2004 and by the elimination of activation fees as an element of service revenue. Activation fees were included in service revenues for the first two quarters of fiscal 2003, until our adoption of Emerging Issues Task Force ( EITF ) Issue No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables in July 2003, at which time they began to be included in equipment revenues.

During the year ended December 31, 2004, equipment revenues increased \$34.2 million, or 32%, compared to the year ended December 31, 2003. Approximately \$24.9 million of the increase in equipment revenues resulted from higher average net revenue per handset sold, of which higher prices contributed \$15.9 million of the \$24.9 million increase, and higher handset sales volumes contributed the remaining \$9.0 million of the \$24.9 million increase. The primary driver of the increase in revenue per handset sold was the implementation of a policy to increase handset prices commencing in the fourth quarter of 2003, offset in part by increases in promotional activity and in dealer compensation costs in 2004. Additionally, activation fees included in equipment revenue increased by \$9.3 million for the year ended December 31, 2004 compared to the year ended December 31, 2003 due to the inclusion of activation fees in equipment revenue for all of 2004 versus only the last two quarters in 2003 as a result of our adoption of EITF Issue No. 00-21 in July 2003.

For the year ended December 31, 2004, cost of service decreased \$6.9 million, or 3%, compared to the year ended December 31, 2003, even though service revenues increased by 6%. The decrease in cost of service resulted from a net decrease of \$5.8 million in network-related costs, generally resulting from the renegotiation of several supply agreements during the course of our bankruptcy, a net decrease of \$2.3 million in cell site costs as a result of our rejection of surplus cell site leases in the bankruptcy proceedings, and a \$3.3 million reduction in property tax related to the decreased value of fixed assets as a result of the bankruptcy. These decreases were offset in part by increases of \$2.1 million in employee-related costs and \$6.1 million in software maintenance expenses.

For the year ended December 31, 2004, cost of equipment increased \$7.3 million, or 4%, compared to the year ended December 31, 2003. Equipment costs increased by \$22.5 million due primarily to increased handset sales volume and an increase in the average cost per handset as our sales mix shifted from moderately priced to higher end handsets. This increase in equipment cost was offset by cost-reduction initiatives in reverse logistics and other equipment-related activities of approximately \$15.1 million.

For the year ended December 31, 2004, selling and marketing expenses increased \$5.7 million, or 7%, compared to the year ended December 31, 2003. The increase in selling and marketing expenses was primarily due to increases of \$6.0 million in employee and facility related costs. During the latter half of 2003 and throughout 2004, we invested in additional staffing and resources to improve the customer sales and service experience in our retail locations.

For the year ended December 31, 2004, general and administrative expenses decreased \$23.8 million, or 15%, compared to the year ended December 31, 2003. The decrease in general and administrative expenses was primarily due to a decrease of \$4.7 million in insurance costs and a reduction of \$15.2 million in call center and billing costs resulting from improved operating efficiencies and cost reductions negotiated during the course of our bankruptcy, partially offset by a \$2.9 million increase in employee-related expenses. In addition, for the year ended December 31, 2004, there was a decrease of \$9.2 million in legal costs compared to the corresponding period in the prior

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year, primarily reflecting the classification of costs directly related to our bankruptcy filings and incurred after the Petition Date as reorganization expenses.

During the year ended December 31, 2004, depreciation and amortization expenses decreased \$47.4 million, or 16%, compared to the year ended December 31, 2003. The decrease in depreciation expense was primarily due to the revision of the estimated useful lives of network equipment and the reduction in the carrying value of property and equipment as a result of fresh-start reporting at July 31, 2004. In addition, depreciation and amortization expense for the year ended December 31, 2004 included amortization expense of \$14.5 million related to identifiable intangible assets recorded upon the adoption of fresh-start reporting.

During the year ended December 31, 2004, interest expense decreased \$62.6 million, or 75%, compared to the year ended December 31, 2003. The decrease in interest expense resulted from the application of SOP 90-7 which required that, commencing on the Petition Date, we cease to accrue interest and amortize debt discounts and debt issuance costs on pre-petition liabilities that were subject to compromise. As a result, we ceased to accrue interest and to amortize our debt discounts and debt issuance costs for our senior notes, senior discount notes, senior secured vendor credit facilities, note payable to GLH, Inc. and Qualcomm term loan. Upon our emergence from bankruptcy, we began accruing interest on the newly issued 13% senior secured pay-in-kind notes. The 13% notes were refinanced in January 2005 and replaced with a \$500 million term loan that accrues interest at a variable rate.

During the year ended December 31, 2004, reorganization items consisted primarily of \$5.0 million of professional fees for legal, financial advisory and valuation services and related expenses directly associated with our Chapter 11 filings and reorganization process, partially offset by \$2.1 million of income from the settlement of certain pre-petition liabilities, and \$1.4 million of interest income earned while we were in bankruptcy, with the balance of \$963.9 million attributable to net gain on the discharge of liabilities, the cancellation of equity upon our emergence from bankruptcy and the application of fresh-start reporting.

For the year ended December 31, 2004, income tax expense remained consistent with the year ended December 31, 2003. Deferred income tax expense related to the tax effect of the amortization, for income tax purposes, of wireless licenses decreased as a result of the conversion of certain license-related deferred tax liabilities to deferred tax assets upon the revaluation of the book bases of our wireless licenses in fresh-start reporting. This decrease was largely offset by the tax effect of the amortization, for income tax purposes, of tax-deductible goodwill which arose in connection with the adoption of fresh-start reporting as of July 31, 2004.

**Table of Contents****Summary of Quarterly Results of Operations**

The following table presents our unaudited condensed consolidated quarterly statement of operations data for 2005 (in thousands). It has been derived from our unaudited consolidated financial statements which have been restated for the interim periods for the three months ended March 31, 2005, June 30, 2005 and September 30, 2005 to reflect adjustments that are further discussed in Note 3 to the consolidated financial statements included elsewhere in this prospectus.

	<b>Three Months Ended</b>			
	<b>March 31,</b>	<b>June 30,</b>	<b>September</b>	<b>December 31,</b>
	<b>2005</b>	<b>2005</b>	<b>30,</b>	<b>2005</b>
	<b>(As</b>		<b>(As Restated)</b>	
	<b>Restated)</b>	<b>(As Restated)</b>	<b>(As Restated)</b>	
Revenues:				
Service revenues	\$ 185,981	\$ 189,704	\$ 193,675	\$ 194,320
Equipment revenues	42,389	37,125	36,852	34,617
Total revenues	228,370	226,829	230,527	228,937
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(50,197)	(49,608)	(50,304)	(50,321)
Cost of equipment	(49,178)	(42,799)	(49,576)	(50,652)
Selling and marketing	(22,995)	(24,810)	(25,535)	(26,702)
General and administrative	(36,035)	(42,423)	(41,306)	(39,485)
Depreciation and amortization	(48,104)	(47,281)	(49,076)	(51,001)
Impairment of indefinite-lived intangible assets		(11,354)	(689)	
Total operating expenses	(206,509)	(218,275)	(216,486)	(218,161)
Gain (loss) on sale of wireless licenses and operating assets			14,593	(6)
Operating income (loss)	21,861	8,554	28,634	10,770
Minority interest in loss of consolidated subsidiary				(31)
Interest income	1,903	1,176	2,991	3,887
Interest expense	(9,123)	(7,566)	(6,679)	(6,683)
Other income (expense), net	(1,286)	(39)	2,352	396
Income before income taxes	13,355	2,125	27,298	8,339
Income taxes	(5,839)	(1,022)	(10,901)	(3,389)
Net income	\$ 7,516	\$ 1,103	\$ 16,397	\$ 4,950



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The following table presents the Predecessor and Successor Companies' unaudited combined condensed consolidated quarterly statement of operations data for 2004 (in thousands). It has been derived from our unaudited consolidated financial statements which have been restated for the interim periods for the two months ended September 30, 2004 and the three months ended December 31, 2004 to reflect adjustments that are further discussed in Note 3 to the consolidated financial statements included elsewhere in this prospectus. For purposes of this discussion, the financial data for the three months ended September 30, 2004 presented below represents the combination of the Predecessor and Successor Companies' results for that period.

