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

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

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

(Mark One)

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from _____ to _____.

Commission File Number 0-29752

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

Delaware	**33-0811062**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10307 Pacific Center Court, San Diego, CA	**92121**
(Address of principal executive offices)	**(Zip Code)**

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

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

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

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

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

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EXPLANATORY NOTE

Leap Wireless International, Inc. (the Company) has restated its historical 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 (Successor Company) and for the period from January 1, 2004 to July 31, 2004 (Predecessor Company) and its unaudited condensed consolidated financial statements as of and for the quarterly periods ended March 31 and June 30, 2007. This Amendment No. 1 on Form 10-Q/A to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 includes restated unaudited condensed consolidated financial statements as of and for the quarter ended March 31, 2007, restated audited consolidated financial statements as of the year ended December 31, 2006 and restated unaudited condensed consolidated financial statements for the quarter ended March 31, 2006 previously included in the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (the Original Form 10-Q).

These previously issued 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 unaudited condensed consolidated financial statements included in Part I Item 1. Financial Statements of this report for additional information.

The Company has amended and restated in its entirety each item of the Original Form 10-Q filed with the Securities and Exchange Commission (SEC) on May 10, 2007 (the Original Filing Date) that required a change to reflect this restatement and to include certain additional information. These items include Items 1, 2 and 4 of Part I and Item 1A of Part II. The Company has supplemented Item 6 of Part II to include current certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, included as Exhibits 31 and 32 to this Amendment. No other information included in the Original Form 10-Q is amended hereby.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Amendment contains only the items and exhibits to the Original Form 10-Q 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 disclosure 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 Form 8-K filed on November 8, 2007, the Company s unaudited quarterly condensed consolidated financial statements previously included in the Original Form 10-Q should not be relied upon.

LEAP WIRELESS INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q/A
(Amendment No. 1)
For the Quarter Ended March 31, 2007

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	March 31, 2007 (Unaudited) (As Restated) (See Note 2)	December 31, 2006 (As Restated) (See Note 2)
Assets		
Cash and cash equivalents	$ 300,321	$ 372,812
Short-term investments	25,432	66,400
Restricted cash, cash equivalents and short-term investments	12,479	13,581
Inventories	75,985	90,185
Other current assets	55,222	52,981
Total current assets	469,439	595,959
Property and equipment, net	1,109,638	1,078,521
Wireless licenses	1,564,381	1,563,958
Assets held for sale		8,070
Goodwill	425,782	425,782
Other intangible assets, net	71,397	79,828
Deposits for wireless licenses	274,084	274,084
Other assets	39,054	58,745
Total assets	$ 3,953,775	$ 4,084,947
Liabilities and Stockholders Equity		
Accounts payable and accrued liabilities	$ 175,306	$ 317,093
Current maturities of long-term debt	9,000	9,000
Other current liabilities	112,294	84,675
Total current liabilities	296,600	410,768
Long-term debt	1,674,250	1,676,500
Deferred tax liabilities	150,697	148,335
Other long-term liabilities	49,038	47,608
Total liabilities	2,170,585	2,283,211
Minority interests	23,734	29,943

Commitments and contingencies (Note 8)				
Stockholders equity:				
Preferred stock authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding				
Common stock authorized 160,000,000 shares; $.0001 par value, 68,051,029 and 67,892,512 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively		7		7
Additional paid-in capital		1,782,880		1,769,772
Retained earnings (accumulated deficit)		(23,996)		228
Accumulated other comprehensive income		565		1,786
Total stockholders equity		1,759,456		1,771,793
Total liabilities and stockholders equity	$	3,953,775	$	4,084,947

See accompanying notes to condensed consolidated financial statements.

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LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except per share data)

	Three Months Ended March 31, 2007 (As Restated) (See Note 2)	Three Months Ended March 31, 2006 (As Restated) (See Note 2)
Revenues:		
Service revenues	$ 321,691	$ 218,085
Equipment revenues	71,734	63,765
Total revenues	393,425	281,850
Operating expenses:		
Cost of service (exclusive of items shown separately below)	(90,440)	(56,210)
Cost of equipment	(122,665)	(71,977)
Selling and marketing	(48,769)	(29,102)
General and administrative	(65,234)	(49,090)
Depreciation and amortization	(68,800)	(54,036)
Total operating expenses	(395,908)	(260,415)
Net gain on sale of wireless licenses and disposal of operating assets	940	
Operating income (loss)	(1,543)	21,435
Minority interests in consolidated subsidiaries	1,579	(75)
Interest income	5,285	4,194
Interest expense	(26,496)	(7,431)
Other income (expense), net	(637)	535
Income (loss) before income taxes and cumulative effect of change in accounting principle	(21,812)	18,658
Income tax expense	(2,412)	
Income (loss) before cumulative effect of change in accounting principle	(24,224)	18,658
Cumulative effect of change in accounting principle		623
Net income (loss)	$ (24,224)	$ 19,281
Basic earnings (loss) per share:		
Earnings (loss) before cumulative effect of change in accounting principle	$ (0.36)	$ 0.30
Cumulative effect of change in accounting principle		0.01

