

LEAP WIRELESS INTERNATIONAL INC

Form POS AM

April 14, 2006

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

**Registration No. 333-126246**

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

**Post-Effective Amendment No. 1  
to  
Form S-1  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**LEAP WIRELESS INTERNATIONAL, INC.**  
*(Exact name of registrant as specified in its charter)*

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

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

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

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

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

***Copies To:***

**Barry M. Clarkson, Esq.  
Latham & Watkins LLP  
12636 High Bluff Drive, Suite 400  
San Diego, CA 92130  
(858) 523-5400**

**Approximate date of commencement of proposed sale to the public:**

From time to time after the effective date of this registration statement.

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

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

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

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

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

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

SUBJECT TO COMPLETION, DATED APRIL 14, 2006

**PROSPECTUS**

**16,860,077 Shares**

**LEAP WIRELESS INTERNATIONAL, INC.**

**Common Stock**

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

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

**Investing in our common stock involves risks. See Risk Factors beginning on page 5.**

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

The date of this prospectus is , 2006

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## ABOUT THIS PROSPECTUS

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

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

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

### **MARKET AND INDUSTRY DATA**

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

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**PROSPECTUS SUMMARY**

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

**Our Company**

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

**Cricket Business Overview**

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

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

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

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



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

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

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

### **Cricket Business Strategy**

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

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

### **Corporate Information**

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

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

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

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

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

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**The Offering**

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

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

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

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

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

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

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

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**RISK FACTORS**

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

**Risks Related to Our Business and Industry**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

increase our vulnerability to general adverse economic and industry conditions;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

variations in our operating results;

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

recruitment or departure of key personnel;



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

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

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

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

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

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

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

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

Wireless below.

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

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

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

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

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

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

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

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

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

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

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

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

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

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

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

**PRICE RANGE OF COMMON STOCK**

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

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

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

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

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

**DIVIDEND POLICY**

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

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

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

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

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

Shares used in per share calculations(1):



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

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

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

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

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

**Overview**

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

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

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

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

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

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

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

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

## **Critical Accounting Policies and Estimates**

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

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

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

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

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

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

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

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

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

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

### ***Wireless Licenses***

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

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

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

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

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

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

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

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



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### ***Income Taxes***

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

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

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

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

### ***Seasonality***

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

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

Our costs and expenses include:

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

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

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

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

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

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

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

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

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

**Results of Operations**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

**Performance Measures**



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

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

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

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

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

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

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

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

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The following table shows metric information for 2005:

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

**Reconciliation of Non-GAAP Financial Measures**

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

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

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

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

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

**Liquidity and Capital Resources**

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

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

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

*Operating Activities*

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

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

### ***Investing Activities***

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

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

### ***Financing Activities***

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Off-Balance Sheet Arrangements***

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

***Recent Accounting Pronouncements***

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

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

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

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

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

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

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

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

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

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

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

## **Controls and Procedures**

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

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

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

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

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

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

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

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

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



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

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

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

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

***Management's Remediation Initiatives***

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

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

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

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

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

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

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

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

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

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

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

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

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**BUSINESS**

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

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

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

**Cricket Business Overview**

***Cricket Service***

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

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

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

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

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

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

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

***Cricket Business Strategy***

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

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

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



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

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

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

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

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

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

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

(b) Excludes Alaska.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ***Network and Operations***

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

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

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

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

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

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

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

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

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

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

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

*Cricket*

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



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Appleton-Oshkosh, WI	475,841	10	E
Peoria, IL	458,653	15	C
Provo, UT(1)	434,151	15	C
Fayetteville, AR(1)	379,468	20	C
Temple, TX	378,197	10	C
Columbus, GA(1)	373,094	15	C
Lincoln, NE(1)	365,642	15	C
Albany, GA	364,149	15	C
Hickory, NC	355,795	10	F
Fort Smith, AR(1)	339,088	20	C
Eugene, OR(1),(4)	336,803	10	C
La Crosse, WI, Winona, MN	325,933	10	D
Pueblo, CO(1)	325,794	20	C
Fargo, ND	320,715	15	C
Utica, NY	297,672	10	F
Ft. Collins, CO(1)	273,954	10	F
Clarksville, TN(1)	273,730	15	C
Merced, CA(1)	260,066	15	C
Santa Fe, NM(1)	234,691	15	C
Muskegon, MI	232,822	10	D
Greeley, CO(1)	229,860	10	F
Johnstown, PA	226,326	10	C
Stevens Point, Marshfield, Wisconsin Rapids, WI	218,663	20	D,E
Grand Forks, ND	194,679	15	C
Jonesboro, AR(1)	186,556	10	C
Lufkin, TX	167,326	10	C
Owensboro, KY	166,891	10	F
Pine Buff, AR(1)	149,995	20	C
Hot Springs, AR(1)	144,727	15	C
Gallup, NM	139,910	15	C
Sandusky, OH(1),(3)	138,340	15	C
Steubenville, OH-Weirton, WV(1)	126,335	10	C
Eagle Pass, TX	124,186	15	C
Lewiston, ID	123,933	15	C
Marion, OH	101,577	10	C
Roswell, NM	81,947	15	C
Blytheville, AR	66,293	15	C
Coffeyville, KS	59,053	15	C
Nogales, AZ	41,728	20	C
<b>Subtotal Cricket</b>	<b>59,814,888</b>		

*ANB 1 License*

Market	Population	Total MHz	Channel Block
Cincinnati, OH	2,243,257	10	C
San Antonio, TX	2,047,158	10	C
Louisville, KY	1,548,162	10	C

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Austin, TX	1,536,178	10	C
Lexington, KY	972,910	10	C
El Paso, TX(1)	795,224	10	C
Colorado Springs, CO(1)	589,731	10	C
Las Cruces, NM(1)	263,039	10	C
Bryan, TX	203,606	10	C
<b>Subtotal ANB 1 License</b>	<b>10,199,265</b>		
<b>Total Cricket and ANB 1 License</b>	<b>70,014,153</b>		

(1) Designates wireless licenses or portions of wireless licenses in markets where Cricket service is offered.

(2) Designates a wireless license which we have agreed, subject to certain conditions, to exchange for a wireless license covering the same market area with the same amount of MHz, but in a different frequency block.

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- (3) Designates wireless licenses or portions of wireless licenses used in commercial operations that, subject to certain conditions, we have agreed to sell to a third party along with associated network assets and subscribers. Upon completion of the sale, Cricket will no longer offer service in these designated markets.
- (4) Designates wireless licenses used in commercial operations that, subject to certain conditions, we have agreed to contribute, along with associated network assets and subscribers, to LCW Wireless.

## **Arrangements with Alaska Native Broadband**

In November 2004 we acquired a 75% non-controlling membership interest in ANB 1, whose wholly owned subsidiary ANB 1 License participated in Auction #58. Alaska Native Broadband, LLC, or ANB, owns a 25% controlling membership interest in ANB 1 and is the sole manager of ANB 1. ANB 1 is the sole member and manager of ANB 1 License. ANB 1 License was eligible to bid on certain restricted licenses offered by the FCC in Auction #58 as a very small business designated entity under FCC regulations. We have determined that our investment in ANB 1 is required to be consolidated under Financial Accounting Standards Board Interpretation, or FIN, No. 46-R, Consolidation of Variable Interest Entities.

Under the Credit Agreement governing our secured credit facility, we are permitted to invest up to an aggregate of \$325 million in loans to and equity investments in ANB 1 and ANB 1 License (excluding capitalized interest). Cricket's aggregate equity capital contributions to ANB 1 were \$3.0 million and \$5.0 million as of December 31, 2005 and February 28, 2006, respectively. Cricket is also a secured lender to ANB 1 License. Under a senior secured credit facility, as amended, Cricket has agreed to loan ANB 1 License up to \$150.0 million plus capitalized interest, of which \$96.1 million was drawn as of December 31, 2005. We expect to increase this facility and to make additional equity investments in ANB 1 during the first half of 2006.