	<b>March 31, 2004</b>	<b>June 30, 2004</b>	<b>Three Months Ended September 30, 2004 (As Restated)</b>	<b>December 31, 2004 (As Restated)</b>
<b>Revenues:</b>				
Service revenues	\$ 169,051	\$ 172,025	\$ 170,386	\$ 172,636
Equipment revenues	37,771	33,676	36,521	33,941
<b>Total revenues</b>	<b>206,822</b>	<b>205,701</b>	<b>206,907</b>	<b>206,577</b>
<b>Operating expenses:</b>				
Cost of service (exclusive of items shown separately below)	(48,000)	(47,827)	(51,034)	(46,275)
Cost of equipment	(43,755)	(40,635)	(44,153)	(51,019)
Selling and marketing	(23,253)	(21,939)	(23,574)	(23,169)
General and administrative	(38,610)	(33,922)	(30,689)	(35,403)
Depreciation and amortization	(75,461)	(76,386)	(55,820)	(45,777)
<b>Total operating expenses</b>	<b>(229,079)</b>	<b>(220,709)</b>	<b>(205,270)</b>	<b>(201,643)</b>
Gain on sale of wireless licenses and operating assets			532	
<b>Operating income (loss)</b>	<b>(22,257)</b>	<b>(15,008)</b>	<b>2,169</b>	<b>4,934</b>
Interest income			608	1,204
Interest expense	(1,823)	(1,908)	(6,009)	(11,049)
Other income (expense), net	19	(615)	458	(272)
<b>Loss before reorganization items and income taxes</b>	<b>(24,061)</b>	<b>(17,531)</b>	<b>(2,774)</b>	<b>(5,183)</b>
Reorganization items, net	(2,025)	1,313	963,156	
<b>Income (loss) before income taxes</b>	<b>(26,086)</b>	<b>(16,218)</b>	<b>960,382</b>	<b>(5,183)</b>
Income taxes	(1,944)	(1,927)	(2,851)	(1,374)
<b>Net income (loss)</b>	<b>\$ (28,030)</b>	<b>\$ (18,145)</b>	<b>\$ 957,531</b>	<b>\$ (6,557)</b>

**Performance Measures**



In managing our business and assessing our financial performance, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. These metrics include average revenue per user per month (ARPU), which measures service revenue per customer; cost per gross customer addition (CPGA), which measures the average cost of acquiring a new customer; cash costs per user per month (CCU), which measures the non-selling cash cost of operating our business on a per customer basis; and churn, which measures turnover in our customer base. CPGA and CCU are non-GAAP financial measures. A non-GAAP financial measure, within the meaning of Item 10 of Regulation S-K promulgated by the SEC, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with generally accepted

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accounting principles in the consolidated balance sheet, consolidated statement of operations or consolidated statement of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. See

Reconciliation of Non-GAAP Financial Measures below for a reconciliation of CPGA and CCU to the most directly comparable GAAP financial measures.

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

CPGA is selling and marketing costs (excluding applicable stock-based compensation expense, the gain or loss on sale of handsets (generally defined as cost of equipment less equipment revenue) and costs unrelated to initial customer acquisition), divided by the total number of gross new customer additions during the period being measured. Costs unrelated to initial customer acquisition include the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

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

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

primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

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The following table shows metric information for 2005:

	<b>March 31, 2005</b>	<b>Three Months Ended June 30, 2005</b>	<b>September 30, 2005</b>	<b>December 31, 2005</b>	<b>Year Ended December 31, 2005</b>
ARPU	\$ 39.03	\$ 39.24	\$ 40.22	\$ 39.74	\$ 39.56
CPGA	\$ 128	\$ 138	\$ 142	\$ 158	\$ 142
CCU	\$ 18.94	\$ 18.43	\$ 19.52	\$ 18.67	\$ 18.89
Churn	3.3%	3.9%	4.4%	4.1%	3.9%

**Reconciliation of Non-GAAP Financial Measures**

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

CPGA The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	<b>March 31, 2005</b>	<b>Three Months Ended June 30, 2005</b>	<b>September 30, 2005</b>	<b>December 31, 2005</b>	<b>Year Ended December 31, 2005</b>
Selling and marketing expense	\$ 22,995	\$ 24,810	\$ 25,535	\$ 26,702	\$ 100,042
Less stock-based compensation expense included in selling and marketing expense		(693)	(203)	(125)	(1,021)
Plus cost of equipment	49,178	42,799	49,576	50,652	192,205
Less equipment revenue	(42,389)	(37,125)	(36,852)	(34,617)	(150,983)
Less net loss on equipment transactions unrelated to initial customer acquisition	(4,012)	(3,484)	(4,917)	(3,775)	(16,188)
Total costs used in the calculation of CPGA	\$ 25,772	\$ 26,307	\$ 33,139	\$ 38,837	\$ 124,055
Gross customer additions	201,467	191,288	233,699	245,817	872,271
CPGA	\$ 128	\$ 138	\$ 142	\$ 158	\$ 142

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CCU The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	March 31, 2005	Three Months Ended			December 31, 2005	Year Ended December 31, 2005
		June 30, 2005	September 30, 2005			
Cost of service	\$ 50,197	\$ 49,608	\$ 50,304	\$ 50,321	\$ 200,430	
Plus general and administrative expense	36,035	42,423	41,306	39,485	159,249	
Less stock-based compensation expense included in cost of service and general and administrative expense		(6,436)	(2,518)	(2,270)	(11,224)	
Plus net loss on equipment transactions unrelated to initial customer acquisition	4,012	3,484	4,917	3,775	16,188	
Total costs used in the calculation of CCU	\$ 90,244	\$ 89,079	\$ 94,009	\$ 91,311	\$ 364,643	
Weighted-average number of customers	1,588,372	1,611,524	1,605,222	1,630,011	1,608,782	
CCU	\$ 18.94	\$ 18.43	\$ 19.52	\$ 18.67	\$ 18.89	

**Liquidity and Capital Resources**

Our principal sources of liquidity are our existing cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our \$110 million revolving credit facility (which was undrawn at April 10, 2006). From time to time, we may also generate additional liquidity through the sale of assets that are not material to or are not required for the ongoing operation of our business. We may also generate liquidity from offerings of debt and/or equity in the capital markets. At December 31, 2005, we had a total of \$384.1 million in unrestricted cash, cash equivalents and short-term investments. As of December 31, 2005, we also had restricted cash, cash equivalents and short-term investments of \$13.8 million that included funds set aside or pledged to satisfy remaining administrative claims and priority claims against Cricket and Leap, and cash restricted for other purposes. In August 2005, we completed the sale of our Michigan markets and 23 wireless licenses for \$102.5 million. We believe that our existing cash and investments, liquidity under our revolving credit facility and anticipated cash flows from operations will be sufficient to meet our operating and capital requirements through at least the next twelve months.

