LEAP WIRELESS INTERNATIONAL INC
Form 10-K/A
December 26, 2007

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

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

(Mark One)

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

For the fiscal year ended December 31, 2006
OR

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

For the transition period from _____ to _____.

Commission file number 0-29752

LEAP WIRELESS INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**33-0811062**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
10307 Pacific Center Court, San Diego, CA	**92121**
(Address of Principal Executive Offices)	**(Zip Code)**

(858) 882-6000
(Registrant s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.0001 par value	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. YES o NO þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO þ

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 twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

As of June 30, 2006, the aggregate market value of the registrant s voting and nonvoting common stock held by non-affiliates of the registrant was approximately $1,703,253,000, based on the closing price of Leap s common stock on the NASDAQ National Market on June 30, 2006, of $47.45 per share.

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

The number of shares of registrant s common stock outstanding on December 14, 2007 was 68,207,914.

Documents incorporated by reference: Portions of the definitive Proxy Statement relating to the 2007 Annual Meeting of Stockholders, which was held on May 17, 2007 are incorporated by reference into Part III of this report.

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A to the Leap Wireless International, Inc. (the Company) Annual Report on Form 10-K for the year ended December 31, 2006 includes restated audited consolidated financial statements for the years ended December 31, 2006 and 2005 (including unaudited restated financial information as of and for the interim periods therein), for the period from August 1, 2004 to December 31, 2004 (Successor Company) and for the period from January 1, 2004 to July 31, 2004 (Predecessor Company) previously included in our Annual Report on Form 10-K for the year ended December 31, 2006 (the Original Form 10-K).

These previously issued audited consolidated financial statements and unaudited condensed consolidated financial statements of the Company have been restated to correct errors relating to (i) the timing of recognition of certain service revenues prior to or subsequent to the period in which they were earned, (ii) the recognition of service revenues for certain customers that voluntarily disconnected service and (iii) the classification of certain components of service revenues, equipment revenues and operating expenses. See Note 2 to the Company s audited consolidated financial statements included in Part II Item 8. Financial Statements and Supplementary Data of this report and the information set forth in Part II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Adjustments to Quarterly Condensed Consolidated Financial Statements (Unaudited) for additional information. The Company also has restated its unaudited condensed consolidated financial statements as of and for the quarterly periods ended March 31 and June 30, 2007.

The Company has amended and restated in its entirety each item of the Original Form 10-K filed with the Securities and Exchange Commission (the SEC) on March 1, 2007 (the Original Filing Date) that required a change to reflect this restatement and to include certain additional information. These items include Item 1A of Part I and Items 6, 7, 8 and 9A of Part II. The Company has supplemented Item 15 of Part IV to include current certifications of the Company s Chief Executive Officer and Acting Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, included as Exhibits 31 and 32 to this Amendment. No other information included in the Original Form 10-K is amended hereby.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Amendment amends and restates only the items and exhibits to the Original Form 10-K that are being amended and restated, and those unaffected items or exhibits are not included herein. Except as stated above, this Amendment speaks only as of the Original Filing Date, and this filing has not been updated to reflect any events occurring after the Original Filing Date or to modify or update disclosures affected by other subsequent events. In particular, forward-looking statements included in this Amendment represent management s views as of the Original Filing Date. Such forward-looking statements should not be assumed to be accurate as of any future date. This Amendment should be read in conjunction with the Company s other filings made with the SEC subsequent to the Original Filing Date, together with any amendments to those filings.

As previously disclosed in the Company s Current Report on Form 8-K filed on November 8, 2007, the Company s consolidated financial statements previously included in the Original Form 10-K (and other SEC filings in which such financial statements were included) and in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on March 27, 2006, and the Company s unaudited interim condensed consolidated financial statements previously included in the Company s Quarterly Reports on Form 10-Q for the quarterly periods ended September 30, June 30, and March 31, 2006 and 2005, should not be relied upon.

LEAP WIRELESS INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K/A
(Amendment No. 1)
For the Year Ended December 31, 2006

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PART I

As used in this report, unless the context suggests otherwise, the terms we, our, ours and us refer to Leap Wireless International, Inc., or Leap and its subsidiaries, including Cricket Communications, Inc., or Cricket. Leap, Cricket and their subsidiaries are sometimes collectively referred to herein as the Company. Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2007 population estimates provided by Claritas, Inc.

Cautionary Statement Regarding Forward-Looking Statements

Except for the historical information contained herein, this report 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 the Company s future. You can identify most forward-looking statements by forward-looking words such as believe, think, may, could, will, estimate, continue, anticipate, intend, expect, should, would and similar expressions in this report. 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;
- failure of the Federal Communications Commission, or FCC, to approve the transfer to Denali Spectrum License, LLC of the wireless license for which it was named the winning bidder in Auction #66;
- delays in our market expansion plans resulting from delays in the availability of network equipment and handsets for the AWS spectrum we acquired in Auction #66, or resulting from requirements to clear the AWS spectrum of existing U.S. government and other private sector wireless operations, some of which are permitted to continue using the spectrum for several years**;**
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit facilities, indenture and any future credit agreement, indenture or similar instrument;
- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in Item 1A. Risk Factors below.

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

Item 1A. *Risk Factors*

Risks Related to Our Business and Industry

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

We experienced net losses of $24.4 million for the year ended December 31, 2006, $6.1 million and $43.1 million (excluding reorganization items, net) for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively, $598.0 million for the year ended December 31, 2003 and $664.8 million for the year ended December 31, 2002. Although we had net income of $30.7 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, 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 that served by many other wireless providers. 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 or during periods of high gasoline prices. In addition, our rate of customer turnover may be affected by other factors, including the size of our calling areas, network performance and reliability issues, our handset or service offerings (including the ability of customers to cost-effectively roam onto other wireless networks), customer care concerns, phone 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.

We Have Made Significant Investment, and Will Continue to Invest, in Joint Ventures That We Do Not Control.

In November 2004, we acquired a 75% non-controlling interest in ANB 1, whose wholly owned subsidiary, ANB 1 License, was awarded certain licenses in Auction #58. In July 2006, we acquired a 72% non-controlling interest in LCW Wireless, which was awarded a wireless license for the Portland, Oregon market in Auction #58 and to which we contributed, among other things, two wireless licenses in Eugene and Salem, Oregon and related operating assets. In December 2006, we completed the replacement of certain network equipment of LCW Operations, and as a result, we now own a 73.3% non-controlling membership interest in LCW Wireless. Both ANB 1 License and LCW Wireless acquired their Auction #58 wireless licenses as very small business designated entities under FCC regulations. In July 2006, we acquired an 82.5% non-controlling interest in Denali, an entity which participated in Auction #66 as a very small business designated entity under FCC regulations. 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 partners in ANB 1, LCW Wireless and Denali, and we plan to have similar agreements in connection with any future joint venture arrangements we may enter into, which are intended to allow us to actively participate to a limited extent in the development of the business through 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 or persons 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 opportunity to acquire the assets (including wireless licenses) of, such entity.

The FCC recently implemented rule changes aimed at addressing alleged abuses of its designated entity program, affirmed these changes on reconsideration and sought comment on further rule changes. In that

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proceeding, the FCC has re-affirmed its goals of ensuring that only legitimate small businesses reap the benefits of the program, and that such small businesses are not controlled or manipulated by larger wireless carriers or other investors that do not meet the small business qualification tests. While we do not believe that the FCC s recent rule changes materially affect our current joint ventures with ANB 1, LCW Wireless and Denali, the scope and applicability of these rule changes to such current designated entity structures remains in flux, and parties have already sought further reconsideration or judicial review of these rule changes. In addition, we cannot predict how further rule changes or increased regulatory scrutiny by the FCC flowing from this proceeding will affect our current or future business ventures with designated entities or our participation with such entities in future FCC spectrum auctions.

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, one national wireless provider, Sprint-Nextel, recently announced plans to conduct trials of Boost Unlimited, a flat-rate unlimited service offering very similar to the Cricket service. Sprint-Nextel s new service may present additional strong competition to Cricket service in markets in which our service offerings overlap. The competitive pressures of the wireless telecommunications market have also 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. See Item 1. Business Competition.

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. Prior to the launch of a large market in 2006, disruptions by a competitor interfered with our indirect dealer relationships, reducing the number of dealers offering Cricket service during the initial weeks of launch. 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. As consolidation in the industry creates even larger competitors, any purchasing advantages our competitors have, as well as their bargaining power as wholesale providers of roaming services, may increase. For example, in connection with the offering of our Travel Time roaming service, we have encountered problems with certain large wireless carriers in negotiating terms for roaming arrangements that we believe are reasonable, and believe that consolidation has contributed significantly to such carriers control over the terms and conditions of wholesale 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.

Our ability to remain competitive will depend, in part, on our ability to anticipate and respond to various competitive factors and to keep our costs low.

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We May Be Unable to Obtain the Roaming Services We Need From Other Carriers to Remain Competitive

Many of our competitors have regional or national networks which enable them to offer automatic roaming services to their subscribers at a lower cost than we can offer. We do not have a national network, and we must pay fees to other carriers who provide roaming services to us. We currently have roaming agreements with several other carriers which allow our customers to roam on those carriers networks. The roaming agreements generally cover voice but not data services, and at least one such agreement may be terminated on relatively short notice. In addition, we believe that the rates charged to us by some of these carriers are higher than the rates they charge to certain other roaming partners. Our current and future customers may prefer that we offer roaming services that allow them to make calls automatically when they are outside of their Cricket service area, and we cannot assure you that we will be able to provide such roaming services for our customers in all areas of the U.S., or that we will be able to provide such services cost effectively. If we are unable to maintain our existing roaming agreements, and purchase wholesale roaming services at reasonable rates, then we may be unable to compete effectively for wireless customers, which may increase our churn and decrease our revenues, which could materially adversely affect our business, financial condition and results of operations.

We Have Restated Our Prior Consolidated Financial Statements, Which May Lead to Additional Risks and Uncertainties, Including Shareholder Litigation.

As discussed in Note 2 to our consolidated financial statements included in Part II Item 8. Financial Statements and Supplementary Data of this report, we have restated our consolidated financial statements as of and for the years ended December 31, 2006 and 2005, for the period from August 1, 2004 to December 31, 2004 and for the period from January 1, 2004 to July 31, 2004. The determination to restate these consolidated financial statements and the unaudited interim condensed consolidated financial statements was made by the Company s Audit Committee upon management s recommendation following the identification of errors related to (i) the timing of recognition of certain service revenues prior to or subsequent to the period in which they were earned, (ii) the recognition of service revenues for certain customers that voluntarily disconnected service and (iii) the classification of certain components of service revenues, equipment revenues and operating expenses.

As a result of these events, we have become subject to a number of additional risks and uncertainties, including substantial unanticipated costs for accounting and legal fees in connection with or related to the restatement. In particular, a shareholder derivative action has been filed, and we have also recently been named in a number of alleged securities class action lawsuits. The plaintiffs in these lawsuits may make additional claims, expand existing claims and/or expand the time periods covered by the complaints. Other plaintiffs may bring additional actions with other claims, based on the restatement. If such events occur, we may incur additional substantial defense costs regardless of their outcome. Likewise, such events might cause a diversion of our management s time and attention. If we do not prevail in any such actions, we could be required to pay substantial damages or settlement costs.

Our Business and Stock Price May Be Adversely Affected If Our Internal Controls Are Not Effective.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to conduct 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 and the effectiveness of internal control over financial reporting.

Management had previously concluded that we maintained effective internal control over financial reporting as of December 31, 2006. In connection with the restatement discussed under the heading Restatement of Previously Reported Consolidated Financial Statements in Note 2 to the consolidated financial statements included in Part II

Item 8. Financial Statements and Supplementary Data of this report, management determined that the material weakness described below existed as of December 31, 2006. Accordingly, management has now concluded that our internal control over financial reporting was not effective as of December 31, 2006.

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As described in Part I Item 9A. Controls and Procedures of this report, our CEO concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2006. The material weakness we have identified in our internal control over financial reporting related to the design of controls over the preparation and review of the account reconciliations and analysis of revenues, cost of revenue and deferred revenues, and ineffective testing of changes made to our revenue and billing systems in connection with the introduction or modification of service offerings.

We have taken and are taking actions to remediate this material weakness. In addition, Leap s Audit Committee has directed management to develop and present a plan and timetable for the implementation of remediation measures (to the extent not already implemented), and the Committee intends to monitor such implementation. We believe that these actions will remediate the control deficiencies we have identified and strengthen our control over financial reporting.

We previously reported that certain material weaknesses in our internal control over financial reporting existed at various times during the period from September 30, 2004 through September 30, 2006. These material weaknesses included excessive turnover and inadequate staffing levels in our accounting, financial reporting and tax departments, weaknesses in the preparation of our income tax provision, and weaknesses in our application of lease-related accounting principles, fresh-start reporting oversight, and account reconciliation procedures.

Although we believe we are taking appropriate actions to remediate the control deficiencies we have identified and to strengthen our internal control over financial reporting, we cannot assure you that we will not discover other material weaknesses in the future. 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 these or other internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of Leap s common 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 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 from within a local calling area 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. Some companies that have offered this type of service in the past have been unsuccessful. From time to time, we also evaluate our service offerings and the demands of our target customers and may modify, change, adjust or discontinue 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 or Cost Increases 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 network associated with newly acquired FCC licenses, including the licenses that we acquired in Auction #66 and the license that Denali License expects to be awarded as a result of Auction #66 and any licenses that we may acquire from third parties. Large scale construction projects such as the build-out of our new markets will require significant capital expenditures and may suffer cost-overruns. In addition, we will experience higher operating expenses as we build out and after we launch our service in new markets. Any significant capital expenditures or increased operating expenses, including in connection with the build-out and launch of markets for the licenses that we and Denali License expect to be awarded as a result of Auction #66, would negatively impact our earnings and free cash flow for those periods in which we incur such capital expenditures or increased operating expenses. In addition, the build-out of the network 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 network.

The spectrum that was auctioned in Auction #66 currently is used by U.S. federal government and/or incumbent commercial licensees. FCC rules require winning bidders to avoid interfering with these existing users or to clear the incumbent users from the spectrum through specified relocation procedures. We considered the estimated cost and time frame required to clear the spectrum for which we and Denali License were declared the winning bidders in the auction. However, the actual cost of clearing the spectrum may exceed our estimated costs. Furthermore, delays in the provision of federal funds to relocate government users, or difficulties in negotiating with incumbent commercial licensees, may extend the date by which the auctioned spectrum can be cleared of existing operations, and thus may also delay the date on which we can launch commercial services using such licensed spectrum. In addition, certain existing government operations are using the Auction #66 spectrum for classified purposes. Although the government has agreed to clear that spectrum to allow the holders to use their AWS licenses in the affected areas, the government is only providing limited information to spectrum holders about these classified uses which creates additional uncertainty about the time at which such spectrum will be available for commercial use.

Although our vendors have announced their intention to manufacture and supply network equipment and handsets that operate in the AWS spectrum bands, network equipment and handsets that support AWS are not presently available. If network equipment and handsets for the AWS spectrum are not made available on a timely basis in the future by our suppliers, our proposed build-outs and launches of new Auction #66 markets could be delayed, which would negatively impact our earnings and cash flows. In addition, if delays in the availability of AWS network equipment and handsets force us to choose a technology platform for our network other than CDMA, the adoption of such alternative technology solution could have a material adverse effect on our capital expenditures and capital spending plans. Any significant increase in our expected capital expenditures in connection with the build-out and launch of Auction #66 licenses could negatively impact our earnings and free cash flow for those periods in which we incur such capital expenditures.

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 substantial growth in a relatively short period of time, and we 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. In addition, continued growth will eventually require the expansion of our billing, customer care and sales systems and platforms, which will require additional capital expenditures and may divert the time and attention of management personnel who oversee any such expansion. Furthermore, the implementation of any such systems or platforms, including the transition to such systems or platforms from our existing infrastructure, could result in unpredictable technological or other difficulties. Failure to successfully manage our expected growth and development or to timely and adequately resolve any such difficulties could have a material adverse effect on our business, financial condition and results of operations.

Our Significant Indebtedness Could Adversely Affect Our Financial Health and Prevent Us From Fulfilling Our Obligations.