Cricket's principal agreements with the ANB entities are summarized below.

*Limited Liability Company Agreement.* In December 2004, Cricket and ANB entered into an amended and restated limited liability company agreement which, as amended by the parties, is referred to in this prospectus as the ANB 1 LLC Agreement. Under the ANB 1 LLC Agreement, ANB, as the sole manager of ANB 1, has the exclusive right and power to manage, operate and control ANB 1 and its business and affairs, subject to certain protective provisions for the benefit of Cricket, including among others, Cricket's consent to the sale of any of ANB 1 License's wireless licenses (other than the Bryan, TX, El Paso, TX, and Las Cruces, NM licenses) or any material network assets related thereto, or a sale of additional equity interests in ANB 1. Subject to FCC approval, ANB can be removed as the manager of ANB 1 in certain circumstances, including ANB's fraud, gross negligence or willful misconduct, ANB's insolvency or bankruptcy, ANB's failure to qualify as an entrepreneur and a very small business under FCC rules, or other limited circumstances.

Under the ANB 1 LLC Agreement, during the first five years following the initial grant of wireless licenses to ANB 1 License, members of ANB 1 generally may not transfer their membership interests without Cricket's prior consent. Following such period, if a member desires to transfer its interests in ANB 1 to a third party, Cricket has a right of first refusal to purchase such interests, or in lieu of exercising this right, Cricket has a tag-along right to participate in the sale.

Under the ANB 1 LLC Agreement, once ANB 1 License satisfies the FCC's initial five-year build-out milestone requirements with respect to its wireless licenses, ANB has an option until the later of March 31, 2007 and 30 days after the date ANB 1 License satisfies the build-out requirements to sell its entire membership interests in ANB 1 to Cricket for a purchase price of \$2.7 million plus a specified return, payable in cash. If exercised, the consummation of the sale will be subject to FCC approval. If Cricket breaches its obligation to pay the purchase price, several of

Cricket's protective provisions cease to apply, and ANB receives a liquidation preference equal to the put purchase price, payable prior to Cricket's equity and debt investments in ANB 1 and ANB 1 License. In addition, ANB 1 License has executed a guaranty in favor of ANB with respect to payment of the put purchase price. If ANB fails to maintain its qualification as an entrepreneur and a very small business under FCC rules, and as a result of such failure ANB 1 License ceases to retain the benefits it received in Auction #58, ANB is in general liable to Cricket only to the extent of ANB's equity capital contributions to ANB 1.

*Senior Secured Credit Agreement.* Under a senior secured credit agreement, as amended, Cricket has agreed to loan ANB 1 License up to \$150.0 million plus capitalized interest. This facility consists of a fully drawn \$64.2 million sub-facility to finance ANB 1 License's purchase of wireless licenses in Auction #58, and an

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\$85.8 million sub-facility to finance ANB 1 License's initial build-out costs and working capital requirements. At February 28, 2006, ANB 1 License had outstanding borrowings of \$64.2 million principal amount under the acquisition sub-facility and outstanding borrowings of \$32.3 million principal amount under the working capital sub-facility. Borrowings accrue interest at a rate of 12% per annum. Borrowings under the Cricket Credit Agreement are guaranteed by ANB 1 and are secured by a first priority security interest in all of the assets of ANB 1 and ANB 1 License, including a pledge of ANB 1's membership interests in ANB 1 License. ANB also has entered into a negative pledge agreement with respect to its entire membership interests in ANB 1, agreeing to keep such membership interests free and clear of all liens and encumbrances. Amortization commences under the facility on the later of March 31, 2007 and 30 days after the date ANB 1 License satisfies the five-year build-out milestone requirements (or the closing date of the ANB put, if later). Loans must be repaid in 16 quarterly installments of principal plus accrued interest, commencing ten days after the amortization commencement date. Loans may be prepaid at any time without premium or penalty. Cricket's commitment under the working capital sub-facility expires on the earliest to occur of: (1) the amortization commencement date; (2) the termination by Cricket of the management services agreement between Cricket and ANB 1 License due to a breach by ANB 1 License; or (3) the termination by ANB 1 License of the management services agreement for convenience.

*Management Agreement.* Cricket and ANB 1 License are parties to a management services agreement, pursuant to which Cricket provides management services to ANB 1 License in exchange for a monthly management fee based on Cricket's costs of providing such services plus a mark-up for administrative overhead. Under the management services agreement, ANB 1 License retains full control and authority over its business strategy, finances, wireless licenses, network equipment, facilities and operations, including its product offerings, terms of service and pricing. The initial term of the management services agreement is eight years. The management services agreement may be terminated by ANB 1 License or Cricket if the other party materially breaches its obligations under the agreement.

The management services agreement also may be terminated by ANB 1 License if Cricket fails to pay the purchase price for ANB's membership interests under the ANB 1 LLC Agreement or by ANB 1 License for convenience with one year's prior written notice to Cricket.

## **Arrangements with LCW Wireless**

In November 2005 we entered into a series of agreements with CSM, Cleveland Unlimited, Inc. and the controlling members of WLPCS to obtain equity interests in LCW Wireless, a designated entity which owns a wireless license for Portland, Oregon. LCW Wireless' Portland license would complement our existing markets in Salem and Eugene, Oregon, which we intend to contribute to LCW Wireless. The three markets would form a new market cluster covering 3.2 million POPs. Completion of these transactions is subject to customary closing conditions, including FCC approval and other third party consents. Although we expect to receive FCC approval and satisfy the other conditions, we cannot assure you that the FCC will grant such approval or that the other conditions will be satisfied.

Following the completion of these transactions, LCW Wireless will operate a wireless telecommunications business in the Oregon market cluster using the Cricket business model and brands. We anticipate that LCW Wireless' working capital needs will be funded through Cricket's initial equity contribution and through third party debt financing. However, if LCW Wireless is unsuccessful in arranging this third party financing, we may fund the additional capital required through additional debt or equity investments in LCW Wireless.

Cricket's principal agreements relating to the LCW Wireless joint venture are summarized below.

*Agreements to Obtain Equity Interests in LCW Wireless.* Under a contribution agreement, we have agreed to contribute up to \$25.0 million in cash and two wireless licenses for Salem and Eugene, Oregon, together with related operating assets, to LCW Wireless in exchange for an equity interest in LCW Wireless. In a related agreement, we

have also agreed to sell our wireless licenses and operating assets in Toledo and Sandusky, Ohio in exchange for cash and an additional equity interest in LCW Wireless. WLPCS has agreed to contribute \$1.3 million in cash to LCW Wireless in exchange for a controlling equity interest. Upon completion of all of these transactions, the equity interests in LCW Wireless will be held as follows: Cricket will hold a 73.3% non-controlling membership

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interest, CSM will hold a 24.7% non-controlling membership interest and WLPCS will hold a 2% controlling membership interest.

*Limited Liability Company Agreement.* At the closing of these transactions, we will also enter into the LCW LLC Agreement with CSM and WLPCS. Under the LCW LLC Agreement, a board of managers will have the right and power to manage, operate and control LCW Wireless and its business and affairs, subject to certain protective provisions for the benefit of Cricket and CSM, including among others, their consent to the sale of any assets with a market value in excess of \$1.0 million. The board of managers initially will be comprised of five members, with three members designated by WLPCS, one member designated by CSM and one member designated by Cricket. In the event that LCW Wireless fails to qualify as an entrepreneur and a very small business under FCC rules, then in certain circumstances, subject to FCC approval, WLPCS will be required to sell its entire equity interest to LCW Wireless or a third party designated by the non-controlling members.

Under the LCW LLC Agreement, during the first five years following the date of the agreement, members generally may not transfer their membership interests, other than to specified permitted transferees or through the exercise of put rights set forth in the LCW LLC Agreement. Following such period, if a member desires to transfer its interests in LCW Wireless to a third party, the non-controlling members have a right of first refusal to purchase such interests on a pro rata basis.