Basic earnings (loss) per share	$	(0.36)	$	0.31
Diluted earnings (loss) per share:				
Earnings (loss) before cumulative effect of change in accounting principle	$	(0.36)	$	0.30
Cumulative effect of change in accounting principle				0.01
Diluted earnings (loss) per share	$	(0.36)	$	0.31
Shares used in per share calculations:				
Basic		66,870		61,203
Diluted		66,870		61,961

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Three Months Ended March 31, 2007 (As Restated) (See Note 2)	Three Months Ended March 31, 2006 (As Restated) (See Note 2)
Operating activities:		
Net cash provided by operating activities	$ 5,122	$ 37,909
Investing activities:		
Purchases of property and equipment	(133,295)	(60,894)
Change in prepayments for purchases of property and equipment	7,409	4,573
Purchases of and deposits for wireless licenses	(423)	(91)
Proceeds from sale of wireless licenses	9,500	
Purchases of investments	(42,727)	(46,865)
Sales and maturities of investments	84,293	72,657
Purchase of minority interest	(4,706)	
Changes in restricted cash, cash equivalents and short-term investments, net	1,102	(50)
Net cash used in investing activities	(78,847)	(30,670)
Financing activities:		
Repayment of long-term debt	(2,250)	(1,527)
Payment of debt issuance costs	(881)	(91)
Minority interest contributions		668
Proceeds from issuance of common stock, net	4,365	233
Net cash provided by (used in) financing activities	1,234	(717)
Net increase (decrease) in cash and cash equivalents	(72,491)	6,522
Cash and cash equivalents at beginning of period	372,812	293,073
Cash and cash equivalents at end of period	$ 300,321	$ 299,595
Supplementary cash flow information:		
Cash paid for interest	$ 18,373	$ 11,098
Cash paid for income taxes	$ 332	$ 168

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. The Company

Leap Wireless International, Inc. (Leap), a Delaware corporation, together with its subsidiaries, is a wireless communications carrier that offers digital wireless service in the United States of America under the Cricket® and Jump™ Mobile brands. 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. Jump Mobile service offers customers a per-minute prepaid wireless service. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends, if any, from its subsidiaries. Cricket and Jump Mobile services are offered by Cricket Communications, Inc. (Cricket), a wholly owned subsidiary of Leap, and Alaska Native Broadband 1 License, LLC (ANB 1 License), an indirect wholly owned subsidiary of Leap. Leap, Cricket, ANB 1 License and their subsidiaries are collectively referred to herein as the Company. Cricket and Jump Mobile services are also offered in Oregon by LCW Wireless Operations, LLC (LCW Operations), a designated entity under Federal Communications Commission (FCC) regulations. Cricket owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless, LLC (LCW Wireless). Cricket also owns an 82.5% non-controlling interest in Denali Spectrum, LLC (Denali), which participated in the FCC s auction for Advanced Wireless Service licenses (Auction #66) as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC (Denali License).

On March 5, 2007, Cricket acquired the remaining 25% of the membership interests in Alaska Native Broadband 1, LLC (ANB 1), following Alaska Native Broadband, LLC s exercise of its option to sell its entire 25% controlling interest in ANB 1 to Cricket for $4.7 million. As a result of the acquisition, ANB 1 and its wholly owned subsidiary, ANB 1 License, became direct and indirect wholly owned subsidiaries, respectively, of Cricket.

The Company operates in a single operating segment as a wireless communications carrier that offers digital wireless service in the United States of America. As of and for the three months ended March 31, 2007, all of the Company s revenues and long-lived assets related to operations in the United States of America.

Note 2. Restatement of Previously Reported Consolidated Financial Statements

The Company has restated its historical condensed consolidated financial statements as of and for the quarterly period ended March 31, 2007, its historical consolidated financial statements as of the year ended December 31, 2006 and its historical condensed consolidated financial statements as of and for the quarterly period ended March 31, 2006 included in this report.

The determination to restate these consolidated financial statements and quarterly condensed consolidated financial statements was made by the Company s Audit Committee upon management s recommendation following the identification of errors related to the Company s accounting for revenues and operating expenses. The general nature and scope of the related errors and adjustments are summarized as follows:

> *Errors in the Timing of Recognition of Service Revenues (Revenue Timing Adjustments)* The Company identified several timing errors in the recognition of service revenues that generally resulted from errors in the processes that the Company used to ensure that revenues were not recognized until service had been provided to customers and cash had been received from them. The nature of these timing errors generally was that revenue that was recognized in a particular month should have been recognized in either the preceding or the following month. These errors resulted in an overstatement of service revenues of $2.8 million in the quarter

ended March 31, 2007 and an understatement of service revenues of $1.3 million in the quarter ended March 31, 2006.

Other Errors in the Recognition of Service Revenues (Other Revenue Adjustments) The Company incorrectly recognized revenue for a group of customers who voluntarily disconnected their service. For these customers, approximately one month of deferred revenue that was recorded when the customers monthly bills were generated was mistakenly recognized as revenue after their service was disconnected, due to the fact that one of the key reports used to validate that revenue is not recognized for customers who have not yet paid erroneously excluded this subset of disconnected customer balances. These customers comprised a small percentage of the Company s disconnected customers, and the error arose in connection with the Company s re-implementation of the pay-in-advance billing method for new and reactivating customers in May 2006. This error resulted in an overstatement of service revenues of $2.0 million in the quarter ended March 31, 2007. In addition, certain other errors were made in the recognition of revenue and revenue-related accounts, resulting in an overstatement of service revenues of $1.8 million and $0.1 million in the quarters ended March 31, 2007 and 2006, respectively.