We have now and will continue to have a significant amount of indebtedness. As of December 31, 2006, our total outstanding indebtedness under the senior secured credit agreement was $896 million, and we also had a $200 million undrawn revolving credit facility (which forms part of our senior secured credit facility). In October 2006, we issued $750 million in unsecured senior notes. In addition, we may seek to raise additional funds in the

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future. Indebtedness under our senior 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 material consequences to you. 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
- expose us to higher interest expense in the event of increases in interest rates because indebtedness under our senior secured credit facility bears interest at a variable rate. For a description of our senior secured credit facility, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Senior Secured Credit Facilities in Part II of this report.

As of December 31, 2006, 57.4% of our assets consisted of goodwill and other intangibles, including wireless licenses and deposits for wireless licenses. The value of our assets, and in particular, our intangible assets, will depend on market conditions, the availability of buyers and similar factors. By their nature, our intangible assets may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in their liquidation. For example, prior FCC approval is required in order for any remedies to be exercised with respect to our wireless licenses and obtaining such approval could result in significant delays and reduce the proceeds obtained from the sale or other disposition of our wireless licenses.

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

We may incur substantial additional indebtedness in the future. Among other things, we may require significant additional capital in the future to finance the build-out and initial operating costs associated with licenses that we acquired in Auction #66 and that Denali License expects to be awarded as a result of Auction #66. The terms of our senior unsecured indenture permit us, subject to specified limitations, to incur additional indebtedness, including secured indebtedness. In addition, our senior secured credit agreement permits us to incur additional indebtedness under various financial ratio tests.

If new indebtedness is added to our current levels of indebtedness, the related risks that we now face could intensify. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in Part II of this report. Furthermore, the subsequent build-out of the network covered by the licenses we acquired in Auction #66 may significantly reduce our free cash flow, increasing the risk that we may not be able to service our indebtedness.

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

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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.

We May Be Unable to Refinance Our Indebtedness.

We may need to refinance all or a portion of our indebtedness before maturity. We cannot assure you that we will be able to refinance any of our indebtedness, including under our senior unsecured indenture or our senior secured credit agreement, on commercially reasonable terms, or at all. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

Covenants in Our Indenture and Credit Agreement and Other Credit Agreements or Indentures That We May Enter Into in the Future May Limit Our Ability to Operate Our Business.

Our senior unsecured indenture and senior secured credit agreement contain covenants that restrict the ability of Leap, Cricket and the subsidiary guarantors to make distributions or other payments to our investors or creditors until we satisfy certain financial tests or other criteria. In addition, the indenture and the credit agreement include covenants restricting, among other things, the ability of Leap, Cricket and their restricted subsidiaries to:

- incur additional indebtedness;
- create liens or other encumbrances;
- place limitations on distributions from restricted subsidiaries;
- pay dividends, make investments, prepay subordinated indebtedness or make other restricted payments;
- issue or sell capital stock of restricted subsidiaries;
- issue guarantees;
- sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with affiliates; and
- make acquisitions or merge or consolidate with another entity.

Under the senior secured credit agreement, we must also comply with, among other things, financial covenants with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. The restrictions in our credit agreement could limit our ability to make borrowings, 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. Any credit agreement or indenture that we may enter into in the future may have similar restrictions.

Our restatement of our consolidated financial results as described in Note 2 to the financial statements included in Part II Item 8. Financial Statements and Supplementary Data of this report and the associated delay in filing our

Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 resulted in defaults and potential defaults under our senior secured credit agreement, or Credit Agreement. On November 20, 2007, the required lenders under the Credit Agreement granted a waiver of the defaults and potential defaults. In connection with the waiver granted by the lenders under the Credit Agreement on November 20, 2007, we entered into a second amendment to our Credit Agreement as described in Note 7 to the financial statements included in Part II Item 8. Financial Statements and Supplementary Data of this report. The second amendment required us to furnish our unaudited condensed consolidated financial statements for the quarter ended September 30, 2007 to the administrative agent on or before December 14, 2007. On December 14, 2007, we filed our Quarterly Report on

Form 10-Q for the quarter ended September 30, 2007 and delivered the required financial statements to the administrative agent. We are also required to furnish our amended Annual Report on Form 10-K for the year ended December 31, 2006 and revised unaudited condensed consolidated financial statements for the quarters ended March 31 and June 30, 2007 to the administrative agent on or before December 31, 2007. The second amendment also provides that these revised financial statements may not result in a cumulative net reduction in operating income for the period from January 1, 2005 through June 30, 2007 in excess of $35 million.

If we were to fail to timely furnish such financial statements and documents to the administrative agent, this would result in an immediate default under the Credit Agreement which, unless waived by the required lenders, would permit the administrative agent to exercise its available remedies, including declaring all outstanding debt under the Credit Agreement to be immediately due and payable. An acceleration of the outstanding debt under the Credit Agreement would also trigger a default under Cricket s indenture governing its $1.1 billion of 9.375% senior notes due 2014. In addition to filing this Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2006, we also expect to file the necessary amendments to our Quarterly Reports on Form 10-Q/A for the quarters ended March 31, 2007 and June 30, 2007, and to furnish the required financial statements and documents to the administrative agent, on or promptly following the date of this filing. Upon furnishing such financial statements and documents to the administrative agent, we will be in compliance with the covenants under the Second Amendment described above.

In addition, 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 previous senior 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 previous senior secured credit agreement.

If we default under our indenture or our Credit Agreement because of a covenant breach or otherwise, all outstanding amounts thereunder could become immediately due and payable. We cannot assure you that we would have sufficient funds to repay all of the outstanding amounts under our indenture or our credit agreement, and any acceleration of amounts due would have a material adverse effect on our liquidity and financial condition. Although we were able to obtain limited waivers with respect to the events described above, 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 interest rates. As of December 31, 2006, we estimate that approximately 34% of our debt was variable rate debt, after considering the effect of our interest rate swap agreements. 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.

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, WiMax, 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 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.

In addition, CDMA 2000 infrastructure networks could become less popular in the future, which could raise the cost to us of equipment and handsets that use that technology relative to the cost of handsets and equipment that utilize other technologies.

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 Upon Services Could Materially Adversely Affect Our Business, Results of Operations and Financial Condition.

We depend heavily on suppliers and contractors with specialized expertise in order for us to efficiently operate our business. In the past, our suppliers, contractors and third-party retailers have not always performed at the levels we expect or at the levels required by their contracts. If key suppliers, contractors or third-party retailers fail to comply with their contracts, fail to meet our performance expectations or refuse or are unable to supply us in the future, our business could be severely disrupted. Generally, there are multiple sources for the types of products we purchase. However, some suppliers, including software suppliers, are the exclusive sources of their specific products. 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, 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.

To accommodate expected growth in our business, management has been planning to replace our customer billing and activation system, which we out-source to a third party, with a new system. The vendor who provides billing services to us has a contract to provide us services until 2010, but the vendor s new billing product is substantially behind schedule and the vendor has missed significant development milestones. If we choose to purchase billing services from a different vendor to meet the requirements of our business and our growing customer base then, despite the existing vendor s repeated performance issues and its failure to meet significant milestones on its new billing product, the existing vendor may claim that we have breached our obligations under the contract and seek substantial damages. If the vendor were to prevail on any such claim, the resolution of the matter could materially adversely impact our earnings and cash flows.

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 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. For example, on June 14, 2006, we sued MetroPCS Communications, Inc., or MetroPCS, in the United States District Court for the Eastern District of Texas, Marshall Division, Civil Action No. 2-06-CV-00240-TJW, for infringement of U.S. Patent No. 6,813,497 *Method for Providing Wireless Communication Services and Network and System for Delivering Same,* issued to us. Our complaint seeks damages and an injunction against continued infringement. On August 3, 2006, MetroPCS (i) answered the complaint, (ii) raised a number of affirmative defenses, and (iii) together with two related entities (referred to, collectively with MetroPCS, as the MetroPCS entities), counterclaimed against Leap, Cricket, numerous Cricket subsidiaries, ANB 1 License, Denali License, and current and former employees of Leap and Cricket, including Leap CEO Douglas Hutcheson. The countersuit alleges claims for breach of contract, misappropriation, conversion and disclosure of trade secrets, misappropriation of confidential information and breach of confidential relationship, relating to information provided by MetroPCS to such employees, including prior to their employment by Leap, and asks the court to award damages, including punitive damages, impose an injunction enjoining us from participating in Auction #66, impose a constructive trust on our business and assets for the benefit of MetroPCS, and declare that the MetroPCS entities have not infringed U.S. Patent No. 6,813,497 and that such patent is invalid. MetroPCS s claims allege that we and the other counterclaim defendants improperly obtained, used and disclosed trade secrets and confidential information of the MetroPCS entities and breached confidentiality agreements with the MetroPCS entities. Based upon our preliminary review of the counterclaims, we believe that we have meritorious defenses and intend to vigorously defend against the counterclaims. If the MetroPCS entities were to prevail in their counterclaims, it could have a material adverse effect on our business, financial condition and results of operations. Also, on September 22, 2006, Royal Street Communications, LLC, or Royal Street, an entity affiliated with MetroPCS, filed an action in the United States District Court for the Middle District of Florida, Tampa Division, Civil Action No. 8:06-CV-01754-T-23TBM, seeking a declaratory judgment that Cricket s U.S. Patent No. 6,813,497 *Method for Providing Wireless Communication Services and Network and System for Delivering Same* (the same patent that is the subject of our infringement action against MetroPCS) is invalid and is not being infringed by Royal Street or its PCS systems. On October 17, 2006, we filed a motion to dismiss the case or, in the alternative, to transfer the case to the Eastern District of Texas. We intend to vigorously defend against these actions.

On August 3, 2006, MetroPCS filed a separate action in the United States District Court for the Northern District of Texas, Dallas Division, Civil Action No. 3-06CV1399-D, seeking a declaratory judgment that our U.S. Patent No. 6,959,183 *Operations Method for Providing Wireless Communication Services and Network and System for Delivering Same* (a different patent from the one that is the subject of our infringement action against MetroPCS) is invalid and is not being infringed by MetroPCS and its affiliates. On January 24, 2007, the court dismissed this case, without prejudice, for lack of subject matter jurisdiction. Because the case was dismissed without prejudice, MetroPCS could file another complaint with the same claims in the future.

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, the equipment, software or services that we use or provide, or the specific operation of our wireless network. We generally have indemnification agreements with the manufacturers, licensors and suppliers who provide us with the equipment, software 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. Moreover, we may be subject to claims that products, software and services provided by different vendors which we combine to offer our services may infringe the rights of third parties, and we may not have any indemnification from our vendors for these 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.

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 raised similar issues with, and in some cases has filed suit against, other telecommunications companies, and has obtained license agreements from one or more of such companies. 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 it on terms that may have a negative impact on our operating results. In addition, a wireless provider has contacted us and asserted that Cricket s practice of providing service to customers with phones that were originally purchased for use on that provider s network violates copyright laws and interferes with that provider s contracts with its customers. Based on our preliminary review, we do not believe that Cricket s actions violate copyright laws or otherwise violate the other provider s rights. We do not currently expect that the eventual resolution of these matters will materially adversely affect our business, but we cannot provide assurance to our investors about the effect of any such future resolution.

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. The FCC recently implemented rule changes and sought comment on further rule changes focused on addressing alleged abuses of its designated entity program, which gives certain categories of small businesses preferential treatment in FCC spectrum auctions based on size. In that proceeding, the FCC has re-affirmed its goals of ensuring that only legitimate small businesses benefit from the program, and that such small businesses are not controlled or manipulated by larger wireless carriers or other investors that do not meet the small business qualification tests. We cannot predict the degree to which rule changes or increased regulatory scrutiny that may follow from this proceeding will affect our current or future business ventures or our participation in future FCC spectrum auctions.

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 and Jump Mobile Services Exceeds Our Expectations, Our Costs of Providing Service Could Increase, Which Could Have a Material Adverse Effect on Our Competitive Position.

During the year ended December 31, 2006, Cricket customers used their handsets for an average of approximately 1,450 minutes per month, and some markets were experiencing substantially higher call volumes. Our Cricket service plans bundle certain features, long distance and unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. In addition, call volumes under our Jump Mobile services have been significantly higher than expected. 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 and Jump Mobile customers exceeds the capacity of our network, service quality may suffer. We may be forced to raise the price of Cricket and Jump Mobile 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. Despite our recent spectrum purchases, 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. We also intend to acquire additional spectrum in order to enter new strategic markets. However, we cannot assure you that we will be able to acquire additional spectrum at auction or in the after-market at a reasonable cost, that Denali License will be awarded the license for which it was the winning bidder at Auction #66, or that additional spectrum would be made available by the FCC on a timely basis. If such additional spectrum is not available to us when required or at a reasonable cost, our results of operations could be adversely affected.

Our Wireless Licenses are Subject to Renewal and Potential Revocation in the Event that We Violate Applicable Laws.

Our existing wireless licenses are subject to renewal upon the expiration of the 10 or 15-year period for which they are granted, which renewal period commenced for some of our PCS wireless licenses in 2006. The FCC will award a renewal expectancy to a wireless licensee that has provided substantial service during its past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The FCC has routinely renewed wireless licenses in the past. However, the Communications Act provides that licenses may be revoked for cause and license renewal applications denied if the FCC determines that a renewal would not serve the public interest. FCC rules provide that applications competing with a license renewal application may be considered in comparative hearings, and establish the qualifications for competing applications and the standards to be applied in hearings. We cannot assure you that the FCC will renew our wireless licenses upon their expiration.

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 years ended December 31, 2006 and 2005, we recorded impairment charges of $7.9 million and $12.0 million, respectively.

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

- consolidation in the wireless industry 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 sales prices in FCC auctions.

In addition, the price of wireless licenses could decline as a result of the FCC s pursuit of policies designed to increase the number of wireless licenses available in each of our markets. For example, the FCC has recently auctioned an additional 90 MHz of spectrum in the 1700 MHz to 2100 MHz band in Auction #66 and has announced that it intends to auction additional spectrum in the 700 MHz and 2.5 GHz bands in subsequent auctions. 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.

We assess potential impairments to our indefinite-lived intangible assets, including wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. We conduct our annual tests for impairment of our wireless licenses 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. 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 Intercarrier Compensation Costs.

When our customers use our service to call customers of other carriers, we are required under the current intercarrier 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 intercarrier 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.

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.

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

Our operating costs can increase substantially as a result of customer credit card, subscription or 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, the resulting loss of revenue or increased expenses could have a material adverse impact on our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

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

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

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

The 16,460,077 Shares of Leap Common Stock Registered for Resale By Our Shelf Registration Statement May Adversely Affect The Market Price of Leap s Common Stock.

As of February 23, 2007, 67,909,011 shares of Leap common stock were issued and outstanding. Our resale shelf Registration Statement, as amended, registers for resale 16,460,077 shares, or approximately 24.2%, 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 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.

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 February 23, 2007, 67,909,011 shares of Leap common stock were issued and outstanding, and 4,732,886 additional shares of Leap common stock were reserved for issuance, including 3,365,473 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, 767,413 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, Leap has reserved five percent of its outstanding shares, which was 3,395,451 shares as of February 23, 2007, for potential issuance to 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, the purchase price for CSM s equity interest is 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 our senior secured credit agreement do not permit Cricket to satisfy any substantial portion of its put obligations to CSM in cash. If Cricket elects to satisfy 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.

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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.

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

Our directors and entities affiliated with them beneficially owned in the aggregate approximately 24.6% of Leap common stock as of February 23, 2007. These stockholders have the ability to exert substantial influence over all matters requiring approval by our stockholders. These stockholders will be able to influence the election and removal of directors and any merger, consolidation or sale of all or substantially all of 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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PART II

Item 6. ***Selected 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 years ended December 31, 2006 and 2005 (including interim periods therein), for the period from August 1, 2004 to December 31, 2004, for the period from January 1, 2004 to July 31, 2004 and for the year ended December 31, 2003 to reflect adjustments that are further discussed in Note 2 to the consolidated financial statements included in Item 8 of this report. These tables should be read in conjunction with Items 7 and 8 of this report. References in these tables to Predecessor Company refer to the Company on or prior to July 31, 2004. References to Successor Company refer to the Company 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 3 to the consolidated financial statements included in Item 8 of this report.