Under the LCW LLC Agreement, WLPCS will have the option to put its entire equity interest in LCW Wireless to Cricket for a purchase price not to exceed \$3.0 million during a 30-day period commencing on the earlier to occur of August 9, 2010 and the date of a sale of all or substantially all of the assets, or the liquidation, of LCW Wireless. If exercised, the consummation of this sale will be subject to FCC approval. Alternatively, WLPCS is entitled to receive a liquidation preference equal to its capital contributions plus a specified rate of return, together with any outstanding mandatory distributions owed to WLPCS. Under the LCW LLC Agreement, CSM will also have the option, during specified periods commencing on the date of the launch of the Portland, Oregon market, to put its entire equity interest in LCW Wireless to Cricket either in cash or in Leap common stock, or a combination thereof, as determined by Cricket in its discretion, for a purchase price 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 earnings before interest, taxes, depreciation and amortization, or EBITDA; and applied to LCW Wireless' adjusted EBITDA to impute an enterprise value and equity value for LCW Wireless.

*Management Agreement.* At the closing of these transactions, Cricket and LCW Wireless will also enter into a management services agreement, pursuant to which LCW Wireless will have the right to obtain management services from Cricket in exchange for a monthly management fee based on Cricket's costs of providing such services plus a mark-up for administrative overhead.

## **Competition**

Generally, the telecommunications industry is very competitive. We believe that our primary competition in the U.S. wireless market is with national and regional wireless service providers including Alltel, Cingular, Sprint (and Sprint affiliates), T-Mobile, U.S. Cellular and Verizon Wireless. We also face competition from resellers or MVNOs (Mobile Virtual Network Operators), such as Virgin Mobile USA, TracFone Wireless, and others, which provide wireless services to customers but do not hold FCC licenses or own network facilities. In addition, there are several MVNO operators that have either launched or have announced plans to launch service offerings targeting Cricket's market segments in the near future. These resellers purchase bulk wireless telephone services and capacity from wireless providers and resell to the public under their own brand name through mass-market retail outlets, including Wal-Mart, Target, Radio Shack, and Best Buy. In addition, wireless providers increasingly are competing in the provision of both voice and non-voice services. Non-voice services, including data transmission, text messaging,

e-mail and Internet access, are also now available from personal communications service providers and enhanced specialized mobile radio carriers. In many cases, non-voice services are offered in conjunction with or as adjuncts to voice services.

In the future, we may also face competition from entities providing similar services using different technologies, including Wi-Fi, Wi-Max, and Voice over Internet Protocol, or VoIP. Additionally, some of the major Internet search engines and service providers such as Google and Yahoo have announced plans or intentions to enter the



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mobile market place by providing free Internet and voice access through a fixed mobile network in partnership with some major municipalities in the U.S. As wireless service is becoming a viable alternative to traditional landline phone service, we are also increasingly competing directly with traditional landline telephone companies for customers. Competition is also increasing from local and long distance wireline carriers who have begun to aggressively advertise in the face of increasing competition from wireless carriers, cable operators and other competitors. Cable operators are providing telecommunications services to the home, and some of these carriers are providing local and long distance voice services using VoIP. In particular circumstances, these carriers may be able to avoid payment of access charges to local exchange carriers for the use of their networks on long distance calls. Cost savings for these carriers could result in lower prices to customers and increased competition for wireless services. Some of our competitors offer these other services together with their wireless communications service, which may make their services more attractive to customers. In the future, we may also face competition from mobile satellite service, or MSS, providers, as well as from resellers of these services. The FCC has granted, or may grant, MSS providers the flexibility to deploy an ancillary terrestrial component to their satellite services. This added flexibility may enhance MSS providers' ability to offer more competitive mobile services.

There has also been an increasing trend towards consolidation of wireless service providers through joint ventures, reorganizations and acquisitions. These consolidated carriers may have substantially larger service areas, more capacity and greater financial resources and bargaining power than we do. As consolidation creates even larger competitors, the advantages our competitors have 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 reasonable terms for roaming arrangements, and believe that consolidation has contributed significantly to such carriers' control over the terms and conditions of wholesale roaming services. We and a number of other small, rural and regional carriers have asked the FCC in a current pending FCC proceeding to impose an obligation on all commercial mobile radio services providers to permit automatic roaming by other providers on their networks on a just, reasonable and non-discriminatory basis, but we cannot predict whether the FCC will grant the relief requested.

The telecommunications industry is experiencing significant technological changes, as evidenced by the increasing pace of improvements in the capacity and quality of digital technology, shorter cycles for new products and enhancements and changes in consumer preferences and expectations. Accordingly, we expect competition in the wireless telecommunications industry to be dynamic and intense as a result of competitors and the development of new technologies, products and services. We compete for customers based on numerous factors, including wireless system coverage and quality, service value proposition (minutes and features relative to price), local market presence, digital voice and features, customer service, distribution strength, and brand name recognition. Some competitors also market other services, such as landline local exchange and Internet access services, with their wireless service offerings. Competition has caused, and we anticipate it will continue to cause, market prices for two-way wireless products and services to decline. In addition, some competitors have announced unlimited service plans at rates similar to Cricket's service plan rates in markets in which we have launched service. Our ability to compete successfully will depend, in part, on our ability to distinguish our Cricket service from competitors through marketing and through our ability to anticipate and respond to other competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions, and competitors' discount pricing and bundling strategies, all of which could adversely affect our operating margins, market penetration and customer retention. Because many of the wireless operators in our markets have substantially greater financial resources than we do, they may be able to offer prospective customers discounts or equipment subsidies that are substantially greater than those we could offer. In addition, to the extent that products or services that we offer, such as roaming capability, may depend upon negotiations with other wireless operators, discriminatory behavior by such operators or their refusal to negotiate with us could adversely affect our business. While we believe that our cost structure, combined with the differentiated value proposition that our Cricket service represents in the wireless marketplace, provides us with the means to react effectively to price competition, we cannot predict the effect that the market forces or the conduct of other operators in the industry will have on our business.

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

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other wireless licenses, and continues to allocate and auction additional spectrum that can be used for wireless services. Continuing technological advances in the communications field make it difficult to predict the nature and extent of additional future competition. In February 2005, the FCC completed Auction #58, in which additional PCS spectrum was auctioned in numerous markets, including many markets where we currently provide service. In addition, the FCC has announced that it intends to auction an additional 90 MHz of nationwide spectrum in the 1700 MHz to 2100 MHz band for Advanced Wireless Services, commonly referred to as the AWS Auction or Auction #66, beginning in late June 2006. It is possible that new companies, such as the cable television operators, will purchase licenses and begin offering wireless services. In addition, because the FCC has recently permitted the offering of broadband services over power lines, it is possible that utility companies will begin competing against us.

We believe that we are strategically positioned to compete with other communications technologies that now exist. Continuing technological advances in telecommunications and FCC policies that encourage the development of new spectrum-based technologies make it difficult, however, to predict the extent of future competition.

## **Government Regulation**

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

### ***Licensing of PCS Systems***

All of the wireless licenses currently held by Cricket and ANB 1 License are PCS licenses. A broadband PCS system operates under a license granted by the FCC for a particular market on one of six frequency blocks allocated for broadband PCS. Broadband PCS systems generally are used for two-way voice applications. Narrowband PCS systems, in contrast, generally are used for non-voice applications such as paging and data service and are separately licensed. The FCC has segmented the U.S. PCS markets into 51 large regions called major trading areas, which are comprised of 493 smaller regions called basic trading areas, or BTAs. The FCC awards two broadband PCS licenses for each major trading area and four licenses for each BTA. Thus, generally, six licensees are authorized to compete in each area. The two major trading area licenses authorize the use of 30 MHz of spectrum. One of the basic trading area licenses is for 30 MHz of spectrum, and the other three are for 10 MHz each. The FCC permits licensees to split their licenses and assign a portion to a third party on either a geographic or frequency basis or both. Over time, the FCC has also further split licenses in connection with re-auctions of PCS spectrum, creating additional 15 MHz and 10 MHz licenses.