Errors in the Classification of Certain Components of Service Revenues, Equipment Revenues and Operating Expenses (Reclassification Adjustments) The Company identified errors relating to the classification of certain components of service revenues, equipment revenues and operating expenses. The Company incorrectly classified certain customer service fees as equipment revenue rather than service revenue. The Company incorrectly classified certain costs related to handset insurance purchased by some pay-in-arrears customers as a reduction of service revenues rather than as a cost of service. The Company incorrectly classified certain revenues received by the Company in connection with handsets sold to Company customers under insurance or other handset replacement programs as a reduction in handset costs rather than as equipment revenues. These classification errors resulted from deficiencies in certain account analyses that resulted in the Company incorrectly analyzing certain types of transactions for their classification impacts. The errors resulted in a net understatement of total revenues and understatement of operating expenses of $10.5 million and $14.1 million in the quarters ended March 31, 2007 and 2006, respectively. These errors had no impact on operating income or net income.

Other Non-Material Items (Other Adjustments) The Company identified other errors that were not material, individually or in the aggregate, to its financial statements taken as a whole. However, because the Company is restating its financial statements for the effects of the items noted above, the Company revised its previously reported financial statements to correct all identified errors, including those that were not material. These items resulted in a net overstatement of operating expenses of $0.5 million and $0.4 million in the quarters ended March 31, 2007 and 2006, respectively.

The Company is also restating its income tax provisions for the historical periods described above to reflect the tax impact of the adjustments to pre-tax income. In particular, the Company s tax provision for the quarter ended March 31, 2007 was originally computed using an annual effective tax rate. As a result of the adjustments made to the Company s historical financial statements, the Company s revised income forecast at March 31, 2007 was lowered to a level close to break-even. Under the revised forecast, a small change in the pre-tax book income projection would produce a significant variance in the effective tax rate and, therefore, it would be difficult to make a reliable estimate of the annual effective tax rate. As a result and in accordance with Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 18, Accounting for Income Taxes in Interim Periods An Interpretation of APB Opinion No. 28 (FIN 18), the Company s restated income tax provision for the quarter ended March 31, 2007 has been calculated by applying the actual effective tax rate to the year-to-date income.

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The following tables present the adjustments due to the restatements of the Company s previously issued consolidated financial statements and quarterly condensed consolidated financial statements as of and for the quarterly period ended March 31, 2007, as of the year ended December 31, 2006, and for the quarterly period ended March 31, 2006 (in thousands, except share and per share data):

	March 31, 2007		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 303,784	$ (3,463)	$ 300,321
Short-term investments	25,432		25,432
Restricted cash, cash equivalents and short-term investments	12,479		12,479
Inventories	75,985		75,985
Other current assets	55,038	184	55,222
Total current assets	472,718	(3,279)	469,439
Property and equipment, net	1,107,314	2,324	1,109,638
Wireless licenses	1,564,381		1,564,381
Goodwill	431,896	(6,114)	425,782
Other intangible assets, net	71,397		71,397
Deposits for wireless licenses	274,084		274,084
Other assets	39,054		39,054
Total assets	$ 3,960,844	$ (7,069)	$ 3,953,775
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 173,606	$ 1,700	$ 175,306
Current maturities of long-term debt	9,000		9,000
Other current liabilities	96,897	15,397	112,294
Total current liabilities	279,503	17,097	296,600
Long-term debt	1,674,250		1,674,250
Deferred tax liabilities	141,439	9,258	150,697
Other long-term liabilities	49,038		49,038
Total liabilities	2,144,230	26,355	2,170,585
Minority interests	23,849	(115)	23,734
Stockholders equity:			
Preferred stock			
Common stock	7		7
Additional paid-in capital	1,782,880		1,782,880
Retained earnings (accumulated deficit)	9,313	(33,309)	(23,996)
Accumulated other comprehensive income	565		565

Total stockholders equity	1,792,765	(33,309)	1,759,456
Total liabilities and stockholders equity	$ 3,960,844	$ (7,069)	$ 3,953,775

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	Three Months Ended March 31, 2007						
	Previously Reported	Revenue Timing Adjustments	Other Revenue Adjustments	Reclassification Adjustments	Other Adjustments	Income Tax Adjustments	As Restated
				(Unaudited)			
Revenues:							
Service revenues	$ 326,809	$ (2,805)	$ (3,765)	$ 1,452	$	$	$ 321,691
Equipment revenues	62,613	123		8,998			71,734
Total revenues	389,422	(2,682)	(3,765)	10,450			393,425
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(90,949)			(313)	822		(90,440)
Cost of equipment	(112,482)			(10,137)	(46)		(122,665)
Selling and marketing	(48,560)				(209)		(48,769)
General and administrative	(65,199)				(35)		(65,234)
Depreciation and amortization	(68,800)						(68,800)
Total operating expenses	(385,990)			(10,450)	532		(395,908)
Net gain on sale of wireless licenses and disposal of operating assets	940						940
Operating income (loss)	4,372	(2,682)	(3,765)		532		(1,543)
Minority interests in consolidated subsidiaries	1,520				59		1,579
Interest income	5,285						5,285
Interest expense	(26,496)						(26,496)
Other expense, net	(637)						(637)
Loss before income taxes	(15,956)	(2,682)	(3,765)		591		(21,812)
Income tax benefit (expense)	7,833					(10,245)	(2,412)
Net loss	$ (8,123)	$ (2,682)	$ (3,765)	$	$ 591	$ (10,245)	$ (24,224)