	Successor Company			Predecessor Company		
	Year Ended December 31,		Five Months Ended December 31,	Seven Months Ended July 31,	Year Ended December 31,	
	2006 (As Restated)	2005 (As Restated)	2004 (As Restated)	2004 (As Restated)	2003(2) (As Restated)	2002
Statement of Operations Data:						
Revenues	$ 1,167,187	$ 957,771	$ 350,847	$ 492,756	$ 752,937	$ 618,475
Operating income (loss)	23,725	71,002	12,729	(34,412)	(360,925)	(454,100)
Income (loss) before reorganization items, income taxes and cumulative effect of change in accounting principle	(15,703)	52,300	(2,170)	(38,900)	(443,682)	(640,978)
Reorganization items, net				962,444	(146,242)	
Income tax expense	(9,277)	(21,615)	(3,930)	(4,166)	(8,052)	(23,821)
Income (loss) before cumulative effect of change in accounting principle	(24,980)	30,685	(6,100)	919,378	(597,976)	(664,799)
Cumulative effect of change in accounting principle	623					

Net income (loss)	$	(24,357)	$	30,685	$	(6,100)	$	919,378	$	(597,976)	$	(664,799)
Net income (loss) per share:												
Basic net income (loss) per share:												
Income (loss) before cumulative effect of change in accounting principle	$	(0.41)	$	0.51	$	(0.10)	$	15.68	$	(10.20)	$	(14.91)
Cumulative effect of change in accounting principle		0.01										
Basic net income (loss) per share(1)	$	(0.40)	$	0.51	$	(0.10)	$	15.68	$	(10.20)	$	(14.91)
Diluted net income (loss) per share:												
Income (loss) before cumulative effect of change in accounting principle	$	(0.41)	$	0.50	$	(0.10)	$	15.68	$	(10.20)	$	(14.91)
Cumulative effect of change in accounting principle		0.01										
Diluted net income (loss) per share(1)	$	(0.40)	$	0.50	$	(0.10)	$	15.68	$	(10.20)	$	(14.91)
Shares used in per share calculations:(1)												
Basic		61,645		60,135		60,000		58,623		58,604		44,591
Diluted		61,645		61,003		60,000		58,623		58,604		44,591

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	As of December 31,				
	Successor Company			Predecessor Company	
	2006 (As Restated)	2005 (As Restated)	2004 (As Restated)	2003 (As Restated)	2002
Balance Sheet Data:					
Cash and cash equivalents	$ 372,812	$ 293,073	$ 141,141	$ 84,070	$ 100,860
Working capital (deficit)(3)	185,191	245,366	150,868	(2,255,349)	(2,144,420)
Restricted cash, cash equivalents and short-term investments	13,581	13,759	31,427	55,954	25,922
Total assets	4,084,947	2,499,946	2,213,312	1,756,843	2,163,702
Long-term debt(3)	1,676,500	588,333	371,355		
Total stockholders equity (deficit)	1,771,793	1,517,601	1,472,347	(893,895)	(296,786)

(1) Refer to Notes 3 and 6 to the consolidated financial statements included in Item 8 of this report for an explanation of the calculation of basic and diluted earnings (loss) per share.

(2) Our consolidated financial statements for the year ended December 31, 2003 were restated to correct errors that resulted in understatements of revenues and operating expenses of $1.6 million and $2.1 million, respectively.

(3) 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.

Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations*

The following information should be read in conjunction with the audited consolidated financial statements and notes thereto included in Item 8 of this Annual Report.

Restatement of Previously Reported Audited Annual and Unaudited Interim Condensed 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 years ended December 31, 2006 and 2005 (including interim periods therein). See Note 2 to the consolidated financial statements in Item 8 of this report for additional information.

Company Overview

We are a wireless communications carrier that offers digital wireless service in the U.S. under the Cricket® and Jump™ Mobile brands. Our Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate without requiring a fixed-term contract or credit check. Our Jump Mobile service offers customers a per-minute prepaid service. Cricket and Jump Mobile services are also offered in certain markets by Alaska Native Broadband 1 License, LLC, or ANB 1 License, and by LCW Wireless Operations, LLC, or LCW Operations, both of which are designated entities. Cricket owns an indirect 75% non-controlling interest in ANB 1 License through a 75% non-controlling interest in Alaska Native Broadband 1 LLC, or ANB 1. In January 2007, Alaska Native Broadband, LLC exercised its option to sell its entire 25% controlling interest in ANB 1 to Cricket. The FCC has approved the application to transfer control of ANB 1 License to Cricket and we expect to close the sale transaction in the near future. Cricket also owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless, LLC, or LCW Wireless, and an 82.5% non-controlling interest in Denali Spectrum, LLC, or Denali, which participated in Auction #66 as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC, or Denali License.

At December 31, 2006, Cricket and Jump Mobile services were offered in 22 states in the U.S. and had approximately 2,230,000 customers. As of December 31, 2006, we, ANB 1 License and LCW Operations owned wireless licenses covering a total of 137.1 million potential customers, or POPs, in the aggregate, and our network in our operating markets covered approximately 48 million POPs. We are currently building out and launching additional markets. We anticipate that our combined network footprint will cover approximately 50 million POPs by mid-2007.

We participated as a bidder in Auction #66, both directly and as an investor in Denali License. In Auction #66, we purchased 99 wireless licenses covering 123.1 million POPs (adjusted to eliminate duplication among certain overlapping Auction #66 licenses) for an aggregate purchase price of $710.2 million, and Denali License was named the winning bidder for one wireless license covering 59.8 million POPs (which includes markets covering 5.7 million POPs which overlap with certain licenses we purchased in Auction #66) for a net purchase price of $274.1 million. We anticipate that these licenses will provide the opportunity to substantially enhance our coverage area and allow us and Denali License to launch Cricket service in numerous new markets in multiple construction phases over time. Moreover, the licenses we purchased, together with licenses we currently own, provide 20MHz coverage and the opportunity to offer enhanced data services in almost all markets that we currently operate or are building out. If Denali License was to make available to us certain spectrum for which it was the winning bidder in Auction #66, we would have 20MHz coverage in all markets in which we currently operate or are building out. The post-Auction grant of the license to Denali License remains subject to FCC approval, and we cannot assure you that the FCC will award this license to Denali License. Assuming the FCC approves the post-Auction grant of this license, our spectrum portfolio, together with that of ANB 1 License, LCW Operations and Denali License (all of which entities or their affiliates currently offer or are expected to offer Cricket service), will consist of approximately 184.2 million POPs (adjusted to eliminate duplication of overlapping licenses among these entities).

Our most popular service plan offers customers unlimited local and U.S. long distance service from their Cricket service area combined with unlimited use of multiple calling features and messaging services, generally for a flat rate of $45 per month. We also offer a basic service plan which allows customers to make unlimited calls within their Cricket service area and receive unlimited calls from any area, generally for $35 per month, and an intermediate service plan which also includes unlimited U.S. long distance service, generally for $40 per month. During 2006, we introduced a higher value plan which offers customers unlimited mobile web access and coverage in all markets in which Cricket service is offered, in addition to the features offered by our other plans, generally for $50 per month. Our per-minute prepaid service, Jump Mobile, brings Cricket s attractive value proposition to customers who prefer to actively control their wireless usage and to allow us to better target the urban youth market. We expect to continue to broaden our data product and service offerings in 2007 and beyond.

We believe that our business model is scalable and 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. For example:

In July 2006, we acquired a non-controlling membership interest in LCW Wireless, which held a license for the Portland, Oregon market and to which we contributed, among other things, our existing Eugene and Salem, Oregon markets to create a new Oregon cluster of licenses covering 3.2 million POPs.

In August 2006, we exchanged our wireless license in Grand Rapids, Michigan for a wireless license in Rochester, New York to form a new market cluster with our existing Buffalo and Syracuse markets in upstate New York. These three licenses cover 3.1 million POPs.

In September 2006, Denali License was named the winning bidder for one wireless license covering 59.8 million POPs (which includes markets covering 5.7 million POPs which overlap with certain licenses we purchased in Auction #66). The post-Auction grant of the license for which Denali License was named the winning bidder remains subject to FCC approval, and we cannot assure you that the FCC will award this license to Denali License.

In November 2006, we completed the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million. These licenses cover 5.0 million POPs.

In December 2006, we purchased 99 wireless licenses in Auction #66 covering 123.1 million POPs (adjusted to eliminate duplication among certain overlapping Auction #66 licenses). The use of the licenses that we acquired or that Denali License might acquire in Auction #66 may be affected by the requirements to clear the spectrum of existing U.S. government and other private sector wireless operations, some of which are permitted to continue for several years.

We, ANB 1 License and LCW Operations launched 14 markets in 2006, and we currently expect to launch Cricket service covering approximately 3.0 million new covered POPs in Rochester, NY and areas in North Carolina and South Carolina during 2007.

We continue to seek additional opportunities to enhance our current market clusters and expand into new geographic markets by participating in FCC spectrum auctions (including the recently concluded Auction #66), by acquiring spectrum and related assets from third parties, or by participating in new partnerships or joint ventures.

Of the wireless licenses we purchased and for which Denali License was named the winning bidder in Auction #66, licenses covering approximately 65 million POPs constitute additional spectrum overlaying areas where we, ANB 1 License or LCW Operations already have existing licenses. We expect that we and Denali License (which we expect will offer Cricket service) will build out and launch Cricket service in new markets covered by Auction #66 licenses in multiple construction phases over time. We currently expect that the first phase of construction for Auction #66 licenses that we and Denali License intend to build out will cover approximately 24 million POPs. We currently expect that the aggregate capital expenditures for this first phase of construction will be less than $28.00 per covered POP. We also currently expect that the build-outs for this first phase of construction will commence in 2007 and will be substantially completed by the end of 2009. We generally build out our Cricket network in local population centers of metropolitan communities serving the areas where our customers live, work and play. Some of the Auction #66 licenses we purchased and for which Denali License was named the winning bidder include large regional areas covering both rural and metropolitan communities. Based on our preliminary analysis of the Auction #66 licenses we purchased and for which Denali License was named the winning bidder that are located in new markets, we believe that a significant portion of the POPs included within such new licenses may not be well-suited for Cricket service. Therefore, among other things, we may seek to partner with others, sell spectrum or pursue alternative products or services to utilize or benefit from the spectrum not otherwise used for Cricket service.

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our $200 million revolving credit facility (which was undrawn at December 31, 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. See Liquidity and Capital Resources below.

Among the most significant factors affecting our financial condition and performance from period to period are our new market expansions, growth in customers and the impacts of such activities on our revenues and operating expenses. Throughout 2006, we and our joint ventures continued expanding existing market footprints and expanded into 14 new markets, increasing the number of potential customers covered by our networks from approximately 27.7 million covered POPs as of December 31, 2005 to approximately 48 million covered POPs as of December 31, 2006. This network expansion, together with organic customer growth in our existing markets, has resulted in substantial additions of new customers, as our total end-of-period customers increased from 1.67 million customers as of December 31, 2005 to 2.23 million customers as of December 31, 2006. In addition, our total revenues have increased from $957.8 million for fiscal 2005 to $1.17 billion for fiscal 2006. In 2006, we also introduced additional higher-priced, higher-value service plans which have helped increase average service revenue per user per month over time, as customer acceptance of the higher-priced plans has been favorable.

As our business activities have expanded, our operating expenses have also grown, including increases in cost of service reflecting: the increase in customers and the broader variety of products and services provided to such customers; increased depreciation expense related to our expanded networks; and increased selling and marketing expenses and general and administrative expenses generally attributable to new market launches, selling and marketing to a broader potential customer base, and expenses required to support the administration of our growing business. In particular, total operating expenses increased from $901.4 million for fiscal 2005 to $1.17 billion for fiscal 2006. We also incurred substantial additional indebtedness to finance the costs of our business expansion and acquisitions of additional wireless licenses in 2006. As a result, our interest expense has increased from $30.1 million for fiscal 2005 to $61.3 million for fiscal 2006.

Primarily as a result of the factors described above, our net income of $30.7 million for fiscal 2005 decreased to a net loss of $24.4 million for fiscal 2006.

We expect that we will continue to build out and launch new markets and pursue other strategic expansion activities for the next several years. We intend to be disciplined as we pursue these expansion efforts and to remain focused on our position as a low-cost leader in wireless telecommunications. We expect to achieve increased revenues and incur higher operating expenses as our existing business grows and as we build out and after we launch service in new markets. Large-scale construction projects for the build-out of our new markets will require significant capital expenditures and may suffer cost overruns. Any such significant capital expenditures or increased operating expenses would decrease earnings, operating income before depreciation and amortization, or OIBDA, and free cash flow for the periods in which we incur such costs. However, we are willing to incur such expenditures because we expect our expansion activities will be beneficial to our business and create additional value for our stockholders.

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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 critical accounting policies and estimates involve a higher degree of judgment and complexity than others used in the preparation of our consolidated financial statements.

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, LCW Wireless and Denali and their wholly owned subsidiaries. We consolidate our interests in ANB 1, LCW Wireless and Denali in accordance with FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, because these entities are variable interest entities and we will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

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. New and reactivating customers are required to pay for their service in advance, and generally, customers who activated their service prior to May 2006 pay in arrears. We do not require any of our customers to sign fixed-term service commitments or submit to a credit check. These terms generally appeal to less affluent customers who are considered more likely to terminate service for inability to pay than wireless customers in general. Consequently, we have concluded that collectibility of our revenues is not reasonably assured until payment has been received. Accordingly, service revenues are recognized only after services have been rendered and payment has been received.

When we activate a new customer, we frequently sell that customer a handset and the first month of service in a bundled transaction. Under the provisions of Emerging Issues Task Force (EITF) Issue No. 00-21, Revenue Arrangements with Multiple Deliverables, the sale of a handset along with a month of wireless service constitutes a multiple element arrangement. Under EITF Issue No. 00-21, once a company has determined the fair value of the elements in the sales transaction, the total consideration received from the customer must be allocated among those elements on a relative fair value basis. Applying EITF Issue No. 00-21 to these transactions results in our recognizing the total consideration received, less one month of wireless service revenue (at the customer s stated rate plan), as equipment revenue.

Equipment 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. In addition to handsets that we sell directly to our customers at Cricket-owned stores, we also sell handsets to third-party dealers. These dealers then sell the handsets to the ultimate Cricket customer, and that customer also receives the first month of service in a bundled transaction (identical to the sale made at a Cricket-owned store). The costs of handsets and accessories sold are recorded in cost of equipment. Sales of handsets to third-party dealers are recognized as equipment revenues only when service is activated by customers, since the level of price reductions ultimately available to such dealers is not reliably estimable until the handsets are sold by such dealers to customers. Thus, handsets sold to third-party dealers are recorded as consigned inventory until they are sold to, and service is activated by, customers.

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Through a third-party insurance provider, our customers may elect to participate in a handset insurance program. We recognize revenue on replacement handsets sold to our customers under the program when the customer purchases a replacement handset.

Sales incentives offered without charge to customers and volume-based incentives paid to our third-party dealers 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; as a result, customer returns of handsets and accessories have historically been negligible.

Amounts billed by us in advance of customers wireless service periods are not reflected in accounts receivable or deferred revenue as collectibility of such amounts is not reasonably assured. Deferred revenue consists primarily of cash received from customers in advance of their service period and deferred equipment revenue related to handsets and accessories sold to third-party dealers.

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 tower and network facility rent, engineering operations, field technicians and related utility and maintenance charges, and salary and overhead charges associated with these functions.

Cost of Equipment. Cost of equipment primarily 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, promotional and public relations costs associated with acquiring new customers, store operating costs such as retail associates salaries and rent, and overhead charges associated with selling and marketing functions.

General and Administrative. General and administrative expenses primarily include call center and other customer care program costs and 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):

	Depreciable Life
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, 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.

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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 wireless licenses may be renewed every ten to fifteen 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 as of July 31, 2004. 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. The Company s non-operating wireless licenses are tested for impairment on an individual basis. For its indefinite-lived intangible assets and wireless licenses, an impairment loss is recognized when the fair value of the asset is less than its carrying value and is measured as the amount by which the asset s carrying value exceeds its fair value. The goodwill impairment test is a two step process. First, the book value of the Company s net assets, which are combined into a single reporting unit for purposes of impairment testing, are compared to the fair value of the Company s net assets. If the fair value is determined to be less than book value, a second step is performed to compute the amount of impairment. Any required impairment losses are 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 selling prices observed in wireless license transactions and successful bid prices in FCC auctions.