The FCC's spectrum allocation for PCS includes two licenses, a 30 MHz C-Block license and a 10 MHz F-Block license, that are designated as Entrepreneurs Blocks. The FCC generally requires holders of these licenses to meet certain maximum financial size qualifications. In addition, the FCC has determined that designated entities who qualify as small businesses or very small businesses, as defined by a complex set of FCC rules, can receive additional benefits, such as bidding credits in C-Block or F-Block spectrum auctions or re-auctions, and in some cases, an installment loan from the federal government for a significant portion of the dollar amount of the winning bids in the FCC's initial auctions of C-Block and F-Block licenses. The FCC's rules also allow for publicly traded corporations with widely dispersed voting power, as defined by the FCC, to hold C-Block and F-Block licenses and to qualify as small or very small businesses. A failure by an entity to maintain its qualifications to own C-Block and F-Block licenses could cause a number of adverse consequences, including the ineligibility to hold licenses for which the FCC's minimum coverage requirements have not been met, the triggering of FCC unjust enrichment rules and the

acceleration of installment payments owed to the U.S. Treasury.

All PCS licenses have a 10-year term, at the end of which they must be renewed. The FCC's rules provide a formal presumption that a PCS license will be renewed, called a renewal expectancy, if the PCS licensee (1) has provided substantial service during its past license term, and (2) has substantially complied with applicable FCC

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rules and policies and the Communications Act. The FCC defines substantial service as service which is sound, favorable and substantially above a level of mediocre service that might only minimally warrant renewal. If a licensee does not receive a renewal expectancy, then the FCC will accept competing applications for the license renewal period and, subject to a comparative hearing, may award the license to another party.

Under existing law, no more than 20% of an FCC licensee's capital stock may be owned, directly or indirectly, or voted by non-U.S. citizens or their representatives, by a foreign government or its representatives or by a foreign corporation. If an FCC licensee is controlled by another entity (as is the case with Leap's ownership and control of subsidiaries that hold FCC licenses), up to 25% of that entity's capital stock may be owned or voted by non-U.S. citizens or their representatives, by a foreign government or its representatives or by a foreign corporation. Foreign ownership above the 25% holding company level may be allowed if the FCC finds such higher levels consistent with the public interest. The FCC has ruled that higher levels of foreign ownership, even up to 100%, are presumptively consistent with the public interest with respect to investors from certain nations. If our foreign ownership were to exceed the permitted level, the FCC could revoke our wireless licenses, although we could seek a declaratory ruling from the FCC allowing the foreign ownership or could take other actions to reduce our foreign ownership percentage in order to avoid the loss of our licenses. We have no knowledge of any present foreign ownership in violation of these restrictions. Our PCS licenses are in good standing with the FCC.

Since 1996, PCS licensees have been required to coordinate frequency usage with existing fixed microwave licensees in the 1850 to 1990 MHz band. In an effort to balance the competing interests of existing microwave users and newly authorized PCS licensees, the FCC has adopted a transition plan to relocate such microwave operators to other spectrum blocks and a cost sharing plan so that if the relocation of an incumbent benefits more than one PCS licensee, those licensees will share the cost of the relocation. The transition and cost sharing plans expired on April 4, 2005. Subsequent to that date, remaining microwave incumbents in the PCS spectrum are responsible for avoiding interference with a PCS licensee's network. Absent an agreement with affected broadband PCS entities or an extension, incumbent microwave licensees will be required to return their operating authorizations to the FCC following six months written notice from a PCS licensee that such licensee intends to activate a PCS system within the interference range of the incumbent microwave licensee. To secure a sufficient amount of unencumbered spectrum to operate our PCS systems efficiently and with adequate population coverage within an appropriate time period, we have previously needed to relocate one or more of these incumbent fixed microwave licensees and have also been required (and may continue to be required) to participate in the cost sharing related to microwave licenses that have been voluntarily relocated by other PCS licensees or the existing microwave operators.

*PCS Construction Requirements.* All PCS licensees must satisfy minimum geographic coverage requirements within five and, in some cases, ten years after the license grant date. These initial requirements are met for most 10 MHz licenses when a signal level sufficient to provide adequate service is offered to at least one-quarter of the population of the licensed area within five years, or in the alternative, a showing of substantial service is made for the licensed area within five years of being licensed. For 30 MHz licenses, a signal level must be provided that is sufficient to offer adequate service to at least one-third of the population within five years and two-thirds of the population within ten years after the license grant date. In the alternative, 30 MHz licensees may provide substantial service to their licensed area within the appropriate five- and ten-year benchmarks. Substantial service is defined by the FCC as service which is sound, favorable, and substantially above a level of mediocre service which just might minimally warrant renewal. In general, a failure to comply with FCC coverage requirements could cause the revocation of the relevant wireless license, with no eligibility to regain it, or the imposition of fines and/or other sanctions.

*Transfer and Assignment of PCS Licenses.* The Communications Act and FCC rules require the FCC's prior approval of the assignment or transfer of control of a PCS license, with limited exceptions. The FCC may prohibit or impose conditions on assignments and transfers of control of licenses. Non-controlling interests in an entity that holds a PCS license generally may be bought or sold without FCC approval. Although we cannot assure you that the FCC will

approve or act in a timely fashion upon any pending or future requests for approval of assignment or transfer of control applications that we file, in general we believe the FCC will approve or grant such requests or applications in due course. Because a PCS license is necessary to lawfully provide PCS service, if the FCC were to disapprove any such filing, our business plans would be adversely affected.

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Pursuant to an order released in December 2001, as of January 1, 2003, the FCC no longer limits the amount of PCS and other commercial mobile radio spectrum that an entity may hold in a particular geographic market. The FCC now engages in a case-by-case review of transactions that involve the consolidation of spectrum licenses or leases.

A C-Block or F-Block license may be transferred to non-designated entities once the licensee has met its five-year coverage requirement. Such transfers will remain subject to certain costs and reimbursements to the government of any bidding credits or outstanding principal and interest payments owed to the FCC.

***FCC Regulation***

The FCC has a number of other complex requirements and proceedings that affect our operations and that could increase our costs or diminish our revenues. For example, the FCC requires wireless carriers to make available emergency 911 services, including enhanced emergency 911 services that provide the caller's telephone number and detailed location information to emergency responders, as well as a requirement that emergency 911 services be made available to users with speech or hearing disabilities. Our obligations to implement these services occur on a market-by-market basis as emergency service providers request the implementation of enhanced emergency 911 services in their locales. Absent a waiver, a failure to comply with these requirements could subject us to significant penalties. On November 11, 2005, we filed a petition with the FCC seeking limited relief from the requirement that we achieve ninety-five percent penetration of location-capable handsets among our subscribers by December 31, 2005, as required by the FCC's rules. Specifically, we sought to defer our obligation to comply with the ninety-five percent penetration until March 31, 2006. The FCC to date has not acted upon our request.

FCC rules also require that local exchange carriers and most commercial mobile radio service providers, including PCS providers like Cricket, allow customers to change service providers without changing telephone numbers. For wireless service providers, this mandate is referred to as wireless local number portability, or WLNP. The FCC also has adopted rules governing the porting of wireline telephone numbers to wireless carriers.

The FCC has the authority to order interconnection between commercial mobile radio service operators and incumbent local exchange carriers, and FCC rules provide that all local exchange carriers must enter into compensation arrangements with commercial mobile radio service carriers for the exchange of local traffic, whereby each carrier compensates the other for terminating local traffic originating on the other carrier's network. As a commercial mobile radio services provider, we are required to pay compensation to a wireline local exchange carrier that transports and terminates a local call that originated on our networks. Similarly, we are entitled to receive compensation when we transport and terminate a local call that originated on a wireline local exchange network. We negotiate interconnection arrangements for our networks with major incumbent local exchange carriers and other independent telephone companies. If an agreement cannot be reached, under certain circumstances, parties to interconnection negotiations can submit outstanding disputes to state authorities for arbitration. Negotiated interconnection agreements are subject to state approval. The FCC's interconnection rules and rulings, as well as state arbitration proceedings, will directly impact the nature and costs of facilities necessary for the interconnection of our networks with other telecommunications networks. They will also determine the amount of revenue we receive for terminating calls originating on the networks of local exchange carriers and other telecommunications carriers. The FCC is currently considering changes to the local exchange-commercial mobile radio service interconnection and other intercarrier compensation arrangements, and the outcome of such proceedings may affect the manner in which we are charged or compensated for the exchange of traffic.