Basic and diluted loss per share:							
Basic loss per share	$ (0.12)	$ (0.04)	$ (0.06)	$	$ 0.01	$ (0.15)	$ (0.36)
Diluted loss per share	$ (0.12)	$ (0.04)	$ (0.06)	$	$ 0.01	$ (0.15)	$ (0.36)
Shares used in per share calculations:							
Basic	66,870						66,870
Diluted	66,870						66,870

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	March 31, 2007		
	Previously Reported	Adjustments (Unaudited)	As Restated
Operating activities:			
Net cash provided by operating activities	$ 4,900	$ 222	$ 5,122
Investing activities:			
Purchases of property and equipment	(131,737)	(1,558)	(133,295)
Change in prepayments for purchases of property and equipment	7,409		7,409
Purchases of and deposits for wireless licenses	(423)		(423)
Proceeds from sale of wireless licenses	9,500		9,500
Purchases of investments	(42,727)		(42,727)
Sales and maturities of investments	84,293		84,293
Purchase of minority interest	(4,706)		(4,706)
Changes in restricted cash, cash equivalents and short-term investments, net	1,102		1,102
Net cash used in investing activities	(77,289)	(1,558)	(78,847)
Financing activities:			
Repayment of long-term debt	(2,250)		(2,250)
Payment of debt issuance costs	(881)		(881)
Proceeds from issuance of common stock, net	4,365		4,365
Net cash provided by financing activities	1,234		1,234
Net decrease in cash and cash equivalents	(71,155)	(1,336)	(72,491)
Cash and cash equivalents at beginning of period	374,939	(2,127)	372,812
Cash and cash equivalents at end of period	$ 303,784	$ (3,463)	$ 300,321
Supplementary cash flow information:			
Cash paid for interest	$ 18,373	$	$ 18,373
Cash paid for income taxes	$ 332	$	$ 332

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	December 31, 2006		
	Previously Reported	Adjustments	As Restated
Assets			
Cash and cash equivalents	$ 374,939	$ (2,127)	$ 372,812
Short-term investments	66,400		66,400
Restricted cash, cash equivalents and short-term investments	13,581		13,581
Inventories	90,185		90,185
Other current assets	53,527	(546)	52,981
Total current assets	598,632	(2,673)	595,959
Property and equipment, net	1,077,755	766	1,078,521
Wireless licenses	1,563,958		1,563,958
Assets held for sale	8,070		8,070
Goodwill	431,896	(6,114)	425,782
Other intangible assets, net	79,828		79,828
Deposits for wireless licenses	274,084		274,084
Other assets	58,745		58,745
Total assets	$ 4,092,968	$ (8,021)	$ 4,084,947
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 316,494	$ 599	$ 317,093
Current maturities of long-term debt	9,000		9,000
Other current liabilities	74,637	10,038	84,675
Total current liabilities	400,131	10,637	410,768
Long-term debt	1,676,500		1,676,500
Deferred tax liabilities	149,728	(1,393)	148,335
Other long-term liabilities	47,608		47,608
Total liabilities	2,273,967	9,244	2,283,211
Minority interests	30,000	(57)	29,943
Stockholders equity:			
Preferred stock			
Common stock	7		7
Additional paid-in capital	1,769,772		1,769,772
Retained earnings	17,436	(17,208)	228
Accumulated other comprehensive income	1,786		1,786
Total stockholders equity	1,789,001	(17,208)	1,771,793
Total liabilities and stockholders equity	$ 4,092,968	$ (8,021)	$ 4,084,947

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	Three Months Ended March 31, 2006 (Unaudited)						
	Previously Reported	Revenue Timing Adjustments	Other Revenue Adjustments	Reclassification Adjustments	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	623						623

principle							
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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	March 31, 2006		
	Previously Reported	Adjustments (Unaudited)	As Restated
Operating activities:			
Net cash provided by operating activities	$ 38,290	$ (381)	$ 37,909
Investing activities:			
Purchases of property and equipment	(60,894)		(60,894)
Change in prepayments for purchases of property and equipment	4,573		4,573
Purchases of and deposits for wireless licenses	(91)		(91)
Purchases of investments	(46,865)		(46,865)
Sales and maturities of investments	72,657		72,657
Changes in restricted cash, cash equivalents and short-term investments, net	(50)		(50)
Net cash used in investing activities	(30,670)		(30,670)
Financing activities:			
Repayment of long-term debt	(1,527)		(1,527)
Payment of debt issuance costs	(91)		(91)
Minority interest contributions	668		668
Proceeds from issuance of common stock, net	233		233
Net cash used in financing activities	(717)		(717)
Net increase in cash and cash equivalents	6,903	(381)	6,522
Cash and cash equivalents at beginning of period	293,073		293,073
Cash and cash equivalents at end of period	$ 299,976	$ (381)	$ 299,595
Supplementary cash flow information:			
Cash paid for interest	$ 11,098	$	$ 11,098
Cash paid for income taxes	$ 168	$	$ 168