Share-Based Compensation

Effective January 1, 2006, we began accounting for share-based awards exchanged for employee services in accordance with Statement of Financial Accounting Standards No. 123(R) (SFAS 123(R)), Share-Based Payment. Under SFAS 123(R), share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee s requisite service period. Prior to 2006, we recognized compensation expense for employee share-based awards based on their intrinsic value on the grant date pursuant to

Accounting Principles Board Opinion No. 25 (APB 25), Accounting for Stock Issued to Employees, and provided the required pro forma disclosures of SFAS 123, Accounting for Stock-Based Compensation.

We adopted SFAS 123(R) using the modified prospective approach under SFAS 123(R) and, as a result, have not retroactively adjusted results from prior periods. The valuation provisions of SFAS 123(R) apply to new awards and to awards that are outstanding on the effective date and subsequently modified or cancelled. Compensation expense, net of estimated forfeitures, for awards outstanding at the effective date is recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes in prior periods.

Compensation expense is amortized on a straight-line basis over the requisite service period for the entire award, which is generally the maximum vesting period of the award. No share-based compensation was capitalized as part of inventory or fixed assets prior to or during 2006.

The determination of the fair value of stock options using an option valuation model is affected by our stock price, as well as assumptions regarding a number of complex and subjective variables. The methods used to determine these variables are generally similar to the methods used prior to fiscal 2006 for purposes of our pro forma information under SFAS 123. The volatility assumption is based on a combination of the historical volatility of our common stock and the volatilities of similar companies over a period of time equal to the expected term of the stock options. The volatilities of similar companies are used in conjunction with our historical volatility because of the lack of sufficient relevant history for our common stock equal to the expected term. The expected term of employee stock options represents the weighted-average period the stock options are expected to remain outstanding. The expected term assumption is estimated based primarily on the options vesting terms and remaining contractual life and employees expected exercise and post-vesting employment termination behavior. The risk-free interest rate assumption is based upon observed interest rates on the grant date appropriate for the expected term of the employee stock options. The dividend yield assumption is based on the expectation of no future dividend payouts by us.

As share-based compensation expense under SFAS 123(R) is based on awards ultimately expected to vest, it is reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Income Taxes

We provide for income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax expense and any deferred income tax expense resulting from temporary differences arising from differing treatments of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss and capital loss 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 it is more likely than not that our deferred tax assets will not be recovered, we must establish a valuation allowance. We consider all available evidence, both positive and negative, including our historical operating losses, to determine the need for a valuation allowance. We have recorded a full valuation allowance on our net deferred tax asset balances for all periods presented because of uncertainties related to utilization of the deferred tax assets. Deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures cannot be considered a source of taxable income to support the realization of deferred tax assets, because these deferred tax liabilities will not reverse until some indefinite future period. At such time as we determine that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to American Institute of Certified Public Accountants Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code, future decreases in the valuation allowance established in fresh-start reporting will be accounted for as a reduction in goodwill rather than as a reduction of tax expense.

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 reactivation charge, in addition to the amount past due, 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

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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.

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 report, 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. For a description of fresh-start reporting, see Note 3 to the consolidated financial statements included in Item 8 of this report.

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Operating Items

The following tables summarize operating data for the Company s consolidated operations (in thousands, except percentages). 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.

	Year Ended December 31, 2006 (As Restated)	% of 2006 Service Revenues	Year Ended December 31, 2005 (As Restated)	% of 2005 Service Revenues	Change from Prior Year Dollars	Change from Prior Year Percent
Revenues:						
Service revenues	$ 956,365		$ 768,916		$ 187,449	24.4%
Equipment revenues	210,822		188,855		21,967	11.6%
Total revenues	1,167,187		957,771		209,416	21.9%
Operating expenses:						
Cost of service (exclusive of items shown separately below)	264,162	27.6%	203,548	26.5%	60,614	29.8%
Cost of equipment	310,834	32.5%	230,520	30.0%	80,314	34.8%
Selling and marketing	159,257	16.7%	100,042	13.0%	59,215	59.2%
General and administrative	196,604	20.6%	159,741	20.8%	36,863	23.1%
Depreciation and amortization	226,747	23.7%	195,462	25.4%	31,285	16.0%
Impairment of indefinite-lived intangible assets	7,912	0.8%	12,043	1.6%	(4,131)	(34.3)%
Total operating expenses	1,165,516	121.9%	901,356	117.2%	264,160	29.3%
Gains on sales of wireless licenses and operating assets	22,054	2.3%	14,587	1.9%	7,467	51.2%
Operating income	$ 23,725	2.5%	$ 71,002	9.2%	$ (47,277)	(66.6)%

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	Year Ended December 31, 2005 (As Restated)	% of 2005 Service Revenues	Year Ended December 31, 2004 (As Restated)	% of 2004 Service Revenues	Change from Prior Year Dollars	Percent
Revenues:						
Service revenues	$ 768,916		$ 695,205		$ 73,711	10.6%
Equipment revenues	188,855		148,398		40,457	27.3%
Total revenues	957,771		843,603		114,168	13.5%
Operating expenses:						
Cost of service (exclusive of items shown separately below)	203,548	26.5%	194,914	28.0%	8,634	4.4%
Cost of equipment	230,520	30.0%	186,901	26.9%	43,619	23.3%
Selling and marketing	100,042	13.0%	91,935	13.2%	8,107	8.8%
General and administrative	159,741	20.8%	138,624	19.9%	21,117	15.2%
Depreciation and amortization	195,462	25.4%	253,444	36.5%	(57,982)	(22.9)%
Impairment of indefinite-lived intangible assets	12,043	1.6%			12,043	100.0%
Total operating expenses	901,356	117.2%	865,818	124.5%	35,538	4.1%
Gains on sales of wireless licenses and operating assets	14,587	1.9%	532	0.1%	14,055	2641.9%
Operating income (loss)	$ 71,002	9.2%	$ (21,683)	(3.1)%	$ 92,685	427.5%

The following table summarizes customer activity:

	Year Ended December 31, 2006	2005	2004
Gross customer additions	1,455,810	872,271	807,868
Net customer additions	592,237	117,376	97,090
Weighted-average number of customers	1,861,477	1,610,170	1,529,020
Total customers, end of period	2,229,826	1,668,293	1,569,630

Service Revenues

Service revenues increased $187.4 million, or 24.4%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. This increase resulted from the 15.6% increase in average total customers and a 7.6% increase in average revenues per customer. The increase in average revenues per customer was due primarily to the continued increase in customer adoption of our higher value, higher priced service plans and add-on features.

Service revenues increased $73.7 million, or 10.6%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. This increase resulted from the 5.3% increase in average total customers and a 5.0% increase in average revenues per customer. The increase in average revenues per customer primarily reflected increased customer adoption of our higher value, higher priced service plans and reduced utilization of service-based mail-in rebate promotions in 2005.

Equipment Revenues

Equipment revenues increased $22.0 million, or 11.6%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. An increase of 58.5% in handset sales volume was largely offset by lower net revenues per handset sold as a result of bundling the first month of service with the initial handset price, eliminating activation fees for new customers purchasing equipment and a larger proportion of total handset sales activating through our indirect channel partners.

Equipment revenues increased $40.5 million, or 27.3%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. This increase resulted primarily from a 6.8% increase in handset sales volume due to customer additions and sales to existing customers and increases in revenues on replacement handsets sold to existing customers under our handset insurance and replacement programs.

Cost of Service

Cost of service increased $60.6 million, or 29.8%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service increased to 27.6% from 26.5% in the prior year period. Variable product costs increased by 0.6% of service revenues due to increased customer usage of our value-added services. In addition, labor and related costs increased by 0.4% of service revenues due to new market launches during 2006. The increased fixed network infrastructure costs associated with the new market launches offset the scale benefits we would generally expect to experience with increasing customers and service revenues.

Cost of service increased $8.6 million, or 4.4%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service decreased to 26.5% from 28.0%. Network infrastructure costs decreased by 1.9% of service revenues primarily due to the renegotiation of several supply agreements during the course of our bankruptcy in 2004. In addition, labor and related costs decreased by 0.5% of service revenues. Partially offsetting these decreases was an increase in variable product costs of 0.8% of service revenues due to increased customer usage of our value-added services.

Cost of Equipment

Cost of equipment increased $80.3 million, or 34.8%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. This increase was primarily attributable to the 58.5% increase in handset sales volume, partially offset by reductions in costs to support our handset replacement programs for existing customers.

Cost of equipment increased $43.6 million, or 23.3%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. This increase was primarily due to the 6.8% increase in handset sales volume and increases in costs to support our handset insurance and replacement programs for existing customers, partially offset by slightly lower handset costs.

Selling and Marketing Expenses

Selling and marketing expenses increased $59.2 million, or 59.2%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 16.7% from 13.0% in the prior year period. This increase was primarily due to increased media and advertising costs and labor and related costs of 2.4% and 0.9% of service revenues, respectively, which were primarily attributable to our new market launches.

Selling and marketing expenses increased $8.1 million, or 8.8%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 13.0% from 13.2% in the prior year period. This decrease was primarily due to the increase in service revenues and consequent benefits in scale.

General and Administrative Expenses

General and administrative expenses increased $36.9 million, or 23.1%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 20.6% from 20.8% in the prior year period. Customer care expenses decreased by 1.7% of service revenues due to decreases in call center and other customer care-related program costs. Professional services fees

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and other expenses decreased by 0.5% of service revenues in the aggregate due to the increase in service revenues and consequent benefits in scale. Partially offsetting these decreases were increases in labor and related costs of 1.6% of service revenues due primarily to new employee additions necessary to support our growth and the increase in share-based compensation expense of 0.4% of service revenues due partially to our adoption of SFAS 123(R) in 2006.

General and administrative expenses increased $21.1 million, or 15.2%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 20.8% from 19.9% in the prior year period. Professional services fees and other expenses increased by 1.8% of service revenues due to costs incurred to meet our Sarbanes-Oxley Section 404 requirements. Labor and related expenses increased by 0.5% of service revenues due primarily to new employee additions and share-based compensation expense attributed to deferred stock unit and restricted stock awards. These increases were partially offset by a decrease in customer care expenses of 1.7% of service revenues due to reductions in call center and other customer care-related program costs.

Depreciation and Amortization

Depreciation and amortization expense increased $31.3 million, or 16.0%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. The increase in depreciation and amortization expense was due primarily to the build-out of our new markets and the upgrade of network assets in our other markets. As a percentage of service revenues, such expenses decreased by 1.7% of service revenues as compared to the prior year period.

Depreciation and amortization expense decreased $58.0 million, or 22.9%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. 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. This decrease was partially offset by amortization expense of $34.5 million related to identifiable intangible assets recorded upon the adoption of fresh-start reporting.

Impairment Charges

As a result of our annual impairment tests of wireless licenses, we recorded impairment charges of $4.7 million and $0.7 million during the years ended December 31, 2006 and 2005, respectively, to reduce the carrying values of certain non-operating wireless licenses to their estimated fair values. In addition, we recorded impairment charges of $3.2 million and $11.3 million during the years ended December 31, 2006 and 2005, respectively, in connection with agreements to sell certain non-operating wireless licenses. We adjusted the carrying values of those licenses to their estimated fair values, which were based on the agreed upon sales prices.

Gains on Sales of Wireless Licenses and Operating Assets

During the year ended December 31, 2006, we completed the sale of our wireless licenses and operating assets in the Toledo and Sandusky, Ohio markets to Cleveland Unlimited, Inc., or CUI, in exchange for $28.0 million and CUI s equity interest in LCW Wireless, resulting in a gain of $21.6 million.

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.

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Non-Operating Items

The following tables summarize non-operating data for the Company s consolidated operations (in thousands).

	Year Ended December 31,		
	2006 (As Restated)	2005 (As Restated)	Change
Minority interests in consolidated subsidiaries	$ 1,493	$ (31)	$ 1,524
Interest income	23,063	9,957	13,106
Interest expense	(61,334)	(30,051)	(31,283)
Other income (expense), net	(2,650)	1,423	(4,073)
Income tax expense	(9,277)	(21,615)	12,338

	Year Ended December 31,		
	2005 (As Restated)	2004 (As Restated)	Change
Minority interests in consolidated subsidiaries	$ (31)	$	$ (31)
Interest income	9,957	1,812	8,145
Interest expense	(30,051)	(20,789)	(9,262)
Other income (expense), net	1,423	(410)	1,833
Reorganization items, net		962,444	(962,444)
Income tax expense	(21,615)	(8,096)	(13,519)

Minority Interests in Consolidated Subsidiaries

Minority interests in consolidated subsidiaries for the year ended December 31, 2006 reflected the shares of net losses allocated to the other members of certain consolidated entities, partially offset by accretion expense associated with certain members put options. Minority interests in consolidated subsidiaries for the year ended December 31, 2005 reflected accretion expense only.

Interest Income

Interest income increased $13.1 million for the year ended December 31, 2006 compared to the corresponding period of the prior year and $8.1 million for the year ended December 31, 2005 compared to the corresponding period of the prior year. These increases were primarily due to the increases in the average cash and cash equivalents and investment balances. In addition, during the seven months ended July 31, 2004, we classified interest earned during the bankruptcy proceedings as a reorganization item.

Interest Expense

Interest expense increased $31.3 million for the year ended December 31, 2006 compared to the corresponding period of the prior year. The increase in interest expense resulted from the increase in the amount of the term loan under our amended and restated senior secured credit agreement, our issuance of $750 million of 9.375% unsecured senior notes and the issuance of $40 million of term loans under LCW Operations senior secured credit agreement. See Liquidity and Capital Resources below. These increases were partially offset by the capitalization of $16.7 million of interest during the year ended December 31, 2006. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of new markets. The amount of such capitalized interest depends on 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 continue to be significant during the build-out of our planned new markets in 2007. At December 31, 2006, the effective interest rate on our $900 million term loan was 7.7%, including the effect of interest rate swaps, and the effective interest rate on LCW Operations term loans was 9.6%. We expect that interest expense will continue to increase due to our increased indebtedness. See Liquidity and Capital Resources below.

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Interest expense increased $9.3 million for the year ended December 31, 2005 compared to the corresponding period of the prior year. The increase in interest expense resulted primarily from the application of SOP 90-7 until our emergence from bankruptcy on July 31, 2004. This required that, commencing on April 13, 2003 (the date of the filing of the Company s bankruptcy petitions), 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 our debt. 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.

Other Income (Expense), Net

Other income, net of other expenses, decreased by $4.1 million for the year ended December 31, 2006 compared to the corresponding period of the prior year. The decrease was primarily attributed to a write off of unamortized deferred debt issuance costs related to our previous financing arrangements, partially offset by a sales tax refund and the resolution of a tax contingency. Other income, net of other expenses, increased by $1.8 million for the year ended December 31, 2005 compared to the corresponding period of the prior year due to the settlement of certain pre-bankruptcy contingencies.

Reorganization Items, Net

Reorganization items for the year ended December 31, 2004 represented amounts incurred by the Predecessor Company as a direct result of our 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.

Income Tax Expense

During the years ended December 31, 2006, 2005 and 2004, we recorded income tax expense of $9.3 million, $21.6 million and $8.1 million, respectively. Income tax expense for the year ended December 31, 2006 consisted primarily of the tax effect of changes in deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures. During the year ended December 31, 2005, we recorded income tax expense at an effective tax rate of 41.3%. Despite the fact that we record a full valuation allowance on our deferred tax assets, we recognized income tax expense for 2005 because the release of valuation allowance associated with the reversal of deferred tax assets recorded in fresh-start reporting is recorded as a reduction of goodwill rather than as a reduction of income tax expense. The effective tax rate for 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 our 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. We paid only minimal cash income taxes for 2005, and we expect to pay $0.9 million in cash income taxes for the year ended December 31, 2006.

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 goodwill related to deferred tax liabilities.

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Quarterly Financial Data (Unaudited)

The following tables present our unaudited condensed consolidated quarterly statement of operations data for 2006 and 2005 (in thousands, except per share data). It has been derived from our unaudited condensed consolidated financial statements which have been restated for each of the quarterly periods in the years ended December 31, 2006 and 2005 to reflect adjustments that are further discussed in Note 2 to the consolidated financial statements included in Item 8 of this report.