We also are subject, or potentially subject, to universal service obligations; number pooling rules; rules governing billing, subscriber privacy and customer proprietary network information; rules governing wireless resale and roaming obligations; rules that require wireless service providers to configure their networks to facilitate electronic surveillance by law enforcement officials; rate averaging and integration requirements; rules governing spam,

telemarketing and truth-in-billing, and rules requiring us to offer equipment and services that are accessible to and usable by persons with disabilities, among others. Some of these requirements pose technical and operational challenges to which we, and the industry as a whole, have not yet developed clear solutions. These requirements are all the subject of pending FCC or judicial proceedings, and we are unable to predict how they may affect our business, financial condition or results of operations.



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### ***State, Local and Other Regulation***

Congress has given the FCC the authority to preempt states from regulating rates or entry into commercial mobile radio service, including PCS. The FCC, to date, has denied all state petitions to regulate the rates charged by commercial mobile radio service providers. State and local governments are permitted to manage public rights of way and can require fair and reasonable compensation from telecommunications providers, on a competitively neutral and nondiscriminatory basis, for the use of such rights of way by telecommunications carriers, including PCS providers, so long as the compensation required is publicly disclosed by the state or local government. States may also impose competitively neutral requirements that are necessary for universal service, to protect the public safety and welfare, to ensure continued service quality and to safeguard the rights of consumers. While a state may not impose requirements that effectively function as barriers to entry or create a competitive disadvantage, the scope of state authority to maintain existing requirements or to adopt new requirements is unclear. State legislators, public utility commissions and other state agencies are becoming increasingly active in efforts to regulate wireless carriers and the service they provide, including efforts to conserve numbering resources and efforts aimed at regulating service quality, advertising, warranties and returns, rebates, and other consumer protection measures.

The location and construction of our PCS antennas and base stations and the towers we lease on which such antennas are located are subject to FCC and Federal Aviation Administration regulations, federal, state and local environmental and historic preservation regulations, and state and local zoning, land use or other requirements.

We cannot assure you that any federal, state or local regulatory requirements currently applicable to our systems will not be changed in the future or that regulatory requirements will not be adopted in those states and localities that currently have none. Such changes could impose new obligations on us that could adversely affect our operating results.

### ***Privacy***

We are obligated to comply with a variety of federal and state privacy and consumer protection requirements. The Communications Act and FCC rules, for example, impose various rules on us intended to protect against the disclosure of customer proprietary network information. Other FCC and Federal Trade Commission rules regulate the disclosure and sharing of subscriber information. We have developed and comply with a policy designed to protect the privacy of our customers and their personal information. State legislatures and regulators are considering imposing additional requirements on companies to further protect the privacy of wireless customers. Our need to comply with these rules, and to address complaints by subscribers invoking them, could adversely affect our operating results.

### ***Intellectual Property***

We have pursued registration of our primary trademarks and service marks in the United States. Leap and the Leap logo design are U.S. registered trademarks of Leap. Cricket is a U.S. registered trademark of Cricket. In addition, the following are trademarks or service marks of Cricket: Unlimited Access, Unlimited Plus, Unlimited Classic, Jump, Travel Time, Cricket Clicks and the Cricket K.

As of December 31, 2005, we had two issued patents relating to our local, unlimited wireless services offerings, and numerous other issued patents relating to various technologies we previously acquired. We also have several patent applications pending in the U.S. relating to our wireless services offerings. 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.

Our business is not substantially dependent upon any of our patents, patent applications, service marks or trademarks. We believe that our technical expertise, operational efficiency, industry-leading cost structure and ability to introduce new products in a timely manner are more critical to maintaining our competitive position in the future.

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**Financial Information Concerning Segments and Geographical Information**

Financial information concerning our operating segment and the geographic area in which we operate is set forth in Note 12 to the consolidated financial statements included elsewhere in this prospectus.

**Employees**

As of December 31, 2005, Cricket employed 1,507 full-time employees, and Leap had no employees.

**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.

**Inflation**

We believe that inflation has not had a material effect on our results of operations.

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**PROPERTIES**

As of March 31, 2006, Cricket leased space, totaling approximately 113,000 square feet, in three office buildings in San Diego, California for our headquarters. We use these buildings for sales, marketing, product development, engineering and administrative purposes.

As of March 31, 2006, Cricket leased regional offices in Denver, Colorado and Nashville, Tennessee. These offices consist of approximately 39,000 square feet and 3,500 square feet, respectively. Cricket has 39 additional office leases in its individual markets that range from 2,500 square feet to 13,618 square feet. Cricket also leases 87 retail locations in its markets, including stores ranging in size from 1,050 square feet to 5,600 square feet, as well as kiosks and retail spaces within another store. In addition, Cricket currently leases approximately 2,955 cell site locations, 27 switch locations and three warehouse facilities that range in size from approximately 3,000 square feet to approximately 20,000 square feet. We do not own any real property.

As of March 31, 2006, ANB 1 License leased three retail locations in its markets, consisting of stores ranging in size from 2,975 square feet to 3,600 square feet. In addition, ANB 1 License currently leases approximately 405 cell site locations, two switch locations and two warehouse facilities that are approximately 10,000 square feet each.

As we continue to develop existing Cricket markets, and as additional markets are built out, additional or substitute office facilities, retail stores, cell sites, switch sites and warehouse facilities will be leased.

**LEGAL PROCEEDINGS**

**Outstanding Bankruptcy Claims**

Although our plan of reorganization became effective and we emerged from bankruptcy in August 2004, several claims asserted against us in connection with the bankruptcy proceedings remain outstanding. The open items, which are pending in the U.S. Bankruptcy Court for the Southern District of California in Case Nos. 03-03470-All to 03-035335-All (jointly administered), consist primarily of claims by governmental entities for payment of taxes relating to periods prior to the date of the voluntary petitions, including a claim of approximately \$4.9 million Australian dollars (approximately \$3.6 million U.S. dollars as of April 13, 2006) asserted by a foreign governmental entity against Leap. We have objected to the outstanding claims and are seeking to resolve the open issues through negotiation and appropriate court proceedings. We do not believe that the resolution of the outstanding claims will have a material adverse effect on our consolidated financial statements.

**Securities Litigation**

On December 31, 2002, several members of American Wireless Group, LLC, referred to in this prospectus 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.

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In a related action to the action described above, on June 6, 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.

Although Leap is not a defendant in either the Whittington or AWG Lawsuits, several of the defendants have indemnification agreements with Leap. 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 and estimable; therefore, no accrual has been made in Leap's annual consolidated financial statements as of December 31, 2005 related to these contingencies.

In addition to the matters described above, we are often involved in 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 Leap's consolidated financial statements as of December 31, 2005 for such claims. In the opinion of our management, the ultimate liability for such claims will not have a material adverse effect on Leap's consolidated financial statements.

Table of Contents**MANAGEMENT****Directors**

Biographical information for the directors of Leap is set forth below. Our directors are elected at our annual stockholders meeting each year, generally serving one year terms or until their successors are duly elected and qualified.