We currently intend to seek opportunities to enhance our current market clusters and expand into new geographic markets by acquiring additional spectrum. For example, we may purchase spectrum and related assets from third parties, and we are considering participating (directly and/or by partnering with another entity) as a bidder in the FCC's auction of 90 MHz of spectrum allocated for Advanced Wireless Services, commonly referred to as the AWS Auction or Auction #66. We anticipate financing any purchases of spectrum or assets, and any related build-out and initial

operating costs, with cash from operations, our existing cash, cash equivalents and short-term investments, borrowings under our revolving credit facility, and proceeds from offerings of debt and/or equity securities. The amounts we may seek to raise through any such offerings may be substantial.

*Operating Activities*

Cash provided by operating activities was \$308.2 million during the year ended December 31, 2005 compared to cash provided by operating activities of \$190.4 million during the year ended December 31, 2004. The increase was primarily attributable to higher net income (net of income from reorganization items, depreciation and amortization expense and non-cash stock-based compensation expense) and the timing of payments on accounts payable in the year ended December 31, 2005, partially offset by interest payments on Cricket's 13% senior secured pay-in-kind notes and FCC debt.

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Cash provided by operating activities was \$190.4 million during the year ended December 31, 2004 compared to cash provided by operating activities of \$44.4 million during the year ended December 31, 2003. The increase was primarily attributable to a decrease in the net loss, partially offset by adjustments for non-cash items including depreciation, amortization and non-cash interest expense of \$92.0 million, a \$55.6 million reduction in changes in working capital compared to the corresponding period of the prior year and a decrease of \$109.6 million in cash used for reorganization activities. Cash used for reorganization items consisted primarily of a cash payment to the Leap Creditor Trust in accordance with the Plan of Reorganization of \$1.0 million and payments of \$8.0 million for professional fees for legal, financial advisory and valuation services directly associated with our Chapter 11 filings and reorganization process, partially offset by \$2.0 million of cash received from vendor settlements (net of cure payments) made in connection with assumed and settled executory contracts and leases and \$1.5 million of interest income earned during the bankruptcy.

### ***Investing Activities***

Cash used in investing activities was \$332.1 million during the year ended December 31, 2005 compared to \$96.6 million during the year ended December 31, 2004. This increase was due primarily to an increase in payments by subsidiaries of Cricket and ANB 1 for the purchase of wireless licenses totaling \$244.0 million, an increase in purchases of property and equipment of \$125.3 million, and a decrease in restricted investment activity of \$22.6 million, partially offset by a net increase in the sale of investments of \$65.7 million and proceeds from the sale of wireless licenses and operating assets of \$106.8 million.

Cash used in investing activities was \$96.6 million during the year ended December 31, 2004, compared to \$56.5 million for the year ended December 31, 2003, and consisted primarily of the sale and maturity of investments of \$90.8 million, a net decrease in restricted investments of \$22.3 million and net proceeds from the sale of wireless licenses of \$2.0 million, partially offset by the purchase of investments of \$134.5 million and the purchase of property and equipment of \$77.2 million.

### ***Financing Activities***

Cash provided by financing activities during the year ended December 31, 2005 was \$175.8 million, which consisted primarily of borrowings under our new term loan of \$600.0 million, less amounts which were used to repay the FCC debt of \$40.0 million, to repay the pay-in-kind notes of \$372.7 million, to make quarterly payments under the term loan totaling \$5.5 million and to pay debt issuance costs of \$7.0 million.

Cash used in financing activities during the year ended December 31, 2004 was \$36.7 million, which consisted of the partial repayment of the FCC indebtedness upon our emergence from bankruptcy.

### ***Secured Credit Facility***

Long-term debt as of December 31, 2005 consisted of our senior secured Credit Agreement, which included \$600 million of fully-drawn term loans and an undrawn \$110 million revolving credit facility available until January 2010. Under our Credit Agreement, the term loans bear interest at the London Interbank Offered Rate (LIBOR) plus 2.5 percent, with interest periods of one, two, three or six months, or bank base rate plus 1.5 percent, as selected by Cricket. Outstanding borrowings under \$500 million of the term loans must be repaid in 20 quarterly payments of \$1.25 million each, which commenced on March 31, 2005, followed by four quarterly payments of \$118.75 million each, commencing March 31, 2010. Outstanding borrowings under \$100 million of the term loans must be repaid in 18 quarterly payments of approximately \$278,000 each, which commenced on September 30, 2005, followed by four quarterly payments of \$23.75 million each, commencing March 31, 2010.

The maturity date for outstanding borrowings under our revolving credit facility is January 10, 2010. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement and by one-twelfth of the original aggregate revolving credit commitment on January 1, 2008 and by one-sixth of the original aggregate revolving credit commitment on January 1, 2009 (each such amount to be net of all prior reductions) based on certain leverage ratios and other tests. The commitment fee on the revolving credit facility is payable quarterly at a rate of 1.0 percent per annum when the utilization of the facility (as specified in the Credit Agreement) is less than 50 percent and at 0.75 percent per annum when the



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utilization exceeds 50 percent. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.5 percent, with interest periods of one, two, three or six months, or bank base rate plus 1.5 percent, as selected by Cricket, with the rate subject to adjustment based on our consolidated leverage ratio.

The facilities under the Credit Agreement are guaranteed by Leap and all of its direct and indirect domestic subsidiaries (other than Cricket, which is the primary obligor, and ANB 1 and ANB 1 License) and are secured by all present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries. Under the Credit Agreement, we are subject to certain limitations, including limitations on our ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; and pay dividends and make certain other restricted payments. In addition, we will be required to pay down the facilities under certain circumstances if we issue debt or equity, sell assets or property, receive certain extraordinary receipts or generate excess cash flow (as defined in the Credit Agreement). We are also subject to financial covenants which include a minimum interest coverage ratio, a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum fixed charge coverage ratio. The Credit Agreement allows us to invest up to \$325 million in ANB 1 and ANB 1 License and up to \$60 million in other joint ventures and allows us to provide limited guarantees for the benefit of ANB 1 License and other joint ventures.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the Credit Agreement in the following amounts: \$109 million of the \$600 million of term loans and \$30 million of the \$110 million revolving credit facility.

At December 31, 2005, the effective interest rate on the term loans was 6.6%, including the effect of interest rate swaps, and the outstanding indebtedness was \$594.4 million. The terms of the Credit Agreement require us to enter into interest rate hedging agreements in an amount equal to at least 50% of our outstanding indebtedness. In accordance with this requirement, in April 2005 we entered into interest rate swap agreements with respect to \$250 million of our debt. These swap agreements effectively fix the interest rate on \$250 million of the outstanding indebtedness at 6.7% through June 2007. In July 2005, we entered into another interest rate swap agreement with respect to a further \$105 million of our outstanding indebtedness. This swap agreement effectively fixes the interest rate on \$105 million of the outstanding indebtedness at 6.8% through June 2009. The \$3.5 million fair value of the swap agreements at December 31, 2005 was recorded in other assets in our consolidated balance sheet with a corresponding increase in other comprehensive income, net of tax.

Our restatement of our historical consolidated financial results as described in Note 3 to the consolidated financial statements included elsewhere in this prospectus may have resulted in defaults under the Credit Agreement. On March 10, 2006, the required lenders under the Credit Agreement granted a waiver of the potential defaults, subject to conditions which we have met.

### ***Capital Expenditures and Other Asset Acquisitions and Dispositions***

*Capital Expenditures.* During the year ended December 31, 2005 we incurred approximately \$208.8 million in capital expenditures. These capital expenditures were primarily for: (i) expansion and improvement of our existing wireless networks, (ii) the build-out and launch of the Fresno, California market and the related expansion and network change-out of our existing Visalia and Modesto/Merced markets, (iii) costs associated with the build-out of markets covered by licenses acquired in Auction #58, (iv) costs incurred by ANB 1 License in connection with the initial development of licenses ANB 1 License acquired in the FCC's Auction #58, and (v) initial expenditures for EVDO technology.