	Three Months Ended			
	March 31, 2006 (As Restated)	**June 30, 2006 (As Restated)**	**September 30, 2006 (As Restated)**	**December 31, 2006 (As Restated)**
Revenues	$ 281,850	$ 277,459	$ 293,266	$ 314,612
Operating income (loss)(1)	21,435	11,742	7,050	(16,502)
Income (loss) before cumulative effect of change in accounting principle(1)	18,658	2,800	(801)	(45,637)
Cumulative effect of change in accounting principle	623			
Net income (loss)(1)	$ 19,281	$ 2,800	$ (801)	$ (45,637)
Basic net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ 0.30	$ 0.05	$ (0.01)	$ (0.69)
Cumulative effect of change in accounting principle	0.01			
Basic net income (loss) per share	$ 0.31	$ 0.05	$ (0.01)	$ (0.69)
Diluted net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ 0.30	$ 0.05	$ (0.01)	$ (0.69)
Cumulative effect of change in accounting principle	0.01			
Diluted net income (loss) per share	$ 0.31	$ 0.05	$ (0.01)	$ (0.69)

	Three Months Ended			
	March 31, 2005 (As Restated)	**June 30, 2005 (As Restated)**	**September 30, 2005 (As Restated)**	**December 31, 2005 (As Restated)**

Revenues	$ 235,639	$ 239,725	$ 242,990	$ 239,417
Operating income(2)	21,844	9,821	28,674	10,663
Net income(2)	7,511	1,860	16,424	4,890
Basic net income per share	0.13	0.03	0.27	0.08
Diluted net income per share	0.13	0.03	0.27	0.08

(1) During the quarter ended September 30, 2006, we recognized a gain of $21.5 million (subsequently increased by $0.1 million due to post-closing adjustments during the quarter ended December 31, 2006) from our sale of wireless licenses and operating assets in our Toledo and Sandusky, Ohio markets.

(2) During the quarter ended September 30, 2005, we recognized a gain of $14.6 million from our sale of wireless licenses and operating assets in our Michigan markets.

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Quarterly Results of Operations Data (Unaudited)

The following tables present our unaudited condensed consolidated quarterly statement of operations data for 2006 and 2005 (in thousands). It has been derived from our unaudited condensed consolidated financial statements which have been restated for each of the quarterly periods in the years ended December 31, 2006 and 2005 to reflect adjustments that are further discussed in Note 2 to the consolidated financial statements included in Item 8 of this report.

	Three Months Ended			
	March 31, 2006 (As Restated)	**June 30, 2006 (As Restated)**	**September 30, 2006 (As Restated)**	**December 31, 2006 (As Restated)**
Revenues:				
Service revenues	$ 218,085	$ 227,160	$ 240,554	$ 270,566
Equipment revenues	63,765	50,299	52,712	44,046
Total revenues	281,850	277,459	293,266	314,612
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(56,210)	(61,255)	(71,575)	(75,122)
Cost of equipment	(71,977)	(65,396)	(83,457)	(90,004)
Selling and marketing	(29,102)	(35,942)	(42,948)	(51,265)
General and administrative	(49,090)	(46,576)	(49,116)	(51,822)
Depreciation and amortization	(54,036)	(53,337)	(56,409)	(62,965)
Impairment of indefinite-lived intangible assets		(3,211)	(4,701)	
Total operating expenses	(260,415)	(265,717)	(308,206)	(331,178)
Gains on sales of wireless licenses and operating assets			21,990	64
Operating income (loss)	21,435	11,742	7,050	(16,502)
Minority interests in consolidated subsidiaries	(75)	(134)	418	1,284
Interest income	4,194	5,533	5,491	7,845
Interest expense	(7,431)	(8,423)	(15,753)	(29,727)
Other income (expense), net	535	(5,918)	272	2,461
Income (loss) before income taxes and cumulative effect of change in accounting principle	18,658	2,800	(2,522)	(34,639)
Income tax benefit (expense)			1,721	(10,998)
Income (loss) before cumulative effect of change in accounting principle	18,658	2,800	(801)	(45,637)

Cumulative effect of change in accounting principle		623						
Net income (loss)	$	19,281	$	2,800	$	(801)	$	(45,637)

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	Three Months Ended March 31, 2005 (As Restated)	June 30, 2005 (As Restated)	September 30, 2005 (As Restated)	December 31, 2005 (As Restated)
Revenues:				
Service revenues	$ 186,672	$ 191,811	$ 194,703	$ 195,730
Equipment revenues	48,967	47,914	48,287	43,687
Total revenues	235,639	239,725	242,990	239,417
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(50,857)	(50,338)	(51,139)	(51,214)
Cost of equipment	(55,804)	(53,698)	(61,164)	(59,854)
Selling and marketing	(22,995)	(24,810)	(25,535)	(26,702)
General and administrative	(36,035)	(42,423)	(41,306)	(39,977)
Depreciation and amortization	(48,104)	(47,281)	(49,076)	(51,001)
Impairment of indefinite-lived intangible assets		(11,354)	(689)	
Total operating expenses	(213,795)	(229,904)	(228,909)	(228,748)
Gain (loss) on sale of wireless licenses and operating assets			14,593	(6)
Operating income (loss)	21,844	9,821	28,674	10,663
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	13,338	3,392	27,338	8,232
Income taxes	(5,827)	(1,532)	(10,914)	(3,342)
Net income	$ 7,511	$ 1,860	$ 16,424	$ 4,890

Adjustments to Quarterly Condensed Consolidated Financial Statements (Unaudited)

As more fully described in Note 2 to our audited consolidated financial statements included in Part II Item 8. Financial Statements and Supplementary Data of this report, we have restated our historical consolidated financial statements as of and for the years ended December 31, 2006 and 2005, for the period from August 1, 2004 to December 31, 2004 (Successor Company) and for the period from January 1, 2004 to July 31, 2004 (Predecessor Company).

The following tables present the effects of the restatements on our previously issued condensed consolidated financial statements for the quarter ended December 31, 2006, as of and for the quarters ended September 30, 2006, June 30, 2006 and March 31, 2006, for the quarter ended December 31, 2005, and as of and for the quarters ended September 30, 2005, June 30, 2005 and March 31, 2005, and have been provided to present the effects of the restatements on the interim periods for the years ended December 31, 2006 and 2005 presented in Note 2 to our

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audited consolidated financial statements included in Part II Item 8. Financial Statements and Supplementary Data of this report.

	Three Months Ended December 31, 2006 (Unaudited)						
	Previously Reported	Revenue Timing Adjustments	Other Revenue Adjustments	Reclassification Adjustments	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 277,074	$ (5,088)	$ (2,599)	$ 1,179	$	$	$ 270,566
Equipment revenues	37,471	(36)		6,611			44,046
Total revenues	314,545	(5,124)	(2,599)	7,790			314,612
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(75,433)			(438)	749		(75,122)
Cost of equipment	(82,652)			(7,352)			(90,004)
Selling and marketing	(51,265)						(51,265)
General and administrative	(51,802)				(20)		(51,822)
Depreciation and amortization	(62,965)						(62,965)
Impairment of assets							
Total operating expenses	(324,117)			(7,790)	729		(331,178)
Gain on sale or disposal of assets	64						64
Operating loss	(9,508)	(5,124)	(2,599)		729		(16,502)
Minority interests in consolidated subsidiaries	1,783				(499)		1,284
Interest income	7,845						7,845
Interest expense	(29,727)						(29,727)
Other income, net	2,461						2,461
Loss before income taxes	(27,146)	(5,124)	(2,599)		230		(34,639)
Income tax expense	(12,206)					1,208	(10,998)
Net loss	$ (39,352)	$ (5,124)	$ (2,599)	$	$ 230	$ 1,208	$ (45,637)

Basic and diluted loss per share:							
Basic loss per share	$ (0.60)	$ (0.07)	$ (0.04)	$	$	$ 0.02	$ (0.69)
Diluted loss per share	$ (0.60)	$ (0.07)	$ (0.04)	$	$	$ 0.02	$ (0.69)
Shares used in per share calculations:							
Basic	65,675						65,675
Diluted	65,675						65,675

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	September 30, 2006		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 233,594	$ (1,310)	$ 232,284
Short-term investments	47,096		47,096
Restricted cash, cash equivalents and short-term investments	10,009		10,009
Inventories	50,937		50,937
Other current assets	41,657	(824)	40,833
Total current assets	383,293	(2,134)	381,159
Property and equipment, net	870,779		870,779
Wireless licenses	821,338		821,338
Assets held for sale	20,354		20,354
Goodwill	431,896	(6,114)	425,782
Other intangible assets, net	88,260		88,260
Deposits for wireless licenses	305,000		305,000
Other assets	43,631		43,631
Total assets	$ 2,964,551	$ (8,248)	$ 2,956,303
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 238,369	$ (229)	$ 238,140
Current maturities of long-term debt	9,000		9,000
Other current liabilities	55,782	6,673	62,455
Total current liabilities	303,151	6,444	309,595
Long-term debt	888,750		888,750
Deferred tax liabilities	138,755	(3,213)	135,542
Other long-term liabilities	44,582		44,582
Total liabilities	1,375,238	3,231	1,378,469
Minority interests	25,099	(556)	24,543
Stockholders equity:			
Preferred stock			
Common stock	6		6
Additional paid-in capital	1,505,217		1,505,217
Retained earnings	56,788	(10,923)	45,865
Accumulated other comprehensive income	2,203		2,203
Total stockholders equity	1,564,214	(10,923)	1,553,291
Total liabilities and stockholders equity	$ 2,964,551	$ (8,248)	$ 2,956,303

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	Three Months Ended September 30, 2006						
	Previously Reported	Revenue-Timing Adjustments	Other-Revenue Adjustments	Reclassification Adjustments (Unaudited)	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 249,081	$ (6,952)	$ (2,788)	$ 1,213	$	$	$ 240,554
Equipment revenues	38,532	(129)		14,309			52,712
Total revenues	287,613	(7,081)	(2,788)	15,522			293,266
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(70,722)			(776)	(77)		(71,575)
Cost of equipment	(68,711)			(14,746)			(83,457)
Selling and marketing	(42,948)						(42,948)
General and administrative	(49,110)				(6)		(49,116)
Depreciation and amortization	(56,409)						(56,409)
Impairment of assets	(4,701)						(4,701)
Total operating expenses	(292,601)			(15,522)	(83)		(308,206)
Gain on sale or disposal of assets	21,990						21,990
Operating income	17,002	(7,081)	(2,788)		(83)		7,050
Minority interests in consolidated subsidiaries	(138)				556		418
Interest income	5,491						5,491
Interest expense	(15,753)						(15,753)
Other income, net	272						272
Income (loss) before income taxes	6,874	(7,081)	(2,788)		473		(2,522)
Income tax benefit	3,105					(1,384)	1,721
Net income (loss)	$ 9,979	$ (7,081)	$ (2,788)	$	$ 473	$ (1,384)	$ (801)
Basic and diluted earnings (loss) per share:							

Basic earnings (loss) per share	$ 0.17	$ (0.12)	$ (0.05)	$	$ 0.01	$ (0.02)	$ (0.01)
Diluted earnings (loss) per share	$ 0.16	$ (0.12)	$ (0.04)	$	$ 0.01	$ (0.02)	$ (0.01)
Shares used in per share calculations:							
Basic	60,295						60,295
Diluted	62,290		(1,995)				60,295

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	June 30, 2006		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 553,038	$ (762)	$ 552,276
Short-term investments	57,382		57,382
Restricted cash, cash equivalents and short-term investments	9,758		9,758
Inventories	63,820		63,820
Other current assets	40,545	(1,328)	39,217
Total current assets	724,543	(2.090)	722,453
Property and equipment, net	780,852		780,852
Wireless licenses	795,046		795,046
Assets held for sale	38,658		38,658
Goodwill	431,896	(6,114)	425,782
Other intangible assets, net	96,690		96,690
Other assets	35,852		35,852
Total assets	$ 2,903,537	$ (8,204)	$ 2,895,333
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 210,274	$ (1,760)	$ 208,514
Current maturities of long-term debt	9,000		9,000
Other current liabilities	53,007	(1,704)	51,303
Total current liabilities	272,281	(3,464)	268,817
Long-term debt	891,000		891,000
Deferred tax liabilities	141,935	(4,593)	137,342
Other long-term liabilities	41,837	(4)	41,833
Total liabilities	1,347,053	(8,061)	1,338,992
Minority interests	4,151		4,151
Stockholders equity:			
Preferred stock			
Common stock	6		6
Additional paid-in capital	1,500,154		1,500,154
Retained earnings	46,809	(143)	46,666
Accumulated other comprehensive income	5,364		5,364
Total stockholders equity	1,552,333	(143)	1,552,190
Total liabilities and stockholders equity	$ 2,903,537	$ (8,204)	$ 2,895,333

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	Three Months Ended June 30, 2006 (Unaudited)						
	Previously Reported	Revenue-Timing Adjustments	Other-Revenue Adjustments	Reclassification Adjustments	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 230,786	$ (5,305)	$ 474	$ 1,205	$	$	$ 227,160
Equipment revenues	37,068	137		13,094			50,299
Total revenues	267,854	(5,168)	474	14,299			277,459
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(60,255)			(984)	(16)		(61,255)
Cost of equipment	(52,081)			(13,315)			(65,396)
Selling and marketing	(35,942)						(35,942)
General and administrative	(46,576)						(46,576)
Depreciation and amortization	(53,337)						(53,337)
Impairment of assets	(3,211)						(3,211)
Total operating expenses	(251,402)			(14,299)	(16)		(265,717)
Operating income	16,452	(5,168)	474		(16)		11,742
Minority interests in consolidated subsidiaries	(134)						(134)
Interest income	5,533						5,533
Interest expense	(8,423)						(8,423)
Other expense, net	(5,918)						(5,918)
Income before income taxes	7,510	(5,168)	474		(16)		2,800
Income tax expense							
Net income	$ 7,510	$ (5,168)	$ 474	$	$ (16)	$	$ 2,800
Basic and diluted earnings per share:							
Basic earnings per share	$ 0.12	$ (0.08)	$ 0.01	$	$	$	$ 0.05
Diluted earnings per share	$ 0.12	$ (0.08)	$ 0.01	$	$	$	$ 0.05

Shares used in per share calculations:		
Basic	60,282	60,282
Diluted	61,757	61,757

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	March 31, 2006		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 299,976	$ (381)	$ 299,595
Short-term investments	65,975		65,975
Restricted cash, cash equivalents and short-term investments	10,687		10,687
Inventories	39,710		39,710
Other current assets	35,160	(282)	34,878
Total current assets	451,508	(663)	450,845
Property and equipment, net	642,858		642,858
Wireless licenses	821,339		821,339
Assets held for sale	15,135		15,135
Goodwill	431,896	(6,114)	425,782
Other intangible assets, net	105,123		105,123
Other assets	35,651		35,651
Total assets	$ 2,503,510	$ (6,777)	$ 2,496,733
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 136,460	$ (10)	$ 136,450
Current maturities of long-term debt	6,111		6,111
Other current liabilities	53,266	(6,737)	46,529
Total current liabilities	195,837	(6,747)	189,090
Long-term debt	586,806		586,806
Deferred tax liabilities	141,935	(4,593)	137,342
Other long-term liabilities	37,920	(4)	37,916
Total liabilities	962,498	(11,344)	951,154
Minority interests	2,463		2,463
Stockholders equity:			
Preferred stock			
Common stock	6		6
Additional paid-in capital	1,494,974		1,494,974
Retained earnings	39,299	4,567	43,866
Accumulated other comprehensive income	4,270		4,270
Total stockholders equity	1,538,549	4,567	1,543,116
Total liabilities and stockholders equity	$ 2,503,510	$ (6,777)	$ 2,496,733

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	Three Months Ended March 31, 2006						
	Previously Reported	Revenue-Timing Adjustments	Other-Revenue Adjustments	Reclassification Adjustments (Unaudited)	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 215,840	$ 1,255	$ (143)	$ 1,133	$	$	$ 218,085
Equipment revenues	50,848			12,917			63,765
Total revenues	266,688	1,255	(143)	14,050			281,850
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(55,204)			(959)	(47)		(56,210)
Cost of equipment	(58,886)			(13,091)			(71,977)
Selling and marketing	(29,102)						(29,102)
General and administrative	(49,582)				492		(49,090)
Depreciation and amortization	(54,036)						(54,036)
Total operating expenses	(246,810)			(14,050)	445		(260,415)
Operating income	19,878	1,255	(143)		445		21,435
Minority interests in consolidated subsidiaries	(75)						(75)
Interest income	4,194						4,194
Interest expense	(7,431)						(7,431)
Other income, net	535						535
Income before income taxes and cumulative effect of change in accounting principle	17,101	1,255	(143)		445		18,658
Income tax expense							
Income before cumulative effect of change in accounting principle	17,101	1,255	(143)		445		18,658
Cumulative effect of change in accounting principle	623						623
Net income	$ 17,724	$ 1,255	$ (143)	$	$ 445	$	$ 19,281