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
Mark H. Rachesky, M.D.	47	Chairman of the Board
James D. Dondero	43	Director
John D. Harkey, Jr.	45	Director
S. Douglas Hutcheson	50	Chief Executive Officer, President and Director
Robert V. LaPenta	60	Director
Michael B. Targoff	61	Director

**Mark H. Rachesky, M.D.** has served as a member and chairman of our board of directors since August 2004. Dr. Rachesky is the founder and president of MHR Fund Management LLC, which is an investment manager of various private investment funds that invest in inefficient market sectors, including special situation equities and distressed investments. From 1990 through June 1996, Dr. Rachesky served in various positions at Icahn Holding Corporation, including as a senior investment officer and for the last three years as sole managing director and acting chief investment advisor. Dr. Rachesky serves as a member and chairman of the Board of Directors of Loral Space & Communications, Inc. and also serves as a member of the Board of Directors of Neose Technologies, Inc. and NationsHealth, Inc. Dr. Rachesky holds a B.S. in molecular aspects of cancer from the University of Pennsylvania, an M.D. from the Stanford University School of Medicine, and an M.B.A. from the Stanford University School of Business.

**James D. Dondero** has served as a member of our board of directors since August 2004. Mr. Dondero is the founder of Highland Capital Management, L.P. and has served as its president since 1993. Prior to founding Highland Capital Management, L.P., Mr. Dondero served as chief investment officer of a subsidiary of Protective Life Insurance Company. Mr. Dondero is also currently a member of the Board of Directors of Audio Visual Services Corp. and American Banknote Corp. Mr. Dondero holds degrees in accounting and finance, beta gamma sigma, from the University of Virginia. Mr. Dondero completed financial training at Morgan Guaranty Trust Company, and is a certified public accountant, a chartered financial analyst and a certified management accountant.

**John D. Harkey, Jr.** has served as a member of our board of directors since March 2005. Since 1998, Mr. Harkey has served as chief executive officer and chairman of Consolidated Restaurant Companies, Inc., and as chief executive officer and vice chairman of Consolidated Restaurant Operations, Inc. Mr. Harkey also has been manager of the investment firm Cracken, Harkey & Street, L.L.C. since 1997. From 1992 to 1998, Mr. Harkey was a partner with the law firm Cracken & Harkey, LLP. Mr. Harkey was founder and managing director of Capstone Capital Corporation and Capstone Partners, Inc. from 1989 until 1992. He also serves on the Board of Directors of Total Entertainment Restaurant Corporation, Pizza Inn, Loral Space & Communications, Inc. and Energy Transfer Partners, L.L.C. He also serves on the Executive Board of Circle Ten Council of the Boy Scouts of America. Mr. Harkey obtained his B.B.A. with honors and a J.D. from the University of Texas at Austin and an M.B.A. from Stanford University School of Business.

**S. Douglas Hutcheson** was appointed as our chief executive officer and president in and has served as a member of our board of directors since February 2005, having previously served as our president and chief financial officer from January 2005 to February 2005, as our executive vice president and chief financial officer from January 2004 to January 2005, as our senior vice president and chief financial officer from August 2002 to January 2004, as our senior vice president and chief strategy officer from March 2002 to August 2002, as our senior vice president, product development and strategic planning from July 2000 to March 2002, as our senior vice president, business development from March 1999 to July 2000 and as our vice president, business development from September 1998 to March 1999. From February 1995 to September 1998, Mr. Hutcheson served as vice president, marketing in the Wireless Infrastructure Division at Qualcomm Incorporated. Mr. Hutcheson is on the Board of Directors of the



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Children's Museum of San Diego and holds a B.S. in mechanical engineering from California Polytechnic University and an M.B.A. from University of California, Irvine.

**Robert V. LaPenta** has served as a member of our board of directors since March 2005. Mr. LaPenta is the Chairman and Chief Executive Officer of L-1 Investment Partners, LLC, an investment firm seeking investments in the biometrics area. Mr. LaPenta served as president, chief financial officer and director of L-3 Communications Holdings, Inc. from April 1997 until his retirement from those positions effective April 1, 2005. From April 1996, when Loral Corporation was acquired by Lockheed Martin Corporation, until April 1997, Mr. LaPenta was a vice president of Lockheed Martin and was vice president and chief financial officer of Lockheed Martin's C3I and Systems Integration Sector. Prior to the April 1996 acquisition of Loral, he was Loral's senior vice president and controller, a position he held since 1981. He previously served in a number of other executive positions with Loral since he joined that company in 1972. Mr. LaPenta is on the Board of Trustees of Iona College, the Board of Trustees of The American College of Greece and the Board of Directors of Core Software Technologies and Viisage Technology. Mr. LaPenta received a B.B.A. in accounting from Iona College in New York.

**Michael B. Targoff** has served as a member of our board of directors since September 1998. He is founder of Michael B. Targoff and Co., a company that seeks active or controlling investments in telecommunications and related industry early stage companies. In February 2006 Mr. Targoff was appointed chief executive officer and vice-chairman of the board of Loral Space & Communications Inc. From its formation in January 1996 through January 1998, Mr. Targoff was president and chief operating officer of Loral Space & Communications Ltd. Mr. Targoff was senior vice president of Loral Corporation until January 1996. Previously, Mr. Targoff was also the president of Globalstar Telecommunications Limited, the public owner of Globalstar, Loral's global mobile satellite system. Mr. Targoff serves as a member of the Board of Directors of Loral Space & Communications, Inc., Viasat, Inc. and CPI International, Inc., in addition to serving as chairman of the boards of directors of three small private telecommunications companies. Before joining Loral Corporation in 1981, Mr. Targoff was a partner in the New York law firm of Willkie Farr & Gallagher. Mr. Targoff holds a B.A. from Brown University and a J.D. from Columbia University School of Law.

**Executive Officers**

Biographical information for the executive officers of Leap who are not directors is set forth below. There are no family relationships between any director or executive officer and any other director or executive officer. Executive officers serve at the discretion of the board of directors and until their successors have been duly elected and qualified, unless sooner removed by the board of directors.

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
Albin F. Moschner	53	Executive Vice President and Chief Marketing Officer
Glenn T. Umetsu	56	Executive Vice President and Chief Technical Officer
David B. Davis	40	Senior Vice President, Operations
Robert J. Irving, Jr.	50	Senior Vice President, General Counsel and Secretary
Leonard C. Stephens	49	Senior Vice President, Human Resources
Linda K. Wokoun	50	Senior Vice President, Marketing and Customer Care
Dean M. Luvisa	45	

Grant A. Burton

Acting Chief Financial Officer and  
Vice President, Finance  
41 Vice President, Chief Accounting Officer and  
Controller

**Albin F. Moschner** has served as our executive vice president and chief marketing officer since January 2005, having previously served as senior vice president, marketing from September 2004 to January 2005. Prior to this, Mr. Moschner was president of Verizon Card Services from December 2000 to November 2003. Prior to joining Verizon, Mr. Moschner was president and chief executive officer of OnePoint Services, Inc., a telecommunications

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company that he founded and that was acquired by Verizon in December 2000. Mr. Moschner also was a principal and the vice chairman of Diba, Inc., a development stage internet software company, and served as senior vice president of operations, a member of the board of directors and ultimately president and chief executive officer of Zenith Electronics from October 1991 to July 1996. Mr. Moschner holds a master's degree in electrical engineering from Syracuse University and a B.E. in electrical engineering from the City College of New York.

**Glenn T. Umetsu** has served as our executive vice president and chief technical officer since January 2005, having previously served as our executive vice president and chief operating officer from January 2004 to January 2005, as our senior vice president, engineering operations and launch deployment from June 2002 to January 2004, and as vice president, engineering operations and launch development from April 2000 to June 2002. From September 1996 to April 2000, Mr. Umetsu served as vice president, engineering and technical operations for Cellular One in the San Francisco Bay Area. Before Cellular One, Mr. Umetsu served in various telecommunications operations roles for 24 years with AT&T Wireless, McCaw Communications, RAM Mobile Data (now Cingular Mobile Data), Honolulu Cellular, PacTel Cellular, AT&T Advanced Mobile Phone Service, Northwestern Bell and the United States Air Force. Mr. Umetsu holds a B.A. in mathematics and economics from Brown University.