Note 3. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared by the Company without audit, in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes required by accounting principles generally accepted in the United States of America for a complete set of financial statements. These condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2006. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments necessary for a fair statement of the results for the periods presented, with such adjustments consisting of normal recurring adjustments and other than normal recurring adjustments associated with the restatement adjustments described in Note 2. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The condensed consolidated financial statements include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of LCW Wireless and Denali and their wholly owned subsidiaries. The Company consolidates its interests in LCW Wireless and Denali in accordance with FIN 46-R, Consolidation of Variable Interest Entities, because these entities are variable interest entities and the Company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the condensed 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. The Company does not require any of its 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, the Company has concluded that collectibility of its 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 the Company activates a new customer, it frequently sells 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 the Company 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 the Company sells directly to its customers at Cricket-owned stores, the Company also sells 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.

Through a third-party insurance provider, the Company s customers may elect to participate in a handset insurance program. The Company recognizes revenue on replacement handsets sold to its customers under the program when the customer purchases a replacement handset.

Sales incentives offered without charge to customers and volume-based incentives paid to the Company s 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 the Company 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

The Company s 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 the Company s customers; charges from other communications companies for their transport and termination of calls originated by the Company s customers and destined for customers of other networks; and expenses for tower and network facility

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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 the Company s customers in connection with its 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 the Company s customer care, billing, information technology, finance, human resources, accounting, legal and executive functions.

Property and Equipment

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

The following table summarizes the depreciable lives for property and equipment (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

The Company s network construction expenditures are recorded as construction-in-progress until the network or assets are placed in service, at which time the assets are transferred to the appropriate property or equipment category. The Company capitalizes salaries and related costs of engineering and technical operations employees as components of construction-in-progress during the construction period to the extent time and expense are contributed to the construction effort. The Company also capitalizes certain telecommunications and other related costs as construction-in-progress during the construction period to the extent they are incremental and directly related to the network under construction. In addition, interest is capitalized on the carrying values of both wireless licenses and equipment during the construction period and is depreciated over an estimated useful life of ten years. During the three months ended March 31, 2007 and 2006, the Company capitalized interest of $10.7 million and $4.4 million, respectively, to property and equipment.

Property and equipment to be disposed of by sale is not depreciated and is carried at the lower of carrying value or fair value less costs to sell. At March 31, 2007 and December 31, 2006, there was no property and equipment classified as assets held for sale.

Wireless Licenses

Wireless licenses are initially recorded at cost and are not amortized. Wireless licenses are considered to be indefinite-lived intangible assets because the Company expects 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. At March 31, 2007, there were no wireless licenses classified as assets held for sale. At December 31, 2006, wireless licenses with a carrying value of $8.1 million were classified as assets held for sale.

Concentrations

The Company generally relies on one key vendor for billing services and one key vendor for handset logistics. Loss or disruption of these services could adversely affect the Company s business.

Share-Based Compensation

The Company accounts for share-based awards exchanged for employee services in accordance with Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment (SFAS 123R). Under SFAS 123R, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of estimated forfeitures, over the employee s requisite service period.

Total share-based compensation expense related to all of the Company s share-based awards for the three months ended March 31, 2007 and 2006 was allocated as follows (in thousands, except per share data):

	Three Months Ended March 31, 2007 (As Restated)		Three Months Ended March 31, 2006 (As Restated)	
Cost of service	$	679	$	258
Selling and marketing expenses		1,001		327
General and administrative expenses		7,063		3,907
Share-based compensation expense before tax		8,743		4,492
Related income tax benefit				
Share-based compensation expense, net of tax	$	8,743	$	4,492
Net share-based compensation expense per share:				
Basic	$	0.13	$	0.07
Diluted	$	0.13	$	0.07

Income Taxes

The Company s provisions for income taxes during the interim reporting periods in 2005 and 2006 were based on estimates of its annual effective tax rate for each full fiscal year. The computation of the annual effective tax rate includes a forecast of the Company s estimated ordinary income (loss), which is its annual income (loss) from continuing operations before tax, excluding unusual or infrequently occurring (or discrete) items. Significant management judgment is required in projecting the Company s ordinary income (loss) and the projection for 2007 is close to break even. The Company s projected ordinary income tax expense for the full year 2007, which excludes the effect of unusual or infrequently occurring (or discrete) items, consists primarily of the deferred tax effect of the amortization of wireless licenses and goodwill for income tax purposes. Because the Company s projected 2007 income tax expense is a relatively fixed amount, a small change in the ordinary income (loss) projection can produce a significant variance in the effective tax rate and, therefore, it is difficult to make a reliable estimate of the annual effective tax rate. As a result and in accordance with paragraph 82 of FIN 18, the Company has computed its provision for income taxes for the three months ended March 31, 2007 by applying the actual effective tax rate to the year-to-date income.

The Company calculates income taxes in each of the jurisdictions in which it operates. This process involves calculating 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 carryforwards, capital loss carryforwards, and income tax credits.