Basic earnings per share:							
Income before cumulative effect of change in accounting principle	$ 0.28	$ 0.01	$	$	$ 0.01	$	$ 0.30
Cumulative effect of change in accounting principle	0.01						0.01
Basic earnings per share	$ 0.29	$ 0.01	$	$	$ 0.01	$	$ 0.31
Diluted earnings per share:							
Income before cumulative effect of change in accounting principle	$ 0.28	$ 0.01	$	$	$ 0.01	$	$ 0.30
Cumulative effect of change in accounting principle	0.01						0.01
Diluted earnings per share	$ 0.29	$ 0.01	$	$	$ 0.01	$	$ 0.31
Shares used in per share calculations:							
Basic	61,203						61,203
Diluted	61,961						61,961

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	Three Months Ended December 31, 2005						
	Previously Reported	Revenue Timing Adjustments	Other Revenue Adjustments	Reclassification Adjustments	Other Adjustments	Income Tax Adjustments	As Restated
				(Unaudited)			
Revenues:							
Service revenues	$ 194,320	$ 142	$ 243	$ 1,025	$	$	$ 195,730
Equipment revenues	34,617			9,070			43,687
Total revenues	228,937	142	243	10,095			239,417
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(50,321)			(893)			(51,214)
Cost of equipment	(50,652)			(9,202)			(59,854)
Selling and marketing	(26,702)						(26,702)
General and administrative	(39,485)				(492)		(39,977)
Depreciation and amortization	(51,001)						(51,001)
Total operating expenses	(218,161)			(10,095)	(492)		(228,748)
Loss on sale or disposal of assets	(6)						(6)
Operating income	10,770	142	243		(492)		10,663
Minority interests in consolidated subsidiaries	(31)						(31)
Interest income	3,887						3,887
Interest expense	(6,683)						(6,683)
Other expense, net	396						396
Income before income taxes	8,339	142	243		(492)		8,232
Income tax expense	(3,389)					47	(3,342)
Net income	$ 4,950	$ 142	$ 243	$	$ (492)	$ 47	$ 4,890
Basic and diluted earnings per share:							
Basic earnings per share	$ 0.08	$	$ 0.01	$	$ (0.01)	$	$ 0.08
Diluted earnings per share	$ 0.08	$	$ 0.01	$	$ (0.01)	$	$ 0.08

Shares used in per share calculations:		
Basic	60,261	60,261
Diluted	61,843	61,843

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	September 30, 2005		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 168,288	$	$ 168,288
Short-term investments	223,497		223,497
Restricted cash, cash equivalents and short-term investments	21,588		21,588
Inventories	22,979		22,979
Other current assets	28,669	231	28,900
Total current assets	465,021	231	465,252
Property and equipment, net	532,744		532,744
Wireless licenses	829,512		829,512
Assets held for sale	9,756		9,756
Goodwill	437,382	(5,649)	431,733
Other intangible assets, net	123,617		123,617
Other assets	18,244		18,244
Total assets	$ 2,416,276	$ (5,418)	$ 2,410,858
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 76,185	$	$ 76,185
Current maturities of long-term debt	6,111		6,111
Other current liabilities	59,066	(8,999)	50,067
Total current liabilities	141,362	(8,999)	132,363
Long-term debt	589,861		589,861
Other long-term liabilities	177,105	511	177,616
Total liabilities	908,328	(8,488)	899,840
Minority interests	1,730		1,730
Stockholders equity:			
Preferred stock			
Common stock	6		6
Additional paid-in capital	1,511,648		1,511,648
Unearned share-based compensation	(23,405)		(23,405)
Retained earnings	16,625	3,070	19,695
Accumulated other comprehensive income	1,344		1,344
Total stockholders equity	1,506,218	3,070	1,509,288
Total liabilities and stockholders equity	$ 2,416,276	$ (5,418)	$ 2,410,858

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	Three Months Ended September 30, 2005						
	Previously Reported	Revenue-Timing Adjustments	Other-Revenue Adjustments	Reclassification Adjustments	Other Adjustments	Income Tax Adjustments	As Restated
			(Unaudited)				
Revenues:							
Service revenues	$ 193,675	$ (187)	$ 227	$ 988	$	$	$ 194,703
Equipment revenues	36,852			11,435			48,287
Total revenues	230,527	(187)	227	12,423			242,990
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(50,304)			(835)			(51,139)
Cost of equipment	(49,576)			(11,588)			(61,164)
Selling and marketing	(25,535)						(25,535)
General and administrative	(41,306)						(41,306)
Depreciation and amortization	(49,076)						(49,076)
Impairment of assets	(689)						(689)
Total operating expenses	(216,486)			(12,423)			(228,909)
Gain on sale or disposal of assets	14,593						14,593
Operating income	28,634	(187)	227				28,674
Minority interests in consolidated subsidiaries							
Interest income	2,991						2,991
Interest expense	(6,679)						(6,679)
Other expense, net	2,352						2,352
Income before income taxes	27,298	(187)	227				27,338
Income tax expense	(10,901)					(13)	(10,914)
Net income	$ 16,397	$ (187)	$ 227	$	$	$ (13)	$ 16,424
Basic and diluted earnings per share:							
Basic earnings per share	$ 0.27	$	$	$	$	$	$ 0.27
Diluted earnings per share	$ 0.27	$	$	$	$	$	$ 0.27

Shares used in per share calculations:		
Basic	60,246	60,246
Diluted	61,395	61,395

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	June 30, 2005		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 82,396	$	$ 82,396
Short-term investments	75,258		75,258
Restricted cash, cash equivalents and short-term investments	25,737		25,737
Inventories	30,081		30,081
Other current assets	30,065	253	30,318
Total current assets	243,537	253	243,790
Property and equipment, net	534,458		534,458
Wireless licenses	766,187		766,187
Assets held for sale	87,961		87,961
Goodwill	449,438	(5,649)	443,789
Other intangible assets, net	132,245		132,245
Deposits for wireless licenses	68,221		68,221
Other assets	13,416		13,416
Total assets	$ 2,295,463	$ (5,396)	$ 2,290,067
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 79,571	$	$ 79,571
Current maturities of long-term debt	5,000		5,000
Other current liabilities	64,791	(8,937)	55,854
Total current liabilities	149,362	(8,937)	140,425
Long-term debt	492,500		492,500
Other long-term liabilities	167,628	498	168,126
Total liabilities	809,490	(8,439)	801,051
Minority interests	1,000		1,000
Stockholders equity:			
Preferred stock			
Common stock	6		6
Additional paid-in capital	1,507,751		1,507,751
Unearned share-based compensation	(22,229)		(22,229)
Retained earnings	228	3,043	3,271
Accumulated other comprehensive income	(783)		(783)
Total stockholders equity	1,484,973	3,043	1,488,016
Total liabilities and stockholders equity	$ 2,295,463	$ (5,396)	$ 2,290,067

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	Three Months Ended June 30, 2005 (Unaudited)						
	Previously Reported	Revenue-Timing Adjustments	Other-Revenue Adjustments	Reclassification Adjustments	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 189,704	$ 1,088	$ 179	$ 840	$	$	$ 191,811
Equipment revenues	37,125			10,789			47,914
Total revenues	226,829	1,088	179	11,629			239,725
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(49,608)			(730)			(50,338)
Cost of equipment	(42,799)			(10,899)			(53,698)
Selling and marketing	(24,810)						(24,810)
General and administrative	(42,423)						(42,423)
Depreciation and amortization	(47,281)						(47,281)
Impairment of assets	(11,354)						(11,354)
Total operating expenses	(218,275)			(11,629)			(229,904)
Operating income	8,554	1,088	179				9,821
Interest income	1,176						1,176
Interest expense	(7,566)						(7,566)
Other expense, net	(39)						(39)
Income before income taxes	2,125	1,088	179				3,392
Income tax expense	(1,022)					(510)	(1,532)
Net income	$ 1,103	$ 1,088	$ 179	$	$	$ (510)	$ 1,860
Basic and diluted earnings per share:							
Basic earnings per share	$ 0.02	$ 0.02	$	$	$	$ (0.01)	$ 0.03
Diluted earnings per share	$ 0.02	$ 0.02	$	$	$	$ (0.01)	$ 0.03

Shares used in per share calculations:		
Basic	60,030	60,030
Diluted	60,242	60,242

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	March 31, 2005		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 22,211	$	$ 22,211
Short-term investments	99,402		99,402
Restricted cash, cash equivalents and short-term investments	30,903		30,903
Inventories	28,982		28,982
Other current assets	36,662	185	36,847
Total current assets	218,160	185	218,345
Property and equipment, net	548,166		548,166
Wireless licenses	581,828		581,828
Assets held for sale	88,057		88,057
Goodwill	453,956	(5,649)	448,307
Other intangible assets, net	140,824		140,824
Deposits for wireless licenses	236,845		236,845
Other assets	14,184		14,184
Total assets	$ 2,282,020	$ (5,464)	$ 2,276,556
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 73,421	$	$ 73,421
Current maturities of long-term debt	5,000		5,000
Other current liabilities	70,511	(7,738)	62,773
Total current liabilities	148,932	(7,738)	141,194
Long-term debt	493,750		493,750
Other long-term liabilities	160,812	(12)	160,800
Total liabilities	803,494	(7,750)	795,744
Minority interests	1,000		1,000
Stockholders equity:			
Preferred stock			
Common stock	6		6
Additional paid-in capital	1,478,392		1,478,392
Retained earnings	(875)	2,286	1,411
Accumulated other comprehensive income	3		3
Total stockholders equity	1,477,526	2,286	1,479,812
Total liabilities and stockholders equity	$ 2,282,020	$ (5,464)	$ 2,276,556

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	Three Months Ended March 31, 2005 (Unaudited)						
	Previously Reported	Revenue Timing Adjustments	Other Revenue Adjustments	Reclassification Adjustments	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 185,981	$ (153)	$ 136	$ 708	$	$	$ 186,672
Equipment revenues	42,389			6,578			48,967
Total revenues	228,370	(153)	136	7,286			235,639
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(50,197)			(660)			(50,857)
Cost of equipment	(49,178)			(6,626)			(55,804)
Selling and marketing	(22,995)						(22,995)
General and administrative	(36,035)						(36,035)
Depreciation and amortization	(48,104)						(48,104)
Total operating expenses	(206,509)			(7,286)			(213,795)
Operating income	21,861	(153)	136				21,844
Interest income	1,903						1,903
Interest expense	(9,123)						(9,123)
Other expense, net	(1,286)						(1,286)
Income before income taxes	13,355	(153)	136				13,338
Income tax expense	(5,839)					12	(5,827)
Net income	$ 7,516	$ (153)	$ 136	$	$	$ 12	$ 7,511
Basic and diluted earnings per share:							
Basic earnings per share	$ 0.13	$	$	$	$	$	$ 0.13
Diluted earnings per share	$ 0.13	$	$	$	$	$	$ 0.13
Shares used in per share calculations:							
Basic	60,000						60,000
Diluted	60,236						60,236

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

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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, which are included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, which 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 share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial customer acquisition includes 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 share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on the 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. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; 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.

The following tables show metric information for 2006 and 2005:

	Three Months Ended				Year Ended
	March 31, 2006 (As Restated)	June 30, 2006 (As Restated)	September 30, 2006 (As Restated)	December 31, 2006 (As Restated)	December 31, 2006 (As Restated)
ARPU	$ 42.31	$ 42.30	$ 42.87	$ 43.63	$ 42.81
CPGA	$ 128	$ 195	$ 176	$ 179	$ 171
CCU	$ 19.86	$ 19.51	$ 21.05	$ 20.32	$ 20.20
Churn	3.3%	3.6%	4.3%	4.1%	3.9%

	Three Months Ended				Year Ended
	March 31, 2005 (As Restated)	June 30, 2005 (As Restated)	September 30, 2005 (As Restated)	December 31, 2005 (As Restated)	December 31, 2005 (As Restated)
ARPU	$ 39.17	$ 39.67	$ 40.43	$ 40.03	$ 39.79
CPGA	$ 126	$ 134	$ 140	$ 156	$ 140
CCU	$ 19.17	$ 18.72	$ 19.83	$ 19.03	$ 19.17
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 tables reconcile 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):

	Three Months Ended				Year Ended
	March 31, 2006 (As Restated)	June 30, 2006 (As Restated)	September 30, 2006 (As Restated)	December 31, 2006 (As Restated)	December 31, 2006 (As Restated)
Selling and marketing expense	$ 29,102	$ 35,942	$ 42,948	$ 51,265	$ 159,257
Less share-based compensation expense included in selling and marketing expense	(327)	(473)	(637)	(533)	(1,970)
Plus cost of equipment	71,977	65,396	83,457	90,004	310,834

Less equipment revenue	(63,765)	(50,299)	(52,712)	(44,046)	(210,822)
Less net loss on equipment transactions unrelated to initial customer acquisition	(1,247)	(1,139)	(1,822)	(3,988)	(8,196)
Total costs used in the calculation of CPGA	$ 35,740	$ 49,427	$ 71,234	$ 92,702	$ 249,103
Gross customer additions	278,370	253,033	405,178	519,229	1,455,810
CPGA	$ 128	$ 195	$ 176	$ 179	$ 171

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	Three Months Ended March 31, 2005 (As Restated)	June 30, 2005 (As Restated)	September 30, 2005 (As Restated)	December 31, 2005 (As Restated)	Year Ended December 31, 2005 (As Restated)
Selling and marketing expense	$ 22,995	$ 24,810	$ 25,535	$ 26,702	$ 100,042
Less share-based compensation expense included in selling and marketing expense		(693)	(203)	(125)	(1,021)
Plus cost of equipment	55,804	53,698	61,164	59,854	230,520
Less equipment revenue	(48,967)	(47,914)	(48,287)	(43,687)	(188,855)
Less net loss on equipment transactions unrelated to initial customer acquisition	(4,466)	(4,174)	(5,555)	(4,376)	(18,571)
Total costs used in the calculation of CPGA	$ 25,366	$ 25,727	$ 32,654	$ 38,368	$ 122,115
Gross customer additions	201,467	191,288	233,699	245,817	872,271
CPGA	$ 126	$ 134	$ 140	$ 156	$ 140

CCU   The following tables reconcile 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):

	Three Months Ended March 31, 2006 (As Restated)	June 30, 2006 (As Restated)	September 30, 2006 (As Restated)	December 31, 2006 (As Restated)	Year Ended December 31, 2006 (As Restated)
Cost of service	$ 56,210	$ 61,255	$ 71,575	$ 75,122	$ 264,162
Plus general and administrative expense	49,090	46,576	49,116	51,822	196,604
Less share-based compensation expense included in cost of service and general and administrative expense	(4,165)	(4,215)	(4,426)	(4,949)	(17,755)
Plus net loss on equipment transactions unrelated to initial customer acquisition	1,247	1,139	1,822	3,988	8,196
	$ 102,382	$ 104,755	$ 118,087	$ 125,983	$ 451,207

Total costs used in the calculation of CCU										
Weighted-average number of customers		1,718,349		1,790,232		1,870,204		2,067,122		1,861,477
CCU	$	19.86	$	19.51	$	21.05	$	20.32	$	20.20

	Three Months Ended				Year Ended
	March 31, 2005 (As Restated)	June 30, 2005 (As Restated)	September 30, 2005 (As Restated)	December 31, 2005 (As Restated)	December 31, 2005 (As Restated)
Cost of service	$ 50,857	$ 50,338	$ 51,139	$ 51,214	$ 203,548
Plus general and administrative expense	36,035	42,423	41,306	39,977	159,741
Less share-based compensation expense included in cost of service and general and administrative expense		(6,436)	(2,518)	(2,504)	(11,458)
Plus net loss on equipment transactions unrelated to initial customer acquisition	4,466	4,174	5,555	4,376	18,571
Total costs used in the calculation of CCU	$ 91,358	$ 90,499	$ 95,482	$ 93,063	$ 370,402
Weighted-average number of customers	1,588,372	1,611,524	1,605,222	1,630,011	1,610,170
CCU	$ 19.17	$ 18.72	$ 19.83	$ 19.03	$ 19.17

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations and cash available from borrowings under our $200 million revolving credit facility (which was undrawn at December 31, 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. At December 31, 2006, we had a total of $439.2 million in unrestricted cash, cash equivalents and short-term investments.