**David B. Davis** has served as our senior vice president, operations since July 2001, having previously served as our regional vice president, Midwest Region from March 2000 to July 2001. Before joining Leap, Mr. Davis spent six years with Cellular One, CMT Kansas/Missouri in various management positions culminating in his role as vice president and general manager. Before Cellular One, Mr. Davis was market manager for the PacTel-McCaw joint venture. Mr. Davis holds a B.S. from the University of Central Arkansas.

**Robert J. Irving, Jr.** has served as our senior vice president, general counsel and secretary since May 2003, having previously served as our vice president, legal from August 2002 to May 2003, and as our senior legal counsel from September 1998 to August 2002. Previously, Mr. Irving served as administrative counsel for Rohr, Inc., a corporation that designed and manufactured aerospace products from 1991 to 1998, and prior to that served as vice president, general counsel and secretary for IRT Corporation, a corporation that designed and manufactured x-ray inspection equipment. Before joining IRT Corporation, Mr. Irving was an attorney at Gibson, Dunn & Crutcher. Mr. Irving was admitted to the California Bar Association in 1982. Mr. Irving holds a B.A. from Stanford University, an M.P.P. from The John F. Kennedy School of Government of Harvard University and a J.D. from Harvard Law School, where he graduated cum laude.

**Leonard C. Stephens** has served as our senior vice president, human resources since our formation in June 1998. From December 1995 to September 1998, Mr. Stephens was vice president, human resources operations for Qualcomm Incorporated. Before joining Qualcomm Incorporated, Mr. Stephens was employed by Pfizer Inc., where he served in a number of human resources positions over a 14-year career. Mr. Stephens holds a B.A. from Howard University.

**Linda K. Wokoun** has served as our senior vice president, marketing and customer care since June 2005. Prior to joining Cricket, Ms. Wokoun was president and chief executive officer of RiverStar Software from April 2003 to June 2005. From March 2000 to January 2002, Ms. Wokoun was chief operating officer of iPCS, a Sprint PCS affiliate. Prior to joining iPCS, Ms. Wokoun was a vice president of Ameritech Cellular. She holds a B.A. in economics and an M.B.A. from Indiana University.

**Dean M. Luvisa** has served as our acting chief financial officer and vice president, finance since March 2006, having previously served as our acting chief financial officer, vice president, finance and treasurer from February 2005 to March 2006, our vice president, finance, and treasurer from May 2002 to February 2005 and as our vice president, finance from September 1998 to May 2002. Prior to joining Cricket, Mr. Luvisa was director of project finance at Qualcomm Incorporated, where he was responsible for Qualcomm's vendor financing activities worldwide. Before

Qualcomm, he was the chief financial officer of a finance company associated with Galaxy Latin America, an affiliate of DirecTV and Hughes Electronics. In other capacities at Hughes Electronics, Mr. Luvisa was responsible for project finance, vendor finance, mergers & acquisitions and corporate funding. Mr. Luvisa graduated summa cum laude from Arizona State University with a B.S. in economics, and earned an M.B.A. in finance from The Wharton School at the University of Pennsylvania.

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**Grant A. Burton** has served as our vice president, chief accounting officer and controller since June 2005. Prior to commencing his employment with Cricket, he served as assistant controller of PETCO Animal Supplies, Inc. from March 2004 to April 2005. He previously served as Senior Manager for PricewaterhouseCoopers, Assurance and Business Advisory Services, in San Diego from 1996 to 2004. Before joining PricewaterhouseCoopers, Mr. Burton served as acting vice president internal audit and manager merchandise accounting for DFS Group Limited from 1993 to 1996. Mr. Burton is a certified public accountant licensed in the State of California, and was a Canadian chartered accountant from 1990 to 2004. He holds a Bachelor of Commerce with Distinction from the University of Saskatchewan.

**Audit Committee Financial Experts**

Our audit committee consists of Mr. Targoff, Chairman, and Messrs. Harkey and La Penta. Each member of the audit committee is an independent director, as defined in the Nasdaq Stock Market listing standards. Our board of directors has determined that Mr. Targoff qualifies as an audit committee financial expert, as set forth in Item 401(h)(2) of SEC Regulation S-K. Leap also believes that each of Messrs. Harkey and La Penta also qualifies as an audit committee financial expert.

**Stockholder Nominees**

Nominations of persons for election to the board of directors may be made at the annual meeting of stockholders by any stockholder who is entitled to vote at the meeting and who has complied with the notice procedures set forth in Article II, Section 8 of the amended and restated bylaws of Leap. Generally, these procedures require stockholders to give timely notice in writing to the Secretary of Leap, including all information relating to the nominee that is required to be disclosed in solicitations of proxies for election of directors and the nominee's written consent to being named in the proxy and to serving as a director if elected. Stockholders are encouraged to review the Bylaws which are filed as an exhibit to this prospectus for a complete description of the procedures.

**Table of Contents****Executive Compensation**

The following table sets forth compensation information with respect to our chief executive officer and other four most highly paid executive officers, collectively referred to in this prospectus as the named executive officers, for the fiscal year ended December 31, 2005. The information set forth in the following tables reflects compensation earned by the named executive officers for services they rendered to us during each of the twelve months ended December 31, 2005, 2004 and 2003. William M. Freeman commenced his employment with us in May 2004 as chief executive officer and resigned from his position with us in February 2005. Albin F. Moschner commenced his employment with Leap in January 2005.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation(1)			Long-Term Compensation		All Other Compensation(10)
		Salary	Bonus	Other Annual Compensation(2)	Restricted Stock Awards(3)	Number of Securities	
					Underlying Options		
S. Douglas Hutcheson Chief Executive Officer,	2005	\$ 349,154	\$ 133,682	\$ 2,340	\$ 3,651,520(4)	161,007	\$ 22,082
President and Director	2004	\$ 334,816	\$ 602,785(5)	\$ 10,640	\$		\$ 22,962
Glenn T. Umetsu	2003	\$ 290,923	\$ 159,841	\$ 22,686	\$		\$ 23,361
Executive Vice President	2005	\$ 319,615	\$ 113,145	\$ 6,097	\$ 2,878,646(4)	85,106	\$ 26,124
and Chief Technical Officer	2004	\$ 311,846	\$ 532,678(5)	\$ 5,192	\$		\$ 26,028
Albin F. Moschner	2003	\$ 265,385	\$ 100,284	\$ 4,808	\$		\$ 28,954
Executive Vice President	2005	\$ 274,231	\$ 97,434	\$ 81,777(6)	\$ 1,079,547(4)	167,660	\$ 13,182
and Chief Marketing Officer	2004	\$	\$	\$	\$		\$
Dean M. Luvisa	2003	\$	\$	\$	\$		\$
Acting Chief Financial Officer,	2005	\$ 266,255	\$ 166,864(7)	\$ 1,661	\$ 823,437(4)	17,140	\$ 17,286
and Vice President, Finance	2004	\$ 200,667	\$ 235,878(7)	\$ 3,751	\$		\$ 16,867
Leonard C. Stephens	2003	\$ 194,589	\$ 63,495	\$ 10,159	\$		\$ 14,978
Senior Vice President,	2005	\$ 282,500	\$ 83,360	\$ 3,375	\$ 1,316,230(4)	23,404	\$ 21,859
Human Resources	2004	\$ 284,090	\$ 405,279(5)	\$ 3,186	\$		\$ 23,160
William M. Freeman	2003	\$ 271,115	\$ 136,234	\$ 24,890	\$		\$ 17,568
Former Chief Executive Officer and Director	2005	\$ 76,923	\$	\$ 43,227(8)	\$	276,596	\$ 1,006,774
	2004	\$ 230,769	\$ 120,985	\$ 60,255(9)	\$		\$ 9,053
	2003	\$	\$	\$	\$		\$