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The Company must then periodically assess the likelihood that its deferred tax assets will be recovered from future taxable income, which assessment requires significant judgment. To the extent the Company believes it is more likely than not that its deferred tax assets will not be recovered, it must establish a valuation allowance. As part of this periodic assessment for the quarter ended March 31, 2007, the Company has weighed the positive and negative factors with respect to this determination and, at this time, does not believe there is sufficient positive evidence and sustained operating earnings to support a conclusion that it is more likely than not that all or a substantial portion of our deferred tax assets will be realized. At March 31, 2007, the Company has cumulative pre-tax income since its emergence from bankruptcy in August 2004. The Company will continue to closely monitor the positive and negative factors to determine whether its valuation allowance should be released. 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 the Company determines that it is more likely than not that all or a portion of 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, up to $218.5 million in 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 income tax expense.

On January 1, 2007, the Company adopted the provisions of FIN 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109. The adoption of FIN 48 did not have a material effect on the Company s consolidated financial position or results of operations. At the date of adoption and during the three months ended March 31, 2007, the Company s unrecognized income tax benefits and uncertain tax positions were not material. Interest and penalties related to uncertain tax positions are recognized by the Company as a component of income tax expense but were immaterial on the date of adoption and for the three months ended March 31, 2007. All of the Company s tax years from 1998 to 2006 remain open to examination by federal and state taxing authorities.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of the following (in thousands):

	Three Months Ended March 31,	
	2007 (As Restated)	**2006 (As Restated)**
Net income (loss)	$ (24,224)	$ 19,281
Other comprehensive income (loss):		
Net unrealized holding losses on investments	(27)	(17)
Unrealized gains (losses) on interest rate swaps	(1,194)	2,149
Comprehensive income (loss)	$ (25,445)	$ 21,413

Components of accumulated other comprehensive income consist of the following (in thousands):

		March 31, 2007		December 31, 2006
Net unrealized holding losses on investments, net of tax	$	(1,416)	$	(1,389)
Unrealized gains on interest rate swaps		1,981		3,175
Accumulated other comprehensive income	$	565	$	1,786

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS 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. The Company will be required to adopt SFAS 157 in the first quarter of 2008. The Company is currently evaluating what impact, if any, SFAS 157 will have on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159), which permits all entities to choose, at specified election dates, to measure eligible items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The Company will be required to adopt SFAS 159 in the first quarter of 2008. The Company is currently evaluating what impact, if any, SFAS 159 will have on its consolidated financial statements.

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

	March 31, 2007 (As Restated)	December 31, 2006 (As Restated)
Other current assets:		
Accounts receivable, net(1)	$ 29,497	$ 38,257
Prepaid expenses	22,622	11,808
Other	3,103	2,916
	$ 55,222	$ 52,981
Property and equipment, net:		
Network equipment	$ 1,189,575	$ 1,128,127
Computer equipment and other	109,601	100,496
Construction- in-progress	258,067	238,579
	1,557,243	1,467,202
Accumulated depreciation	(447,605)	(388,681)
	$ 1,109,638	$ 1,078,521
Accounts payable and accrued liabilities:		
Trade accounts payable	$ 87,693	$ 218,020
Accrued payroll and related benefits	24,557	29,450
Other accrued liabilities	63,056	69,623
	$ 175,306	$ 317,093
Other current liabilities:		
Deferred service revenue(2)	$ 42,431	$ 32,929
Deferred equipment revenue(3)	17,826	16,589
Accrued sales, telecommunications, property and other taxes payable	15,093	15,865
Accrued interest	31,060	13,671
Other	5,884	5,621

	$	112,294	$	84,675

(1) Accounts receivable consists primarily of amounts billed to third-party dealers for handsets and accessories.

(2) Deferred service revenue consists primarily of cash received from customers in advance of their service period.

(3) Deferred equipment revenue relates to handsets and accessories sold to third-party dealers.

Note 5. Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the sum of the weighted-average number of common shares outstanding during the period and the weighted-average number of dilutive common share equivalents outstanding during the period, using the treasury stock method. Dilutive securities are comprised of stock options, restricted stock awards and warrants.

A reconciliation of basic weighted-average shares outstanding to diluted weighted-average shares outstanding used in calculating basic and diluted earnings (loss) per share is as follows (in thousands):

	Three Months Ended March 31, 2007	2006
Basic weighted-average shares outstanding	66,870	61,203
Effect of dilutive securities:		
Stock options		31
Restricted stock awards		381
Warrants		346
Diluted weighted-average shares outstanding	66,870	61,961

The number of shares not included in the computation of diluted earnings (loss) per share because their effect would have been antidilutive totaled 4.8 million and 1.3 million for the three months ended March 31, 2007 and 2006, respectively.