We believe that our existing unrestricted cash, cash equivalents and short-term investments at December 31, 2006, the liquidity under our revolving credit facility and our anticipated cash flows from operations will be sufficient to meet the projected operating and capital requirements for our existing licenses and currently planned business expansions, including (1) the build-out and launch of wireless licenses in Rochester, New York and North and South Carolina and (2) the projected operating and capital requirements for the first phase of construction for Auction #66 licenses that we and Denali License intend to build out, with such first phase expected to cover approximately 24 million POPs launched by the end of 2009. If we expand the scope of the initial phase of our planned Auction #66 build-out, or significantly accelerate the pace of the build-out from our current plans, we may need to raise additional capital.

In addition, depending on the timing and scope of further Auction #66 license build-outs, we may need to raise significant additional capital in the future to finance the build-out and initial operating costs associated with Cricket and Denali License Auction #66 licenses included in additional phases of construction. However, we do not expect to incur material obligations with respect to the build-out of any such additional launch phases unless we have sufficient funds available to us to pay for such obligations.

Our total outstanding indebtedness under our senior secured credit agreement was $895.5 million as of December 31, 2006. In addition, we had $200 million available for borrowing under our undrawn revolving credit facility. Outstanding term loan borrowings under the senior secured credit agreement must be repaid in 22 quarterly payments of $2.25 million each (which commence on March 31, 2007) followed by four quarterly payments of $211.5 million (which commence on September 30, 2012). Commencing on November 20, 2007, the term loan under our senior secured credit agreement bears interest at LIBOR plus 3.0% or the bank base rate plus 2.0%, as selected by us. In addition to our senior secured credit agreement, we also had $750 million in unsecured senior

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notes due 2014 outstanding as of December 31, 2006. Our $750 million in unsecured senior notes have no principal amortization and mature in October 2014. Our $750 million principal amount of senior notes bears interest at 9.375% per annum.

Our senior secured credit agreement and the indenture governing our $750 million in unsecured senior notes contain covenants that restrict the ability of Leap, Cricket and the subsidiary guarantors to take certain actions, including incurring additional indebtedness. In addition, under certain circumstances we are required to use some or all of the proceeds we receive from incurring additional indebtedness to pay down outstanding borrowings under our senior secured credit agreement. The senior secured credit agreement also contains financial covenants with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. Although the restatements of our historical consolidated financial statements described elsewhere in this report resulted in defaults under our senior secured credit agreement that were subsequently waived by the required lenders, the restatements did not affect our compliance with our financial covenants, and we were in compliance with these covenants as of December 31, 2006.

Although our significant outstanding indebtedness results in certain risks to our business that could materially affect our financial condition and performance, we believe that these risks are manageable and that we are taking appropriate actions to monitor and address them. For example, in connection with our financial planning process and capital raising activities, we seek to maintain an appropriate balance between our debt and equity capitalization and we review our business plans and forecasts to monitor our ability to service our debt and to comply with the financial covenants and debt incurrence and other covenants in our senior secured credit agreement and unsecured senior notes indenture. In addition, as the new markets that we have launched over the past few years continue to develop and our existing markets mature, we expect that increased cash flows from such new and existing markets will result in improvements in our leverage ratio and other ratios underlying our financial covenants. Our $750 million of unsecured senior notes bear interest at a fixed rate and we have entered into interest rate swap agreements covering $355 million of outstanding debt under our term loan, which help to mitigate our exposure to interest rate fluctuations. Due to the fixed rate on our $750 million in unsecured senior notes and our interest rate swaps, approximately 66% of our total indebtedness accrues interest at a fixed rate. In light of the actions described above, our expected cash flows from operations, and our ability to reduce our investments in expansion activities or slow the pace of our expansion activities as necessary to match our capital requirements to our available liquidity, management believes that it has the ability to effectively manage our levels of indebtedness and address the risks to our business and financial condition related to our indebtedness.

Cash Flows

The following table shows cash flow information for the three years ended December 31, 2006, 2005 and 2004 (in thousands):

	Year Ended December 31,		
	2006 (As Restated)	**2005**	**2004**
Net cash provided by operating activities	$ 289,871	$ 308,280	$ 190,375
Net cash used in investing activities	(1,550,624)	(332,112)	(96,577)
Net cash provided by (used in) financing activities	1,340,492	175,764	(36,727)

Operating Activities

Net cash provided by operating activities decreased by $18.4 million, or 6.0%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. This decrease was primarily attributable to the decrease in our net income of $55.0 million.

Net cash provided by operating activities increased by $117.9 million, or 61.9%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. The increase was primarily attributable to higher net income (net of income from reorganization items, depreciation and amortization expense and non-cash share-based compensation expense) and the timing of payments on accounts payable for the year ended December 31, 2005, partially offset by interest payments on our 13% senior secured pay-in-kind notes and FCC debt.

Investing Activities

Net cash used in investing activities was $1,550.6 million for the year ended December 31, 2006, which included the effects of the following transactions:

During July and October 2006, we paid to the FCC $710.2 million for the purchase of 99 licenses acquired in Auction #66, and Denali License paid $274.1 million as a deposit for the license for which it was named the winning bidder in Auction #66.

During November 2006, we purchased 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million.

During the year ended December 31, 2006, we, ANB 1 License and LCW Operations made over $590 million in purchases of property and equipment for the build-out of our new markets.

Net cash used in investing activities was $332.1 million for the year ended December 31, 2005, which included the effects of the following transactions:

During the year ended December 31, 2005, we paid $208.8 million for the purchase of property and equipment.

During the year ended December 31, 2005, subsidiaries of Cricket and ANB 1 paid $244.0 million for the purchase of wireless licenses, partially offset by proceeds received of $108.8 million from the sale of wireless licenses and operating assets.

Net cash used in investing activities of $96.6 million for the year ended December 31, 2004 consisted primarily of cash paid for the purchase of property and equipment.

Financing Activities

Net cash provided by financing activities was $1,340.5 million for the year ended December 31, 2006, which included the effects of the following transactions:

In June 2006, we replaced our previous $710 million senior secured credit facility with a new amended and restated senior secured credit facility consisting of a $900 million term loan and a $200 million revolving credit facility. The replacement term loan generated net proceeds of approximately $307 million, after repayment of the principal balances of the old term loan and prior to the payment of fees and expenses. See Senior Secured Credit Facilities below.

In October 2006, we physically settled 6,440,000 shares of Leap common stock pursuant to our forward sale agreements and received aggregate cash proceeds of $260 million (before expenses) from such physical settlements. See Forward Sale Agreements below.

In October 2006, we borrowed $570 million under our $850 million unsecured bridge loan facility to finance a portion of the remaining amounts owed by us and Denali License to the FCC for Auction #66 licenses.

In October 2006, we issued $750 million of 9.375% senior notes due 2014, and we used a portion of the approximately $739 million of cash proceeds (after commissions and before expenses) from the sale to repay our outstanding obligations, including accrued interest, under our bridge loan facility. Upon repayment of our outstanding indebtedness, the bridge loan facility was terminated. See Senior Notes below.

In October 2006, LCW Operations entered into a senior secured credit agreement consisting of two term loans for $40 million in the aggregate. The loans bear interest at LIBOR plus the applicable margin ranging from 2.70% to 6.33% and must be repaid in varying quarterly installments beginning in 2008, with the final payment due in 2011. The loans are non-recourse to Leap, Cricket and their other subsidiaries. See Senior Secured Credit Facilities below.

Net cash provided by financing activities for the year ended December 31, 2005 was $175.8 million, which consisted primarily of borrowings under our term loan of $600 million, less repayments of our FCC debt of $40 million and pay-in-kind notes of $372.7 million.

Net 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.

Senior Secured Credit Facilities

Cricket Communications

Our senior secured credit agreement, referred to in this report as the Credit Agreement, includes a $900 million term loan and an undrawn $200 million revolving credit facility available until June 2011. Under our Credit Agreement, the term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.75 percent, with interest periods of one, two, three or six months, or at the bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on Leap s corporate family debt rating.

Outstanding borrowings under the term loan must be repaid in 24 quarterly payments of $2.25 million each, which commenced September 30, 2006, followed by four quarterly payments of $211.5 million each, commencing September 30, 2012.

The maturity date for outstanding borrowings under the revolving credit facility is June 16, 2011. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. The commitment fee on the revolving credit facility is payable quarterly at a rate of between 0.25 and 0.50 percent per annum, depending on our consolidated senior secured leverage ratio. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.75 percent or the bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on our consolidated senior secured leverage ratio.

At December 31, 2006, the effective interest rate on our term loan under the Credit Agreement was 7.7%, including the effect of interest rate swaps, and the outstanding indebtedness was $895.5 million. The terms of the Credit Agreement require us to enter into interest rate swap agreements in a sufficient amount so that at least 50% of our outstanding indebtedness for borrowed money bears interest at a fixed rate. We have entered into interest rate swap agreements with respect to $355 million of our debt. These swap agreements effectively fix the interest rate on $250 million of our indebtedness at 6.7% and $105 million of our indebtedness at 6.8% through June 2007 and 2009, respectively. The fair value of the swap agreements at December 31, 2006 and 2005 was $3.2 million and $3.5 million, respectively, and was recorded in other assets in the consolidated balance sheets.

As more fully described in Note 2 to the consolidated financial statements included in Part II Item 8. Financial Statements and Supplementary Data included in this report, we have restated certain of our historical consolidated financial statements. On November 20, 2007, we entered into a second amendment (the Second Amendment) to the Credit Agreement in which the lenders waived defaults and potential defaults under the Credit Agreement arising from our potential breach of representations regarding the presentation of our prior consolidated financial statements and the associated delay in filing our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007. In addition, the Second Amendment amended the interest rates payable under the Credit Agreement. The term loan and revolving credit facility now bear interest at LIBOR plus 3.0% or the bank base rate plus 2.0%, as selected by Cricket, with the interest rate for the revolving credit facility subject to adjustment based on our consolidated senior secured 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, LCW Wireless and Denali and their respective subsidiaries) and are secured by substantially all of the 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, sell assets or property, receive certain extraordinary receipts or generate excess cash flow (as defined in the Credit Agreement). We are also subject to a financial covenant with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. In addition to investments in joint ventures relating to Auction #66, the Credit Agreement allows us to invest up to $325 million in ANB 1 and ANB 1 License, up to $85 million in LCW Wireless and its subsidiaries, and up to $150 million plus an amount equal to an available cash flow basket in other joint ventures, and allows us to provide limited guarantees for the benefit of ANB 1, LCW Wireless and other joint ventures.

In addition to the foregoing restrictions, the Second Amendment requires us to furnish our unaudited condensed consolidated financial statements for the quarter ended September 30, 2007 to the administrative agent on or before December 14, 2007. On December 14, 2007, we filed our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and delivered the required financial statements to the administrative agent. We are also required to furnish our amended Annual Report on Form 10-K for the year ended December 31, 2006 and revised unaudited condensed consolidated financial statements for the quarters ended March 31 and June 30, 2007 to the administrative agent on or before December 31, 2007. The Second Amendment also provides that these revised financial statements may not result in a cumulative net reduction in operating income for the period from January 1, 2005 through June 30, 2007 in excess of $35 million. If we were to fail to timely furnish such financial statements and documents to the administrative agent, this would result in an immediate default under the Credit Agreement which, unless waived by the required lenders, would permit the administrative agent to exercise its available remedies, including declaring all outstanding debt under the Credit Agreement to be immediately due and payable. An acceleration of the outstanding debt under the Credit Agreement would also trigger a default under Cricket s indenture governing its $1.1 billion of 9.375% senior notes due 2014. In addition to filing this Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2006, we also expect to file the necessary amendments to our Quarterly Reports on Form 10-Q/A for the quarters ended March 31, 2007 and June 30, 2007, and to furnish the required financial statements and documents to the administrative agent, on or promptly following the date of this filing. Upon furnishing such financial statements and documents to the administrative agent, we will be in compliance with the covenants under the Second Amendment described above.

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 initial amounts equal to $225 million of the term loan and $40 million of the revolving credit facility, and Highland Capital Management received a syndication fee of $0.3 million in connection with its participation.

LCW Operations

In October 2006, LCW Operations entered into a senior secured credit agreement consisting of two term loans for $40 million in the aggregate. The loans bear interest at LIBOR plus the applicable margin ranging from 2.70% to 6.33%. At December 31, 2006, the effective interest rate on the term loans was 9.6%, and the outstanding indebtedness was $40 million. The obligations under the loans are guaranteed by LCW Wireless and LCW License (and are non-recourse to Leap, Cricket and their other subsidiaries). Outstanding borrowings under the term loans must be repaid in varying quarterly installments starting in June 2008, with an aggregate final payment of $24.5 million due in June 2011. Under the senior secured credit agreement, LCW Operations and the guarantors are subject to certain limitations, including limitations on their ability to: incur additional debt or sell assets; make certain investments; grant liens; and pay dividends and make certain other restricted payments. In addition, LCW Operations will be required to pay down the facilities under certain circumstances if it or the guarantors issue debt, sell assets or generate excess cash flow. The senior secured credit agreement requires that LCW Operations and the guarantors comply with financial covenants related to earnings before interest, taxes, depreciation and amortization, gross additions of subscribers, minimum cash and cash equivalents and maximum capital expenditures, among other things.

Forward Sale Agreements

In August 2006, in connection with a public offering of Leap common stock, Leap entered into forward sale agreements for the sale of an aggregate of 6,440,000 shares of its common stock, including an amount equal to the underwriters over-allotment option in the public offering (which was fully exercised). The initial forward sale price was $40.11 per share, which was equivalent to the public offering price less the underwriting discount, and was subject to daily adjustment based on a floating interest factor equal to the federal funds rate, less a spread of 1.0%. In October 2006, Leap issued 6,440,000 shares of its common stock to physically settle its forward sale agreements and received aggregate cash proceeds of $260.0 million (before expenses) from such physical settlements. Upon such full settlement, the forward sale agreements were fully performed.

Senior Notes

In October 2006, Cricket issued $750 million of unsecured senior notes due in 2014. The notes bear interest at the rate of 9.375% per year, payable semi-annually in cash in arrears beginning in May 2007. The notes are guaranteed on an unsecured senior basis by Leap and each of its existing and future domestic subsidiaries (other than Cricket, which is the issuer of the notes, and ANB 1, LCW Wireless and Denali and their respective subsidiaries) that guarantees indebtedness for money borrowed of Leap, Cricket or any subsidiary guarantor. Currently, such guarantors include Leap and each of its direct or indirect wholly owned domestic subsidiaries, excluding Cricket. The notes and the guarantees are Leap s, Cricket s and the guarantors general senior unsecured obligations and rank equally in right of payment with all of Leap s, Cricket s and the guarantors existing and future unsubordinated unsecured indebtedness. The notes and the guarantees are effectively junior to Leap s, Cricket s and the guarantors existing and future secured obligations, including those under the Credit Agreement, to the extent of the value of the assets securing such obligations, as well as to future liabilities of Leap s and Cricket s subsidiaries that are not guarantors and of ANB 1, LCW Wireless and Denali and their respective subsidiaries. In addition, the notes and the guarantees are senior in right of payment to any of Leap s, Cricket s and the guarantors future subordinated indebtedness.

Prior to November 1, 2009, Cricket may redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 109.375% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. Prior to November 1, 2010, Cricket may redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and any accrued and unpaid interest. The applicable premium is calculated as the greater of (i) 1.0% of the principal amount of such notes and (ii) the excess of (a) the present value at such date of redemption of (1) the redemption price of such notes at November 1, 2010 plus (2) all remaining required interest payments due on such notes through November 1, 2010 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (b) the principal amount of such notes. The notes may be redeemed, in whole or in part, at any time on or after November 1, 2010, at a redemption price of 104.688% and 102.344% of the principal amount thereof if redeemed during the twelve months ending October 31, 2011 and 2012, respectively, or at 100% of the principal amount thereof if redeemed during the twelve months ending October 31, 2013 or thereafter, plus accrued and unpaid interest. If a change of control (as defined in the indenture governing the notes, or the Indenture) occurs, each holder of the notes may require Cricket to repurchase all of such holder s notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest.