We currently expect to incur between \$430 million and \$500 million in capital expenditures, including capitalized interest, for the year ending December 31, 2006.

*Auction #58 Properties and Build-Out.* In May 2005, our wholly owned subsidiary, Cricket Licensee (Reauction), Inc., completed the purchase of four wireless licenses covering approximately 11.3 million POPs in the FCC's Auction #58 for \$166.9 million.

In September 2005, ANB 1 License completed the purchase of nine wireless licenses covering approximately 10.2 million POPs in Auction #58 for \$68.2 million. We have made acquisition loans under our senior secured credit facility with ANB 1 License, as amended, in the aggregate amount of \$64.2 million, which were used by ANB 1

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License, together with \$4.0 million of equity contributions, to purchase the Auction #58 wireless licenses. In addition, we have committed to loan ANB 1 License up to \$85.8 million in additional funds to finance its initial build-out costs and working capital requirements, of which \$24.8 million was drawn as of December 31, 2005. However, ANB 1 License will need to obtain additional capital from Cricket or another third party to build out and launch its networks. Under Cricket's Credit Agreement, we are permitted to invest up to an aggregate of \$325 million in loans to and equity investments in ANB 1 and ANB 1 License. We expect to increase availability under our senior secured credit facility with ANB1 License and to make additional equity investments in ANB 1 during the first half of 2006.

We currently expect to launch commercial operations in the markets covered by the licenses we acquired in Auction #58 and we have commenced build-out activities. Pursuant to a management services agreement, we are also providing services to ANB 1 License with respect to the build-out and launch of the licenses it acquired in Auction #58. See Business Arrangements with Alaska Native Broadband below for further discussion of our arrangements with ANB 1.

*Other Acquisitions and Dispositions.* In June 2005, we completed the purchase of a wireless license to provide service in Fresno, California and related assets for \$27.6 million. We launched service in Fresno on August 2, 2005.

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

In November 2005, we signed an agreement to sell our wireless licenses and operating assets in our Toledo and Sandusky, Ohio markets in exchange for \$28.5 million and an equity interest in LCW Wireless, a designated entity which owns a wireless license in the Portland, Oregon market. We also agreed to contribute to the joint venture approximately \$25 million and two wireless licenses and related operating assets in Eugene and Salem, Oregon, which would increase our non-controlling equity interest in LCW Wireless to 73.3%. Completion of these transactions is subject to customary closing conditions, including FCC approval and other third party consents. Although we expect to receive FCC approval and satisfy the other conditions, we cannot assure you that the FCC will grant such approval or that the other conditions will be satisfied. See Business Arrangements with LCW Wireless below for further discussion of our arrangements with LCW Wireless.

In December 2005, we completed the sale of non-operating wireless licenses in Anchorage, Alaska and Duluth, Minnesota covering 0.9 million POPs for \$10.0 million. During the second quarter of fiscal 2005, we recorded impairment charges of \$11.4 million to adjust the carrying values of these licenses to their estimated fair values, which were based on the agreed upon sales prices.

On March 1, 2006, we entered into an agreement with a debtor-in-possession for the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of \$31.8 million. Completion of this transaction is subject to customary closing conditions, including FCC approval and approval of the bankruptcy court in which the seller's bankruptcy is proceeding, as well as the receipt of an FCC order agreeing to extend certain build-out requirements with respect to certain of the licenses. Although we expect to receive such approvals and orders and to satisfy the other conditions, we cannot assure you that such approvals and order will be granted or that the other conditions will be satisfied.

**Table of Contents*****Certain Contractual Obligations, Commitments and Contingencies***

The table below summarizes information as of December 31, 2005 regarding certain of our future minimum contractual obligations for the next five years and thereafter (in thousands):

	<b>Total</b>	<b>Year Ended December 31,</b>					
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Thereafter</b>	
Long-term debt(1)	\$ 594,444	\$ 6,111	\$ 6,111	\$ 6,111	\$ 6,111	\$ 570,000	\$
Contractual interest(2)	186,897	40,562	40,545	40,527	40,219	25,044	
Origination fees for ANB 1 investment(3)	4,700	2,000	1,000	1,000	700		
Operating leases	310,701	48,381	35,628	33,291	31,231	30,033	132,137
<b>Total</b>	<b>\$ 1,096,742</b>	<b>\$ 97,054</b>	<b>\$ 83,284</b>	<b>\$ 80,929</b>	<b>\$ 78,261</b>	<b>\$ 625,077</b>	<b>\$ 132,137</b>

- (1) Amounts shown for Cricket's term loans include principal only. Interest on the term loans, calculated at the current interest rate, is stated separately.
- (2) Contractual interest is based on the current interest rates in effect at December 31, 2005 for debt outstanding as of that date.
- (3) Reflects contractual obligation based on an amendment executed on January 9, 2006.

The table above does not include contractual obligations to purchase a minimum of \$90.5 million of products and services from Nortel Networks Inc. from October 11, 2005 through October 10, 2008 and contractual obligations to purchase a minimum of \$119 million of products and services from Lucent Technologies Inc. from October 1, 2005 through September 30, 2008. The table also does not include the contractual obligation to purchase wireless licenses in North and South Carolina for \$31.8 million.

The table above also does not include the following contractual obligations relating to ANB 1: (1) Cricket's obligation to loan to ANB 1 License up to \$85.8 million to finance its initial build-out costs and working capital requirements, of which approximately \$24.8 million was drawn at December 31, 2005, (2) Cricket's obligation to pay \$2.7 million plus interest to ANB if ANB exercises its right to sell its membership interest in ANB 1 to Cricket following the initial build-out of ANB 1 License's wireless licenses, and (3) ANB 1's obligation to purchase a minimum of \$39.5 million and \$6.0 million of products and services from Nortel Networks Inc. and Lucent Technologies Inc., respectively, over the same three year terms as those for Cricket.

The table above also does not include the following contractual obligations relating to LCW Wireless which would arise at and after the closing of the LCW Wireless transaction: (1) Cricket's obligation to contribute \$25.0 million to LCW Wireless in cash, (2) Cricket's obligation to contribute approximately \$3.0 million to LCW Wireless in the form of replacement network equipment, (3) Cricket's obligation to pay up to \$3.0 million to WLPCS if WLPCS exercises its right to sell its membership interest in LCW Wireless to Cricket, and (4) Cricket's obligation to pay to CSM an amount equal to CSM's pro rata share of the fair value of the outstanding membership interests in LCW Wireless, determined either through an appraisal or based on a multiple of Leap's enterprise value divided by its adjusted EBITDA and applied to LCW Wireless' adjusted EBITDA to impute an enterprise value and equity value for LCW

Wireless, if CSM exercises its right to sell its membership interest in LCW Wireless to Cricket.

***Off-Balance Sheet Arrangements***

We had no material off-balance sheet arrangements at December 31, 2005.

***Recent Accounting Pronouncements***

In October 2005, the FASB issued FASB Staff Position, or FSP, No. FAS 13-1, Accounting for Rental Costs Incurred During a Construction Period. This FSP requires that rental costs associated with ground or building operating leases that are incurred during a construction period should be recognized as rental expense and included in income from continuing operations. This applies to operating lease arrangements entered into prior to the

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effective date of the FSP. Adoption of this FSP is required for the first quarter beginning January 1, 2006. We estimate that construction period rents will total between \$5.5 million and \$6.5 million during fiscal 2006.