Note 6. Long-Term Debt

Long-term debt at March 31, 2007 and December 31, 2006 was comprised of the following (in thousands):

	March 31, 2007	December 31, 2006
Term loans under senior secured credit facilities	$ 933,250	$ 935,500
Senior notes	750,000	750,000
	1,683,250	1,685,500
Current maturities of long-term debt	(9,000)	(9,000)
	$ 1,674,250	$ 1,676,500

Senior Secured Credit Facilities

On March 15, 2007, the Company entered into an agreement amending Cricket s senior secured credit facility. The new facility under Cricket s amended and restated senior secured credit agreement (the Credit Agreement) consists of a six year $895.5 million term loan and an undrawn $200 million revolving credit facility. The new term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.25% or the bank base rate plus 1.25%, as selected by Cricket, with the rate subject to adjustment based on Leap s corporate family debt rating. These new interest rates represent a reduction of 50 basis points from the rates applicable to the term loan prior to the amendment. Outstanding borrowings under the new term loan must be repaid in 22 quarterly payments of $2.25 million each, followed by four quarterly payments of $211.5 million each which commence September 30, 2012. If the new term loan is prepaid in connection with a re-pricing transaction prior to March 15, 2008, a prepayment premium in the amount of 1.0% of the principal amount prepaid will be payable by Cricket.

Outstanding borrowings under the revolving credit facility are due in June 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% per annum, depending on the Company s consolidated senior secured leverage ratio. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.0% or the bank base rate plus 1.0%, as selected by Cricket, with the rate subject to adjustment based on the Company s consolidated senior secured leverage ratio.

As more fully described in Note 2, the Company has restated certain of its historical consolidated financial statements. On November 20, 2007, the Company 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 the Company s potential breach of representations regarding the presentation of its prior consolidated financial statements and the associated delay in filing its 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 the Company s 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, 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, the Company is subject to certain limitations, including limitations on its ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; pay dividends; and make certain other restricted payments. In addition, the Company will be required to pay down the facilities under certain circumstances if it issues debt, sells assets or property, receives certain extraordinary receipts or generates excess cash flow (as defined in the Credit Agreement). The Company is also subject to 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 the FCC s Auction #66, the Credit Agreement allows the Company to invest 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 the Company to provide limited guarantees for the benefit of LCW Wireless and other joint ventures.

In addition to the foregoing restrictions, the Second Amendment required the Company to furnish its 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, the Company filed its Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and delivered the required financial statements to the administrative agent. The Company is also required to furnish its 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 the Company 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 Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2007, the Company also expects to file the necessary amendments to its Annual Report on Form 10-K/A for the year ended December 31, 2006 and to its Quarterly Report on Form 10-Q/A for the quarter ended 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, the Company 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 new term loan in an amount equal to $222.9 million. Additionally, Highland Capital Management continues to hold $40 million of the $200 million revolving credit facility.

At March 31, 2007, the effective interest rate on the term loan was 7.7%, including the effect of interest rate swaps, and the outstanding indebtedness was $893.3 million. The terms of the Credit Agreement require the Company to enter into interest rate swap agreements in a sufficient amount so that at least 50% of the Company s total outstanding indebtedness for borrowed money bears interest at a fixed rate. The Company has entered into interest rate swap agreements with respect to $355 million of its debt. These swap agreements effectively fix the interest rate on $250 million of indebtedness at 6.7% and $105 million of indebtedness at 6.8% through June 2007 and 2009, respectively. The fair value of the swap agreements at March 31, 2007 and December 31, 2006 was $2.0 million and $3.2 million, respectively, and was recorded in other assets in the condensed consolidated balance sheets.

LCW Operations has 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 2.7% to 6.3%. At March 31, 2007, the effective interest rate on the term loans was 9.6%, and the outstanding indebtedness was $40 million. In January 2007, LCW Operations entered into an interest rate cap agreement which effectively caps the three-month LIBOR at 7.0% on $20 million of its outstanding borrowings. The obligations under the loans are guaranteed by LCW Wireless and LCW Wireless License, LLC, a wholly owned subsidiary of LCW Operations (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; 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.

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 LCW Wireless and Denali and their respective subsidiaries) that guarantee indebtedness for money borrowed of Leap, Cricket or any subsidiary guarantor. 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 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 (Note 9). On March 23, 2007, the Company filed a registration statement with the Securities and Exchange Commission (SEC) offering to exchange the notes for identical notes that have been registered with the SEC. On April 19, 2007, the Company commenced the exchange offer for the notes. The exchange offer expires on May 16, 2007, unless extended by the Company.

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 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) 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.

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 million principal amount of senior notes in the Company s offering. In March 2007, these notes were sold by the Highland entities to a third party.

Note 7. Significant Acquisitions and Dispositions

In January 2007, the Company completed the sale of three wireless licenses that it was not using to offer commercial service for an aggregate sales price of $9.5 million, resulting in a net gain of $1.3 million.

Note 8. Commitments and Contingencies

Outstanding Bankruptcy Claims

Although the Company s plan of reorganization became effective and the Company emerged from bankruptcy in August 2004, a tax claim of approximately $4.9 million Australian dollars asserted by the Australian government against Leap in the U.S. Bankruptcy Court for the Southern District of California in Case Nos. 03-03470-All to 03-035335-All (jointly administered) remained outstanding as of January 1, 2007. The Company, the Australian government and the trust established in bankruptcy for the benefit of the Leap general unsecured creditors subsequently settled this claim for $600,000 subject to Bankruptcy Court approval, which was granted. The settlement payment was made from funds set aside and reserved pursuant to the bankruptcy proceedings for payment of allowed bankruptcy claims against Leap.