The indenture governing the notes limits, among other things, our ability to: incur additional debt; create liens or other encumbrances; place limitations on distributions from restricted subsidiaries; pay dividends; make investments; prepay subordinated indebtedness or make other restricted payments; issue or sell capital stock of restricted subsidiaries; issue guarantees; sell assets; enter into transactions with our affiliates; and make acquisitions or merge or consolidate with another entity.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) purchased an aggregate of $25.0 million principal amount of senior notes in our offering.

Capital Expenditures and Other Asset Acquisitions and Dispositions

Capital Expenditures

We, ANB 1 License and LCW Operations currently expect to make between $280 million and $320 million in capital expenditures, excluding capitalized interest or any significant expenditures related to markets acquired in Auction #66, for the year ending December 31, 2007. We currently expect that our capital expenditures related to the build-out of markets acquired in Auction #66 will be less than $100 million during 2007, excluding capitalized interest.

During the year ended December 31, 2006, we, ANB 1 License and LCW Operations made $590.5 million in capital expenditures. These capital expenditures were primarily for: (i) expansion and improvement of our existing wireless network, (ii) the build-out and launch of our new markets, (iii) costs incurred by ANB 1 License and LCW Operations in connection with the build-out of their new markets, and (iv) expenditures for 1xEV-DO technology.

During the year ended December 31, 2005, we and ANB 1 License made $208.8 million in capital expenditures. These capital expenditures were primarily for: (i) expansion and improvement of our existing wireless network, (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 our new markets, (iv) costs incurred by ANB 1 License in connection with the build-out of its new markets, and (v) initial expenditures for 1xEV-DO technology.

Auction #66 Properties and Build-Outs

In December 2006, we completed the purchase of 99 wireless licenses in Auction #66 covering 123.1 million POPs (adjusted to eliminate duplication among certain overlapping Auction #66 licenses) for an aggregate purchase price of $710.2 million. In September 2006, Denali License was named the winning bidder for one wireless license in Auction #66 covering 59.8 million POPs (which includes markets covering 5.7 million POPs which overlap with certain licenses we purchased in Auction #66) for a net purchase price of $274.1 million. We expect that we and Denali License (which we expect will offer Cricket service) will build out and launch Cricket service in new markets covered by Auction #66 licenses in multiple construction phases over time. We currently expect that the first phase of construction for Auction #66 licenses that we and Denali License intend to build out will cover approximately 24 million POPs. We currently expect that the aggregate capital expenditures for this first phase of construction will be less than $28.00 per covered POP. We also currently expect that the build-outs for this first phase of construction will commence in 2007 and will be substantially completed by the end of 2009. Moreover, the licenses we purchased, together with the licenses we currently own, provide 20MHz coverage and the opportunity to offer enhanced data services in almost all markets that we currently operate or are building out. If Denali License was to make available to us certain spectrum for which it was the winning bidder in Auction #66, we would have 20MHz coverage in all markets in which we currently operate or are building out.

Other Acquisitions and Dispositions

From June 2006 through October 2006, we entered into four agreements to sell wireless licenses that we were not using to offer commercial service for an aggregate sales price of $22.4 million. In October 2006, three of these transactions were completed. The fourth transaction was completed in January 2007. During the second quarter of 2006, we recorded impairment charges of $3.2 million to adjust the carrying values of certain of the licenses to their estimated fair values, which were based on the agreed upon sales prices.

In July 2006, we completed the sale of our wireless licenses and operating assets in our Toledo and Sandusky, Ohio markets to Cleveland Unlimited, Inc., or CUI, in exchange for $28.0 million in cash and CUI s equity interest in LCW Wireless. We also contributed to LCW Wireless $21.0 million in cash (subject to post-closing adjustments) and wireless licenses in Eugene and Salem, Oregon and related operating assets, resulting in Cricket owning a 72% non-controlling membership interest in LCW Wireless. We received additional membership interests in LCW Wireless upon replacing certain network equipment, resulting in our owning a 73.3% non-controlling membership interest in LCW Wireless. We recognized a net gain of $21.6 million during the year ended December 31, 2006 associated with these transactions.

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In August 2006, we completed the exchange of our wireless license in Grand Rapids, Michigan for a wireless license in Rochester, New York to form a new market cluster with our existing Buffalo and Syracuse markets in upstate New York. These three licenses cover 3.1 million POPs.

In November 2006, we completed the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million. These licenses cover 5.0 million POPs.

Contractual Obligations

The following table sets forth our best estimates as to the amounts and timing of minimum contractual payments for our most significant contractual obligations as of December 31, 2006 for the next five years and thereafter (in thousands). Future events, including refinancing of our long-term debt, could cause actual payments to differ significantly from these amounts.

	2007	2008-2009	2010-2011	Thereafter	Total
Long-term debt(1)	$ 9,000	$ 23,500	$ 52,500	$ 1,600,500	$ 1,685,500
Contractual interest(2)	145,544	288,930	284,539	287,582	1,006,595
Operating leases	88,275	171,917	165,548	371,809	797,549
Purchase obligations(3)	204,482	89,935	53,800		348,217
Origination fees for ANB 1 investment	2,700				2,700
Total	$ 450,001	$ 574,282	$ 556,387	$ 2,259,891	$ 3,840,561

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

(2) Contractual interest is based on the current interest rates in effect at December 31, 2006 for debt outstanding as of that date.

(3) Purchase obligations are defined as agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms including (a) fixed or minimum quantities to be purchased, (b) fixed, minimum or variable price provisions, and (c) the approximate timing of the transaction.

The table above does not include Cricket s obligation to pay $4.2 million plus interest to ANB, as ANB exercised its option to sell its entire membership interest in ANB 1 to Cricket in January 2007. The FCC has approved the application to transfer control of ANB 1 License to Cricket and we expect to close the sale transaction in the near future.

The table above also does not include the following contractual obligations relating to LCW Wireless: (1) 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 (2) 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 equal to 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.

The table above does not include the following contractual obligations relating to Denali: (1) Cricket s obligation to loan to Denali License an amount equal to $.75 times the aggregate number of POPs covered by the wireless license acquired by Denali License in Auction #66, or approximately $44.9 million, (2) Cricket s obligation to invest $41.9 million in exchange for equity membership interests in Denali in October 2007, and (3) Cricket s payment of an amount equal to DSM s equity contributions in cash to Denali plus a specified return to DSM, if DSM offers to sell its membership interest in Denali to Cricket on or following the fifth anniversary of the initial grant to Denali License of any wireless licenses it acquires in Auction #66 and if Cricket accepts such offer.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at December 31, 2006.

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Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements. We will be required to adopt SFAS 157 in the first quarter of fiscal year 2008. We are currently evaluating what impact, if any, SFAS 157 will have on our consolidated financial statements.

In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109. This Interpretation prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We will be required to adopt this Interpretation in the first quarter of fiscal year 2007. We continue to evaluate the impact of FIN 48 on our consolidated financial statements, but we do not expect adoption of the Interpretation will have a material impact.

Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Leap Wireless International, Inc.:

We have completed integrated audits of Leap Wireless International, Inc. s 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, and an audit of its consolidated financial statements as of and for the five months ended December 31, 2004 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of stockholders equity (deficit) present fairly, in all material respects, the financial position of Leap Wireless International, Inc. and its subsidiaries (Successor Company) at December 31, 2006 and 2005, and the results of their operations and their cash flows for the years ended December 31, 2006 and 2005 and the five months ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company has restated its 2006 and 2005 consolidated financial statements and its consolidated financial statements as of and for the five months ended December 31, 2004.

As discussed in Note 3 to the consolidated financial statements, the United States Bankruptcy Court for the Southern District of California confirmed the Company s Fifth Amended Joint Plan of Reorganization (the plan) on October 22, 2003. Consummation of the plan terminated all rights and interests of equity security holders as provided for in the plan. The plan was consummated on August 16, 2004 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh-start accounting as of July 31, 2004.

As discussed in Note 3 and Note 10 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for site rental costs incurred during the construction period in 2006.

Internal control over financial reporting

Also, we have audited management s assessment, included in Management s Report on Internal Control Over Financial Reporting (Restated) appearing under Item 9A, that Leap Wireless International, Inc. did not maintain effective internal control over financial reporting as of December 31, 2006 because of the effects of the Company not maintaining effective controls over the existence, completeness and accuracy of revenues, cost of revenues and deferred revenues based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management s assessment at December 31, 2006:

> There were deficiencies in the Company s internal controls over the existence, completeness and accuracy of revenues, cost of revenues and deferred revenues. Specifically, the design of controls over the preparation and review of the account reconciliations and analysis of revenues, cost of revenues and deferred revenues did not detect the errors in revenues, cost of revenues and deferred revenues. A contributing factor was the ineffective operation of the Company s user acceptance testing (i.e., ineffective testing) of changes made to its revenue and billing systems in connection with the introduction or modification of service offerings. This material weakness resulted in the accounting errors which have caused the Company to restate its consolidated financial statements as of and for the years ended December 31, 2006 and 2005 (including interim periods therein), for the period from August 1, 2004 to December 31, 2004 and for the period from January 1, 2004 to July 31, 2004, and its condensed consolidated financial statements as of and for the quarterly periods ended June 30, 2007 and March 31, 2007. In addition, this material weakness could result in a misstatement of revenues, cost of revenues and deferred revenues that would result in a material misstatement to the Company s interim or annual consolidated financial statements that would not be prevented or detected on a timely basis.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2006 consolidated financial statements, and our opinion regarding the effectiveness of the Company s internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Management and we previously concluded that the Company maintained effective internal control over financial reporting as of December 31, 2006. However, management has subsequently determined that the material weakness described above existed as of December 31, 2006. Accordingly, Management s Report on Internal Control over Financial Reporting has been restated and our present opinion on internal control over financial reporting, as presented herein, is different from that expressed in our previous report.

In our opinion, management s assessment that Leap Wireless International, Inc. did not maintain effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control Integrated Framework* issued by the COSO. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Leap

Wireless International, Inc. has not maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control Integrated Framework* issued by the COSO.

PricewaterhouseCoopers LLP

San Diego, California
February 28, 2007, except for the effects of the restatement discussed in Note 2 to the consolidated financial statements and the matters discussed in the penultimate paragraph of Management s Report on Internal Control Over Financial Reporting, as to which the date is December 14, 2007

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Leap Wireless International, Inc.:

In our opinion, the accompanying consolidated statements of operations, of cash flows and of stockholders equity (deficit) present fairly, in all material respects, the results of operations and cash flows of Leap Wireless International, Inc. and its subsidiaries (Predecessor Company) for the seven months ended July 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company has restated its consolidated statements of operations and of cash flows for the seven months ended July 31, 2004.

As discussed in Note 3 to the consolidated financial statements, the Company and substantially all of its subsidiaries voluntarily filed petitions on April 13, 2003 with the United States Bankruptcy Court for the Southern District of California for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company s Fifth Amended Joint Plan of Reorganization was consummated on August 16, 2004 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh-start accounting as of July 31, 2004.

PricewaterhouseCoopers LLP

San Diego, California
May 16, 2005, except for the effects of the restatement discussed in Note 2 to the consolidated financial statements, as to which the date is December 14, 2007

LEAP WIRELESS INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2006 (As Restated) (See Note 2)	December 31, 2005 (As Restated) (See Note 2)
Assets		
Cash and cash equivalents	$ 372,812	$ 293,073
Short-term investments	66,400	90,981
Restricted cash, cash equivalents and short-term investments	13,581	13,759
Inventories	90,185	37,320
Other current assets	52,981	28,718
Total current assets	595,959	463,851
Property and equipment, net	1,078,521	622,207
Wireless licenses	1,563,958	821,288
Assets held for sale	8,070	15,145
Goodwill	425,782	425,782
Other intangible assets, net	79,828	113,554
Deposits for wireless licenses	274,084	
Other assets	58,745	38,119
Total assets	$ 4,084,947	$ 2,499,946
Liabilities and Stockholders Equity		
Accounts payable and accrued liabilities	$ 317,093	$ 168,431
Current maturities of long-term debt	9,000	6,111
Other current liabilities	84,675	43,943
Total current liabilities	410,768	218,485
Long-term debt	1,676,500	588,333
Deferred tax liabilities	148,335	137,342
Other long-term liabilities	47,608	36,424
Total liabilities	2,283,211	980,584
Minority interests	29,943	1,761
Commitments and contingencies (Note 14)		
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; 67,892,512 and 61,202,806 shares issued and outstanding at December 31, 2006 and 2005,	7	6

respectively				
Additional paid-in capital		1,769,772		1,511,814
Unearned share-based compensation				(20,942)
Retained earnings		228		24,585
Accumulated other comprehensive income		1,786		2,138
Total stockholders equity		1,771,793		1,517,601
Total liabilities and stockholders equity	$	4,084,947	$	2,499,946

See accompanying notes to consolidated financial statements.

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LEAP WIRELESS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Successor Company			Predecessor Company
	Year Ended December 31, 2006 (As Restated) (See Note 2)	Year Ended December 31, 2005 (As Restated) (See Note 2)	Five Months Ended December 31, 2004 (As Restated) (See Note 2)	Seven Months Ended July 31, 2004 (As Restated) (See Note 2)
Revenues:				
Service revenues	$ 956,365	$ 768,916	$ 289,355	$ 405,850
Equipment revenues	210,822	188,855	61,492	86,906
Total revenues	1,167,187	957,771	350,847	492,756
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(264,162)	(203,548)	(80,286)	(114,628)
Cost of equipment	(310,834)	(230,520)	(85,460)	(101,441)
Selling and marketing	(159,257)	(100,042)	(39,938)	(51,997)
General and administrative	(196,604)	(159,741)	(57,110)	(81,514)
Depreciation and amortization	(226,747)	(195,462)	(75,324)	(178,120)
Impairment of indefinite-lived intangible assets	(7,912)	(12,043)		
Total operating expenses	(1,165,516)	(901,356)	(338,118)	(527,700)
Gains on sales of wireless licenses and operating assets	22,054	14,587		532
Operating income (loss)	23,725	71,002	12,729	(34,412)
Minority interests in consolidated subsidiaries	1,493	(31)		
Interest income	23,063	9,957	1,812	
Interest expense (contractual interest expense was $156.3 million for the seven months ended July 31, 2004)	(61,334)	(30,051)	(16,594)	(4,195)
Other income (expense), net	(2,650)	1,423	(117)	(293)
Income (loss) before reorganization items, income taxes and cumulative effect of change in accounting principle	(15,703)	52,300	(2,170)	(38,900)

Reorganization items, net				962,444
Income (loss) before income taxes and cumulative effect of change in accounting principle	(15,703)	52,300	(2,170)	923,544
Income tax expense	(9,277)	(21,615)	(3,930)	(4,166)
Income (loss) before cumulative effect of change in accounting principle	(24,980)	30,685	(6,100)	919,378
Cumulative effect of change in accounting principle	623			
Net income (loss)	$ (24,357)	$ 30,685	$ (6,100)	$ 919,378
Basic earnings (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ (0.41)	$ 0.51	$ (0.10)	$ 15.68
Cumulative effect of change in accounting principle	0.01			
Basic earnings (loss) per share	$ (0.40)	$ 0.51	$ (0.10)	$ 15.68
Diluted earnings (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ (0.41)	$ 0.50	$ (0.10)	$ 15.68
Cumulative effect of change in accounting principle	0.01			
Diluted earnings (loss) per share	$ (0.40)	$ 0.50	$ (0.10)	$ 15.68
Shares used in per share calculations:				
Basic	61,645	60,135	60,000	58,623
Diluted	61,645	61,003	60,000	58,623

See accompanying notes to consolidated financial statements.

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LEAP WIRELESS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Successor Company			Predecessor Company
	Year Ended December 31, 2006 (As Restated) (See Note 2)	Year Ended December 31, 2005 (As Restated) (See Note 2)	Five Months Ended December 31, 2004 (As Restated) (See Note 2)	Seven Months Ended July 31, 2004 (As Restated) (See Note 2)
Operating activities:				
Net income (loss)	$ (24,357)	$ 30,685	$ (6,100)	$ 919,378
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Share-based compensation expense	19,725	12,479		
Depreciation and amortization	226,747	195,462	75,324	178,120
Amortization of debt issuance costs	2,491	565		
Loss on extinguishment of debt	6,897	1,219		
Deferred income tax expense	8,831	21,552	3,823	3,370
Impairment of indefinite-lived intangible as				