In December 2004, the FASB issued Statement No. 123R, *Share-Based Payment*, which revises SFAS No. 123. SFAS No. 123R requires that a company measure the cost of equity-based service awards based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized as compensation expense over the period during which an employee is required to provide service in exchange for the award or the requisite service period (usually the vesting period). No compensation expense is recognized for the cost of equity-based awards for which employees do not render the requisite service. A company will initially measure the cost of each liability-based service award based on the award's initial fair value; the fair value of that award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period will be recognized as compensation expense over that period. The grant-date fair value of employee stock options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments. If an equity-based award is modified after the grant date, incremental compensation expense will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. Adoption of SFAS No. 123R is required for the first quarter beginning January 1, 2006. We have not yet determined the impact that the adoption of SFAS No. 123R will have on our consolidated financial position or results of operations.

In May 2005, the FASB issued Statement No. 154, *Accounting Changes and Error Corrections*, which addresses the accounting and reporting for changes in accounting principles and replaces APB 20 and SFAS 3. SFAS 154 requires retrospective application of changes in accounting principles to prior financial statements unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, SFAS No. 154 requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in the income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, SFAS No. 154 requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. SFAS No. 154 becomes effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In March 2005, the FASB issued Interpretation No. 47 which serves as an interpretation of FASB Statement No. 143, *Accounting for Conditional Asset Retirement Obligations*. FIN No. 47 clarifies that the term *conditional asset retirement obligation* as used in SFAS 143 refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Under FIN No. 47, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred, generally upon acquisition, construction, or development or through the normal operation of the asset. Uncertainty about the timing or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred. FIN No. 47 is effective for the year ended December 31, 2005. Adoption of FIN No. 47 did not have a material effect on our consolidated financial position or results of operations for the year ended December 31, 2005.

## **Quantitative and Qualitative Disclosures About Market Risk**

*Interest Rate Risk.* As of December 31, 2005, we had \$600 million in floating rate debt under our secured Credit Agreement. Changes in interest rates would not significantly affect the fair value of our outstanding indebtedness. The

terms of our Credit Agreement require that we enter into interest rate hedging agreements in an amount equal to at least 50% of our outstanding indebtedness. In accordance with this requirement, we entered into interest rate swap agreements with respect to \$250 million of our indebtedness in April 2005, and with respect to an additional \$105 million of our indebtedness in July 2005. The swap agreements effectively fix the interest rate on

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\$250 million of our indebtedness at 6.7% through June 2007, and on \$105 million of our indebtedness at 6.8% through June 2009.

As of December 31, 2005, net of the effect of the interest rate swap agreements described above, our outstanding floating rate indebtedness totaled \$239.4 million. The primary base interest rate is the three month LIBOR. Assuming the outstanding balance on our floating rate indebtedness remains constant over a year, a 100 basis point increase in the interest rate would decrease pre-tax income and cash flow, net of the effect of the swap agreements, by approximately \$2.4 million.

*Hedging Policy.* Our policy is to maintain interest rate hedges when required by credit agreements. We do not currently engage in any hedging activities against foreign currency exchange rates or for speculative purposes.

## **Controls and Procedures**

### ***Management's Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over Leap's financial reporting as such term is defined under Rule 13a-15(f) promulgated under the Exchange Act. Internal control over financial reporting refers to the process designed by, or under the supervision of, our chief executive officer and chief financial officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2005. In making this assessment, our management used the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In connection with our management's assessment of internal control over financial reporting, our management identified the following material weaknesses as of December 31, 2005:

We did not maintain a sufficient complement of personnel with the appropriate skills, training and Leap-specific experience to identify and address the application of generally accepted accounting principles in complex or



non-routine transactions. Specifically, we experienced staff turnover, and as a result, have experienced a lack of knowledge transfer to new employees within our accounting, financial reporting and tax functions. In addition, we do not have a full-time director of our tax function. This control deficiency contributed to the material weakness described below. Additionally, this control deficiency could result in a misstatement of accounts and disclosures that would result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

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

Based on our management's assessment, and because of the material weaknesses described above, our management has concluded that our internal control over financial reporting was not effective as of December 31, 2005, using the criteria established in *Internal Control-Integrated Framework* issued by the COSO.

Our management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere in this prospectus.

***Management's Remediation Initiatives***

We are in the process of actively addressing and remediating the material weaknesses in internal control over financial reporting described above. Elements of our remediation plan can only be accomplished over time.

As of September 30, 2005, June 30, 2005, March 31, 2005, December 31, 2004 and September 30, 2004, we reported a material weakness related to insufficient staffing in the accounting and financial reporting functions. During 2005, we have taken the following actions to remediate the material weakness related to insufficient staffing in our accounting, financial reporting and tax functions:

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

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

Based on the new leadership and management in the accounting department, on its identification of the historical errors in our accounting for income taxes, and the timely completion of the Annual Report on Form 10-K for the year ended December 31, 2005 and the Quarterly Reports on Form 10-Q for the quarters ended September 30, 2005 and June 30, 2005, we believe that we have made substantial progress in addressing this material weakness as of December 31, 2005. However, the material weakness was not yet remediated as of December 31, 2005. We expect that this material weakness will be fully remediated once we have filled the remaining key open management positions, including a full-time tax department leader, with qualified personnel and those personnel have had sufficient time in their positions.

We have taken the following actions to remediate the material weakness related to our accounting for income taxes:

We have initiated a search for a qualified full-time tax department leader and continue to make this a priority. We have been actively recruiting for this position for several months, but have experienced difficulty in finding qualified applicants. Nevertheless, we are striving to fill the position as soon as possible.

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

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

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

We expect that the material weakness related to our accounting for income taxes will be remediated once we have hired a full-time leader of the tax department, that person has had sufficient time in his or her position, and we demonstrate continued accurate and timely preparation of our income tax provisions.

We had also reported that we had material weaknesses related to the application of lease-related accounting principles, fresh-start reporting and account reconciliation procedures as of September 30, 2004, December 31, 2004 and March 31, 2005. These material weaknesses were remediated during the quarter ended June 30, 2005.

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**BUSINESS**

Leap, together with its wholly owned subsidiaries, is a wireless communications carrier that offers digital wireless service in the U.S. under the brands Cricket and Jump Mobile. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends and distributions, if any, from its operating subsidiaries. The Cricket and Jump Mobile services are offered by Leap's wholly owned subsidiary, Cricket. The Cricket and Jump Mobile services are also offered in certain markets through ANB 1 License, a wholly owned subsidiary of ANB 1, a designated entity in which Cricket indirectly owns a 75% non-controlling interest. Although Cricket does not control this entity, it has agreements with it which allow Cricket to actively participate in the development of these markets and the provision of Cricket and Jump Mobile services in them.

Leap was formed in 1998 by Qualcomm. Qualcomm distributed the common stock of Leap in a spin-off distribution to Qualcomm's stockholders in September 1998. Under a license from Leap, the Cricket service was first introduced in Chattanooga, Tennessee in March 1999 by Chase Telecommunications, Inc., a company that Leap acquired in March 2000.

On April 13, 2003, Leap, Cricket and substantially all of their subsidiaries filed voluntary petitions for relief under Chapter 11 in federal bankruptcy court. On August 16, 2004, our plan of reorganization became effective and we emerged from Chapter 11 bankruptcy. On that date, a new board of directors of Leap was appointed, Leap's previously existing stock, options and warrants were cancelled, and Leap issued 60 million shares of new Leap common stock for distribution to two classes of creditors. See Chapter 11 Proceedings Under the Bankruptcy Code. On June 29, 2005, Leap became listed on the Nasdaq National Market under the symbol LEAP.

