

LEAP WIRELESS INTERNATIONAL INC

Form 10-Q/A

April 20, 2006

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

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

(Mark One)

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

**For the quarterly period ended September 30, 2005**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission File Number 0-29752**

**Leap Wireless International, Inc.  
(Exact name of registrant as specified in its charter)**

**Delaware  
(State or other jurisdiction of  
incorporation or organization)**

**33-0811062  
(I.R.S. Employer  
Identification No.)**

**10307 Pacific Center Court, San Diego, CA  
(Address of principal executive offices)**

**92121  
(Zip Code)**

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

**Not applicable  
(Former name, former address and former fiscal year, if changed since last reported)**

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

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

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**EXPLANATORY NOTE**

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

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

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

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**LEAP WIRELESS INTERNATIONAL, INC.**

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

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**PART I**  
**FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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

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

Minority interest	1,730	
Commitments and contingencies (Notes 2, 5 and 8)		
Stockholders' equity:		
Preferred stock - authorized 10,000,000 shares; \$.0001 par value, no shares issued and outstanding		
Common stock - authorized 160,000,000 shares; \$.0001 par value, 61,160,538 and 60,000,000 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively	6	6
Additional paid-in capital	1,511,648	1,478,392
Unearned stock-based compensation	(23,405)	
Retained earnings (accumulated deficit)	16,625	(8,391)
Accumulated other comprehensive income	1,344	49
Total stockholders' equity	1,506,218	1,470,056
Total liabilities and stockholders' equity	\$ 2,416,276	\$ 2,220,887

See accompanying notes to condensed consolidated financial statements.

Table of Contents**LEAP WIRELESS INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND  
COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)****(In thousands, except per share data)**

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



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

See accompanying notes to condensed consolidated financial statements.

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COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)****(In thousands, except per share data)**

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

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

See accomp