Patent Litigation

On June 14, 2006, the Company sued MetroPCS Communications, Inc. (MetroPCS) in the United States District Court for the Eastern District of Texas 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 the Company. The Company s 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 certain 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 the Company from participating in Auction #66, impose a constructive trust on the Company s 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 the Company 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. Denali License has since been dismissed, without prejudice, as a counterclaim defendant. Based upon the Company s review of the counterclaims, the Company believes that it has meritorious defenses and intends to vigorously defend against the counterclaims. If the MetroPCS entities were to prevail in their counterclaims, it could have a material adverse effect on the Company s business, financial condition and results of operations. On September 22, 2006, Royal Street Communications, LLC (Royal Street), an entity affiliated with MetroPCS, filed an action in the United States District Court for the Middle District of Florida seeking a declaratory judgment that the Company s

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U.S. Patent No. 6,813,497 is invalid and is not being infringed by Royal Street or its PCS systems. On October 17, 2006, the Company filed a motion to dismiss the case or, in the alternative, to transfer the case to the Eastern District of Texas. The Company intends to vigorously defend against these actions.

On August 17, 2006, the Company was served with a complaint filed by certain MetroPCS entities in the Superior Court of the State of California, which names Leap, Cricket, certain of its subsidiaries, and certain current and former employees of Leap and Cricket, including Leap CEO Douglas Hutcheson, as defendants. In the complaint, the MetroPCS entities allege unfair competition, misappropriation of trade secrets, (with respect to the individuals sued) intentional and negligent interference with contract, breach of contract, intentional interference with prospective economic advantage and trespass, and ask the court to award damages, including punitive damages, and restitution. In February 2007, the court dismissed the trespass claim, without prejudice, and ordered MetroPCS to amend its complaint to clearly identify which claims are being made against each defendant. Two affiliates of MetroPCS filed a first amended complaint which was also dismissed by the court with leave to file a second amended complaint on or before May 14, 2007. It is unclear whether, if the MetroPCS entities were to prevail in this action, it could have a material adverse effect on the Company s business, financial condition and results of operations. The Company intends to vigorously defend against the claims.

Other

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

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

Although Leap is not a defendant in either the Whittington or AWG Lawsuits, several of the defendants have indemnification agreements with the Company. Leap s D&O insurers have not filed a reservation of rights letter and have been paying defense costs. Management believes that the liability, if any, from the AWG and Whittington Lawsuits and the related indemnity claims of the defendants against Leap is not probable or estimable; therefore, no

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accrual has been made in the Company s condensed consolidated financial statements as of March 31, 2007 related to these contingencies.

In addition to the matters described above, the Company is often involved in certain other claims arising in the course of business, seeking monetary damages and other relief. The amount of the liability, if any, from such claims cannot currently be reasonably estimated; therefore, no accruals have been made in the Company s condensed consolidated financial statements as of March 31, 2007 for such claims.

Note 9. Guarantor Financial Information

The $750 million of unsecured senior notes issued by Cricket (the Issuing Subsidiary) are jointly and severally guaranteed on a full and unconditional basis by Leap (the Guarantor Parent Company) and certain of its direct and indirect wholly owned subsidiaries, Cricket s subsidiaries that hold real property interests or wireless licenses, ANB 1 and ANB 1 License (collectively, the Guarantor Subsidiaries).

The indenture governing the notes limits, among other things, Leap s, Cricket s and the Guarantor Subsidiaries 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 its affiliates; and make acquisitions or merge or consolidate with another entity.

Condensed consolidating financial information of the Guarantor Parent Company, Issuing Subsidiary, Guarantor Subsidiaries, non-guarantor subsidiaries and total consolidated Leap and subsidiaries as of March 31, 2007 and December 31, 2006 and for the three months ended March 31, 2007 and 2006 is presented below. The equity method of accounting is used to account for ownership interests in subsidiaries, where applicable.

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Condensed Consolidating Balance Sheet as of March 31, 2007 (as restated; unaudited and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Cash and cash equivalents	$ 134	$ 255,378	$ 23,814	$ 20,995	$	$ 300,321
Short-term investments		25,432				25,432
Restricted cash, cash equivalents and short-term investments	7,578	4,260	641			12,479
Inventories		73,571	1,858	556		75,985
Other current assets	42	43,212	11,288	680		55,222
Total current assets	7,754	401,853	37,601	22,231		469,439
Property and equipment, net	96	918,609	144,803	46,130		1,109,638
Investments in and advances to affiliates and consolidated subsidiaries	1,763,131	2,022,574	152,392		(3,938,097)	
Wireless licenses		183	1,527,829	36,369		1,564,381
Goodwill		425,782				425,782
Other intangible assets, net		71,044		353		71,397
Deposits for wireless licenses				274,084		274,084
Other assets	1,090	34,093	2,305	2,614	(1,048)	39,054
Total assets	$ 1,772,071	$ 3,874,138	$ 1,864,930	$ 381,781	$ (3,939,145)	$ 3,953,775
Liabilities and Stockholders Equity						
Accounts payable and accrued liabilities	$ 6,243	$ 156,707	$ 7,650	$ 4,705	$ 1	$ 175,306
Current maturities of long-term debt		9,000				9,000
Intercompany payables						