**Cricket Business Overview**

***Cricket Service***

We offer wireless voice and data services primarily under the brand Cricket on a flat-rate, unlimited-usage basis without requiring fixed-term contracts. At December 31, 2005, Cricket operated in 19 states and had approximately 1,668,000 customers, and the total POPs covered by our networks in our operating markets was approximately 27.7 million. As of December 31, 2005, we and ANB 1 License owned wireless licenses covering a total potential customer base of 70.0 million in the aggregate. ANB 1 License is a wholly owned subsidiary of ANB 1, an entity in which we own a 75% non-controlling interest. We are currently building out and launching the new markets that we and ANB 1 License have acquired, and we anticipate that our combined network footprint will cover over 42 million POPs by the end of 2006.

We believe that our business model is different from most other wireless companies, and that our services primarily target underserved market segments. Our Cricket service allows customers to make and receive unlimited calls for a flat monthly rate, without a fixed-term contract or credit check. Most other wireless service providers offer customers a complex array of rate plans that may include additional charges for minutes above a set maximum. This approach may result in monthly service charges that are higher than their customers expect or may cause customers to use the services less than they desire to avoid higher charges. We have designed the Cricket service to appeal to customers who value unlimited mobile calling with a predictable monthly bill and who make the majority of their calls from within their local area. Results from our internal customer surveys indicate that approximately 50% of our customers use our service as their sole voice service and 90% as their primary voice service. Our customers' average minutes of use per month of 1,450 for the year ended December 31, 2005 is substantially above the U.S. wireless national carrier customer average of 803 minutes per month and slightly above the U.S. wireline customer average of 1,300 minutes

per month. We believe we are able to serve this customer segment and generate significant adjusted OIBDA (operating income before depreciation and amortization) performance because of our high quality networks and low customer acquisition and operating costs.

Our premium Cricket service plan offers customers unlimited local and domestic long distance service combined with unlimited use of multiple calling features and messaging services for a flat rate of \$45 per month. We also offer a similar plan without calling features and messaging services for \$40 per month and a service which allows customers to make unlimited calls within a local calling area and receive unlimited calls from any area for a

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flat rate of \$35 per month. In June 2004 we began offering additional enhancements that include games and other improved data services. In April 2005 we added instant messaging and multimedia (picture) messaging to our product portfolio. In May 2005 we introduced our Travel Time roaming option, for our customers who occasionally travel outside their Cricket service area.

We sell our Cricket handsets and service primarily through two channels: Cricket's own retail locations and kiosks (the direct channel); and authorized dealers and distributors, including premier dealers, local market authorized dealers, national retail chains and other indirect distributors (the indirect channel). As of December 31, 2005, we had 90 direct locations and 1,607 indirect distributors. Our direct sales locations were responsible for approximately 32% of our gross customer additions in 2005. Premier dealers, which sell Cricket products, usually exclusively, in stores that look and function similar to our company-owned stores, enhance the in-store experience for customers and expand our brand presence within a market. We had approximately 80 premier dealers deployed at December 31, 2005.

We believe that our business model can be expanded successfully into adjacent and new markets because we offer a differentiated service and an attractive value proposition to our customers at costs significantly lower than most of our competitors. In 2005, we acquired four wireless licenses covering approximately 11.3 million POPs in the FCC's Auction #58. In addition, ANB 1 License acquired nine wireless licenses covering approximately 10.2 million POPs in Auction #58. In August 2005 we launched service in our newly acquired Fresno, California market to form a cluster with our existing Modesto and Visalia, California markets, which doubled our Central Valley network footprint to 2.4 million POPs. In November 2005 we entered into a series of agreements with CSM and the controlling members of WLPCS to obtain a 73.3% non-controlling equity interest in LCW Wireless, which currently holds a license for the Portland, Oregon market. We have agreed to contribute our existing Eugene and Salem, Oregon markets to LCW Wireless to create a new Oregon market cluster covering 3.2 million POPs. Completion of this transaction is subject to customary closing conditions, including FCC approval and other third party consents. For a further discussion of our arrangements with ANB 1 and LCW Wireless, see Arrangements with Alaska Native Broadband and Arrangements with LCW Wireless below.

***Cricket Business Strategy***

*Target Underserved Customer Segments in Our Markets.* Our services are targeted primarily toward market segments underserved by traditional communications companies. On average, our customers tend to be younger and have lower incomes than the customers of other wireless carriers. Moreover, our customer base also reflects a greater percentage of ethnic minorities than those of the national carriers. We believe these underserved market segments are among the fastest growing population segments in the U.S. With wireless penetration in the U.S. estimated at approximately 70% as of December 31, 2005, the majority of existing wireless customers subscribe to post-pay services that require credit approval and a contractual commitment from the subscriber for a period of one year or greater. We believe that customers who require a significantly larger amount of voice usage than average, who are price-sensitive or who prefer not to enter into fixed-term contracts represent a large portion of the remaining growth potential in the U.S. wireless market.

*Continue to Develop and Evolve Products and Services.* We continue to develop and evolve our product and service offerings to better meet the needs of our target customer segments. In September 2005 we launched our first per-minute prepaid service, Jump Mobile, to bring Cricket's attractive value proposition to customers who prefer active control over their wireless usage and to better target the urban youth market. With our deployment of 1xEV-DO technology, we believe we will be able to offer an expanded array of services to our customers, including high-demand wireless data services such as mobile content, location-based services and high-quality music downloads at speeds of up to 2.4 Megabits per second. We believe these enhanced data offerings will be attractive to many of our existing customers and will enhance our appeal to new data-centric customers. In addition, during the last two years, we have also added BREW-based enhancements, instant text messaging,

multimedia (picture) messaging and a roaming option to our product portfolio.



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*Build Our Brand and Strengthen Our Distribution.* We are focused on building our brand awareness in our markets and improving the productivity of our distribution system. In April 2005 we introduced a new marketing and advertising approach that reinforces the value differentiation of the Cricket brand. In addition, since our target customer base is diversified geographically, ethnically and demographically, we have decentralized our marketing programs to support local customization while optimizing our advertising expenses. We have also redesigned and re-merchandized our stores and introduced a new sales process aimed at improving both the customer experience and our revenue per user. In addition, we have initiated a new premier dealer program, under which dealers sell Cricket products, usually exclusively, in stores that look and function similar to our company-owned stores. In an effort to drive more traffic to our dealers and to enhance the customer experience, in 2006 we plan to enable our premier dealers and other indirect dealers to provide greater customer support services and to serve as customer payment locations. We expect these changes will allow for a stronger relationship between our dealers and customers, while reducing service traffic in our direct stores and call center.

*Enhance Market Clusters and Expand Into Attractive Strategic Markets.* We currently intend to seek additional opportunities to enhance our current market clusters and expand into new geographic markets, by acquiring spectrum in FCC auctions, such as the upcoming auction allocated for Advanced Wireless Services, or in the spectrum aftermarket, or by participating in partnerships or joint ventures. Our selection criteria for new markets are based on the ability of a market to enhance an existing market cluster or on the ability of the proposed new market or market cluster to enable Cricket to offer service on a cost-competitive basis. By building or enhancing market clusters, we are able to increase the size of our unlimited local calling area for our customers, while leveraging our existing network investments to improve our economic returns. Examples of our market-cluster strategy include the Fresno, California market we recently launched to complement the Visalia and Modesto, California markets in our Central Valley cluster and the Oregon cluster we intend to create by contributing our Salem and Eugene, Oregon markets to a new joint venture, LCW Wireless, which owns a license for Portland, Oregon. Examples of our strategic market expansion include the five licenses in central Texas, including Houston, Austin and San Antonio, and the San Diego, California license that we and ANB 1 License acquired in Auction #58, all of which meet our internally developed criteria concerning customer demographics and population density which we believe will enable us to offer Cricket service on a cost-competitive basis in those markets.

**Cricket Business Operations***Products and Services*

*Cricket Service Plans.* Our service plans are designed to attract customers by offering simple, predictable and affordable wireless services that are a competitive alternative to traditional wireless and wireline services. Unlike traditional wireless services, we offer service on a flat-rate, unlimited-usage basis, without requiring fixed-term contracts, early termination fees or credit checks. Our service plans allow our customers to place unlimited calls within their Cricket service area and receive unlimited calls from anywhere in the world. In addition, our Unlimited Access and Unlimited Plus service plans offer additional unlimited features, as described in the table below.

<b>Primary Cricket Plans</b>	<b>Monthly Rate (a)</b>	<b>Additional Features Included</b>
Unlimited Access	\$ 45	Unlimited U.S. domestic long distance (b)

			Unlimited text, multimedia (picture) and instant messaging
			Voicemail, caller ID and call waiting
Unlimited Plus	\$	40	Unlimited U.S. domestic long distance (b)
Unlimited Classic	\$	35	

(a) Before taxes and other service fees, which include E-911 fees, USF fees, regulatory recovery fees, optional insurance fees and optional paper bill fees.

(b) Excludes Alaska.

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*Cricket Plan Upgrades.* We continue to evaluate new product and service offerings in order to enhance customer satisfaction and attract new customers. A number of these upgrades can currently be obtained as part of one of our service plans, including the following:

International calls to Canada and/or Mexico on a prepaid basis for \$5 for 100 minutes, \$15 for 300 minutes, and \$25 for 550 minutes;

Cricket Flex Bucket™ service, which allows our customers with Cricket Clicks-enabled phones to purchase applications, including customized ringtones, wallpapers, photos, greeting cards, games and news and entertainment message deliveries, on a prepaid basis (in increments of \$5);

Travel Time (roaming) service, which allows our customers to use their Cricket phones outside of their Cricket service areas on a prepaid basis for up to 30 minutes for \$5 (and \$0.59 per minute for additional minutes);

Voicemail, caller ID and call waiting for \$5 per month (included in our Unlimited Access service plan); and

Unlimited text, multimedia (picture) and instant messaging for \$5 per month (included in our Unlimited Access service plan).

*Handsets.* Our handsets include models that provide color screens, camera phones and other features to facilitate digital data transmission. Currently, all of the handsets that we offer are CDMA 1XRTT compliant. We currently provide 10 different handsets that are available for purchase at our retail stores, through our distributors and through our website. We also facilitate warranty exchanges between our customers and the handset manufacturers for handset issues that occur during the applicable warranty period, and we work with a third party to provide a handset insurance program. In addition, we occasionally offer selective handset upgrade incentives for customers who meet certain criteria.

*Handset Replacement.* Customers have limited rights to return handsets and accessories based on time elapsed since purchase and usage. Returns of handsets and accessories have historically been insignificant.

*Jump Mobile.* In September 2005 we launched our first per-minute prepaid service, Jump Mobile, to bring Cricket's attractive value proposition to customers who prefer active control over their wireless usage and to better target the urban youth market. Our Jump Mobile plan allows our customers to receive unlimited calls from anywhere in the world at any time, and to place calls to any place in the U.S. (except Alaska) at a flat rate of \$0.10 per minute, provided they have a credit balance in their account. In addition, our Jump Mobile customers receive unlimited inbound and outbound text messaging, provided they have a credit balance in their account, as well as access to Travel Time roaming service (for \$0.69 per minute), international long distance services, and Cricket Clicks services.

### ***Customer Care and Billing***

*Customer Care.* We outsource our call center operations to multiple call center vendors and take advantage of call centers in the U.S. and abroad to continuously improve the quality of our customer care and reduce the cost of providing care to our customers.

*Billing and Support Systems.* We outsource our billing, provisioning, and payment systems with external vendors and also contract out our bill presentment, distribution and fulfillment services to external vendors.

### ***Sales and Distribution***

Our sales and distribution strategy is to continue to increase our market penetration, while minimizing expenses associated with sales, distribution and marketing, by focusing on improving the sales process for customers and by offering easy to understand service plans and attractive handset pricing and promotions. We believe our sales costs are lower than traditional wireless providers in part because of this streamlined sales approach.

We sell our Cricket service primarily through two channels: Cricket's own retail locations and kiosks (the direct channel); and authorized dealers and distributors, including premier dealers, local market authorized dealers,

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national retail chains and other indirect distributors (the indirect channel). As of December 31, 2005, we had 90 direct locations and 1,607 indirect distributors. Our direct sales locations were responsible for approximately 32% of our gross customer additions in 2005. Our service and wireless handsets also are sold through our own websites and through Internet dealers (the web channel). The costs of sales by the indirect and web channels are largely variable costs, while the operation of our direct channel locations involves substantial fixed costs.

Also in 2005, we initiated a new premier dealer program. Premier dealers, which sell Cricket products, usually exclusively, in stores that look and function similar to our company-owned stores, enhance the in-store experience for customers and expand our brand presence within a market. We had approximately 80 premier dealers deployed at December 31, 2005.

We are focused on building our brand awareness in our markets and improving the productivity of our distribution system. We combine mass and local marketing strategies to build brand awareness of the Cricket and Jump Mobile services within the communities we serve. In order to reach our target segments, we advertise primarily on radio stations and, to a lesser extent, in local publications. We also maintain the Cricket website ([www.mycricket.com](http://www.mycricket.com)) for informational, e-commerce, and customer service purposes. Some third-party Internet retailers sell the Cricket service over the Internet and, working with a third party, we have also developed and launched Internet sales on our Cricket website. In April 2005 we introduced a new marketing and advertising campaign that reinforces the value differentiation of the Cricket brand. In addition, since our target customer base is diversified geographically, ethnically and demographically, we have decentralized our marketing programs to support local customization of advertising while optimizing our advertising expenses. We also have redesigned and re-merchandized our stores and introduced a new sales process aimed at improving both the customer experience and our revenue per user.

As a result of these marketing strategies and our unlimited calling value proposition, we believe our expenditures on advertising are generally at much lower levels than those of traditional wireless carriers. We believe that our customer acquisition cost, or CPGA, is one of the lowest in the industry. See Management's Discussion and Analysis of Financial Condition and Results of Operations Performance Measures above.

## ***Network and Operations***

We have deployed a state-of-the-art CDMA 1xRTT network in each of our markets that delivers high capacity and outstanding quality at a low cost and that can be easily upgraded to support enhanced capacity. Our networks were specifically designed to provide the capacity necessary to satisfy the usage requirements of our potential customers. Our networks regularly have been ranked by third party surveys as one of the top networks in the markets where we offer service. In addition, we believe our networks provide a better platform than competing technologies to expand into other wireless services based on advances in digital technology in the future. We recently announced our plans to begin deploying CDMA2000® 1xEV-DO technology in certain existing and new Cricket markets as appropriate to support next generation high-speed data services, such as mobile content, location-based services and high-quality music downloads at speeds of up to 2.4 Megabits per second.

Our service is based on providing customers with levels of usage equivalent to landline service at prices substantially lower than those offered by most of our wireless competitors for similar usage, and prices that are competitive with unlimited wireline plans. We believe our success depends on operating our CDMA 1xRTT networks to provide high quality, concentrated coverage and capacity rather than the broad, geographically dispersed coverage provided by traditional wireless carriers. CDMA 1xRTT technology provides us substantially higher capacity than other technologies, such as time division multiple access, or TDMA, and global system for mobile communications, or GSM.

As of December 31, 2005, our core wireless networks consisted of approximately 2,600 cell sites (most of which are co-located on leased facilities), a Network Operations Center, or NOC, and 27 switches in 24 switching centers. A switching center serves several purposes, including routing calls, managing call handoffs, managing access to and from the public switched telephone network, or PSTN, and other value-added services. These locations also house platforms that enable services including text messaging, picture messaging, voice mail, and data services. Our NOC provides dedicated, 24 hours per day monitoring capabilities every day of the year for all network nodes to ensure highly reliable service to our customers.

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Our switches connect to the PSTN through fiber rings leased from third party providers which facilitate the first leg of origination and termination of traffic between our equipment and both local exchange and long distance carriers. We have negotiated interconnection agreements with relevant exchange carriers in each of our markets. We currently use third party providers for long distance services and for backhaul services carrying traffic to and from our cell sites and switching centers.

We constantly monitor network quality metrics, including dropped call rates and blocked call rates. We also engage an independent third party to test the network call quality offered by us and our competitors in the markets where we offer service. According to the most recent results, we rank first or second in network quality within most of our core market footprints.

The appeal of our service in any given market is not dependent on having ubiquitous coverage in the rest of the country or in regions surrounding our markets. Our networks are in local population centers of self-contained communities serving the areas where our customers live, work, and play. We believe that we can deploy our capital more efficiently by tailoring our networks to our target population centers. We do, however, provide Travel Time roaming services for those occasions when our customers travel outside their local coverage area.

## **Chapter 11 Proceedings Under the Bankruptcy Code**

On April 13, 2003, Leap, Cricket and substantially all of their subsidiaries filed voluntary petitions for relief under Chapter 11 in federal bankruptcy court. On August 16, 2004, our plan of reorganization became effective and we emerged from bankruptcy. On that date a new board of directors of Leap was appointed, Leap's previously existing stock, options and warrants were cancelled, and Leap issued 60 million shares of new Leap common stock for distribution to two classes of creditors. Leap also issued warrants to purchase 600,000 shares of new Leap common stock pursuant to a settlement agreement. A creditor trust, referred to as the Leap Creditor Trust, was formed for the benefit of Leap's general unsecured creditors. The Leap Creditor Trust received shares of new Leap common stock for distribution to Leap's general unsecured creditors, and certain other assets, as specified in our plan of reorganization, for liquidation by the Leap Creditor Trust with the proceeds to be distributed to holders of allowed Leap unsecured claims. Any cash held in reserve by Leap immediately prior to the effective date of the plan of reorganization that remains following satisfaction of all allowed administrative claims and allowed priority claims against Leap will be distributed to the Leap Creditor Trust.

Our plan of reorganization implemented a comprehensive financial reorganization that significantly reduced our outstanding indebtedness. On the effective date of the plan of reorganization, our long-term indebtedness was reduced from a book value of more than \$2.4 billion to indebtedness with an estimated fair value of \$412.8 million, consisting of new Cricket 13% senior secured pay-in-kind notes due 2011 with a face value of \$350 million and an estimated fair value of \$372.8 million, issued on the effective date of the plan of reorganization, and approximately \$40 million of remaining indebtedness to the FCC (net of the repayment of \$45 million of principal and accrued interest to the FCC on the effective date of the plan of reorganization). We entered into new syndicated senior secured credit facilities in January 2005, and we used a portion of the proceeds from the \$500 million term loan included as a part of such facilities to redeem Cricket's 13% senior secured pay-in-kind notes, to repay our remaining approximately \$41 million of outstanding indebtedness and accrued interest to the FCC and to pay transaction fees and expenses of \$6.4 million.

**Table of Contents****Wireless Licenses**

The following tables show the wireless licenses that we and ANB 1 License owned at February 28, 2006, covering approximately 70.0 million POPs. The tables include wireless licenses won by our subsidiary Cricket Licensee (Reauction), Inc. and by ANB 1 License in Auction #58.

*Cricket*

<b>Market</b>	<b>Population</b>	<b>Total MHz</b>	<b>Channel Block</b>
Houston, TX	5,693,661	10	C
Phoenix, AZ(1)	4,055,495	10	C
San Diego, CA	3,026,854	10	C
Denver/Boulder, CO(1)	2,948,779	10	F
Pittsburgh/Butler/Uniontown/ Washington/Latrobe, PA(1)	2,437,336	10	E
Charlotte/Gastonia, NC(1)	2,302,773	10	F
Kansas City, MO	2,169,252	10	C
Nashville/Murfreesboro, TN(1)	1,889,365	15	C
Salt Lake City/Ogden, UT(1)	1,741,912	15	C
Memphis, TN(1)	1,608,980	15	C
Greensboro/Winston-Salem/High Point, NC(1)	1,528,564	10	F
Dayton/Springfield, OH(1)	1,218,322	10	F
Buffalo, NY(1),(2)	1,195,157	10	E
Knoxville, TN(1)	1,185,948	15	C
Grand Rapids, MI	1,140,950	10	D
Omaha, NE(1)	1,032,469	10	F
Fresno, CA(1)	1,020,480	30	C
Little Rock, AR(1)	998,263	15	C
Tulsa, OK(1)	988,686	15	C
Tucson, AZ(1)	941,615	15	C
Albuquerque, NM(1)	897,787	15	C
Toledo, OH(1),(3)	789,506	15	C
Syracuse, NY(1)	788,466	15	C
Spokane, WA(1)	786,557	15	C
Ft. Wayne, IN	736,670	10	E
Macon, GA(1)	694,451	30	C
Wichita, KS(1)	673,043	15	C
Boise, ID(1)	664,341	30	C
Reno, NV(1)	661,047	10	C
Saginaw-Bay City, MI	641,102	10	D
Chattanooga, TN(1)	589,905	15	C
Modesto, CA(1)	574,191	15	C
Salem/Corvallis, OR(1),(4)	564,062	20	C
Visalia, CA(1)	548,177	15	C
Lakeland, FL	531,706	10	F
Evansville, IN	527,827	10	F
Lansing, MI	526,606	10	D



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Appleton-Oshkosh, WI	475,841	10	E
Peoria, IL	458,653	15	C
Provo, UT(1)	434,151	15	C
Fayetteville, AR(1)	379,468	20	C
Temple, TX	378,197	10	C
Columbus, GA(1)	373,094	15	C
Lincoln, NE(1)	365,642	15	C
Albany, GA	364,149	15	C
Hickory, NC	355,795	10	F
Fort Smith, AR(1)	339,088	20	C
Eugene, OR(1),(4)	336,803	10	C
La Crosse, WI, Winona, MN	325,933	10	D
Pueblo, CO(1)	325,794	20	C
Fargo, ND	320,715	15	C
Utica, NY	297,672	10	F
Ft. Collins, CO(1)	273,954	10	F
Clarksville, TN(1)	273,730	15	C
Merced, CA(1)	260,066	15	C
Santa Fe, NM(1)	234,691	15	C
Muskegon, MI	232,822	10	D
Greeley, CO(1)	229,860	10	F
Johnstown, PA	226,326	10	C
Stevens Point, Marshfield, Wisconsin Rapids, WI	218,663	20	D,E
Grand Forks, ND	194,679	15	C
Jonesboro, AR(1)	186,556	10	C
Lufkin, TX	167,326	10	C
Owensboro, KY	166,891	10	F
Pine Buff, AR(1)	149,995	20	C
Hot Springs, AR(1)	144,727	15	C
Gallup, NM	139,910	15	C
Sandusky, OH(1),(3)	138,340	15	C
Steubenville, OH-Weirton, WV(1)	126,335	10	C
Eagle Pass, TX	124,186	15	C
Lewiston, ID	123,933	15	C
Marion, OH	101,577	10	C
Roswell, NM	81,947	15	C
Blytheville, AR			