- (1) As permitted by rules established by the SEC, no amounts are shown with respect to certain perquisites where the aggregate amounts of such perquisites for a named executive officer do not exceed the lesser of either \$50,000 or 10% of the total of annual salary and bonus for the relevant year.
- (2) Under Leap's paid time-off program, an employee with sufficient accrued time off may elect to receive two days of pay for each paid day off the employee takes, reducing his or her accrued time off by two days. For example, if an employee takes one day off, he or she can elect to be paid for two days, which would reduce his or her accrued time off by two days.
- (3) Represents grants of restricted stock awards to executives issued under the 2004 Plan under which the executives have the right to receive, subject to vesting, shares of common stock. The shares subject to the stock awards were awarded on June 17, 2005 and vest in their entirety on February 28, 2008 or in the case of the October 26, 2005 award for Mr. Moschner, the shares vest in their entirety on the fifth anniversary from the date of grant. The grants are contingent upon continued employment until the end of the vesting period. The shares are subject to acceleration of vesting pursuant to attainment of performance targets. The shares of restricted stock are not entitled to dividends or dividend equivalents.
- (4) At December 30, 2005, the last trading day of the fiscal year, the number of shares outstanding and the value of the aggregate restricted stock holdings at the closing price of \$37.88, were as follows: Mr. Hutcheson, 99,487 shares for a total aggregate value of \$3,768,568; Mr. Umetsu, 76,560 shares for a total aggregate value of \$2,900,093; Mr. Moschner, 35,000 shares for a total aggregate value of \$1,325,800; Mr. Luvisa, 23,150 shares for a total aggregate value of \$876,922; and Mr. Stephens, 24,750 shares for a total aggregate value of \$937,530. For Mr. Stephens, the total includes a restricted stock award of 14,100 shares that was issued on July 8, 2005. The shares were subject to a two-year vesting schedule in which 7,050 shares vested on November 15, 2005 and the remaining 7,050 shares vest on November 15, 2006. On November 16, 2005, Mr. Stephens sold 2,626 of the underlying 7,050 shares to satisfy the federal, state and local withholding taxes he was required to pay in connection with the release of the shares.

The total number of shares listed in the table also includes shares of deferred stock units awarded to executives on June 17, 2005 which were issued in August 2005, as follows: Mr. Hutcheson, 30,000 units; Mr. Umetsu, 25,520 units; Mr. Luvisa, 6,050 units; and

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Mr. Stephens, 8,250 units. To satisfy the aggregate amount of federal, state and local withholding taxes that the executives were required to pay in connection with the release of the shares, the following shares of underlying stock were sold: Mr. Hutcheson, 11,623 shares; Mr. Umetsu, 12,760 shares; and Mr. Luvisa, 2,189 shares.

Mr. Stephens sold all of the underlying shares.

- (5) Includes enhanced goal payments awarded to executive officers in August 2004, as follows: Mr. Hutcheson, \$92,400; Mr. Umetsu, \$86,800; and Mr. Stephens, \$79,100. Also includes emergence bonuses for 2004 as follows: Mr. Hutcheson, \$300,000; Mr. Umetsu, \$250,000; and Mr. Stephens, \$175,000. See Emergence Bonus Agreements and Employment Agreements Amended and Restated Executive Employment Agreement with S. Douglas Hutcheson below.
- (6) Includes taxable payments made to Mr. Moschner in relation to his relocation expenses, as follows: housing, \$51,289; car rental, \$7,523; and air fare, \$22,812.
- (7) Includes retention bonus payments, emergence bonus and enhanced goal payments awarded to Mr. Luvisa prior to his appointment in February 2005 as acting chief financial officer.
- (8) Represents payments made to Mr. Freeman in connection with housing, \$21,112; sick time payout, \$4,615; and vacation payout, \$17,500.
- (9) Represents payments made to Mr. Freeman in connection with his relocation expenses.
- (10) Includes all other compensation as indicated in the table below.

Name	Year	Matching 401(k) Contributions	Executive Benefits Payments	Financial Planning Services	Total Other Compensation
S. Douglas Hutcheson	2005	\$ 4,630	\$ 10,468	\$ 6,984	\$ 22,082
	2004	\$ 6,500	\$ 9,386	\$ 7,022	\$ 22,962
	2003	\$ 6,000	\$ 12,784	\$ 4,577	\$ 23,361
Glenn T. Umetsu	2005	\$ 6,732	\$ 5,081	\$ 14,311	\$ 26,124
	2004	\$ 6,500	\$ 5,711	\$ 13,817	\$ 26,028
	2003	\$ 6,000	\$ 9,095	\$ 13,859	\$ 28,954
Albin F. Moschner	2005	\$ 6,558	\$ 6,625	\$	\$ 13,182
	2004	\$	\$	\$	\$
	2003	\$	\$	\$	\$
Dean M. Luvisa	2005	\$ 5,507	\$ 10,667	\$ 1,113	\$ 17,286
	2004	\$ 6,133	\$ 9,508	\$ 1,226	\$ 16,867
	2003	\$ 6,000	\$ 6,505	\$ 2,473	\$ 14,978
Leonard C. Stephens	2005	\$ 6,066	\$ 10,346	\$ 5,447	\$ 21,859
	2004	\$ 6,500	\$ 5,902	\$ 10,661	\$ 23,160
	2003	\$ 6,000	\$ 6,831	\$ 4,737	\$ 17,568
William M. Freeman	2005	\$ 2,971	\$ 3,803	\$	\$ 1,006,774(1)
	2004	\$ 6,500	\$ 2,553	\$	\$ 9,053
	2003	\$	\$	\$	\$



- (1) Includes \$1 million severance payment to Mr. Freeman pursuant to his Resignation Agreement. See Employment Agreements Resignation Agreement with William M. Freeman below.

**Table of Contents****Option Grants in the Last Fiscal Year**

The following table sets forth information regarding grants of stock options to each of the named executive officers during 2005. During the year ended December 31, 2005, we granted options to purchase an aggregate of 2,250,894 shares of Leap common stock, all of which were granted to our employees (including the named executive officers) and directors.

Name	Individual Grants			Exercise Price per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
	Number of Securities Underlying Options Granted (1)	% of Total Options Granted to Employees in Fiscal Year				5%	10%
S. Douglas Hutcheson	85,106	9.49		\$ 26.55	1/5/2015	\$ 1,421,028	\$ 3,601,164
S. Douglas Hutcheson	75,901	8.47		\$ 26.35	2/24/2015	\$ 1,257,784	\$ 3,187,471
Glenn T. Umetsu	85,106	9.49		\$ 26.55	1/5/2015	\$ 1,421,028	\$ 3,601,164
Albin M. Moschner	127,660	14.24		\$ 26.55	1/31/2015	\$ 1,985,997	\$ 5,170,006
Albin M. Moschner	40,000	4.46		\$ 34.37	10/26/2015	\$ 864,604	\$ 2,191,077
Dean M. Luvisa	17,140	1.91		\$ 26.55	1/5/2015	\$ 286,189	\$ 725,260
Leonard C. Stephens	23,404	2.61		\$ 26.55	1/5/2015	\$ 390,780	\$ 990,314

(1) Options were granted to executives under the 2004 Plan and have a grant price that is equal to the fair market value on the date of grant. Such options vest in their entirety on February 28, 2008, except for the 40,000 options for Mr. Moschner that vest in their entirety on the fifth anniversary from the date of grant, or October 26, 2010. Vesting is subject to acceleration upon achieving established financial performance goals. Vesting is contingent upon continued service with us. Options granted under Leap's 2004 Plan generally have a maximum term of ten years.

(2) Potential gains are net of exercise price, but before taxes associated with the exercise. These amounts represent certain assumed rates of appreciation only, in accordance with the SEC rules. Actual gains, if any, on stock option exercises are dependent on future performance of Leap's common stock, overall market conditions and the option holders' continued employment through the vesting period. The amounts reflected in this table may not necessarily be achieved.

**Option Exercises in 2005 and Option Values at December 31, 2005**

The following table sets forth specified information concerning stock options held as of December 31, 2005 by each of the named executive officers. The value realized at December 31, 2005, if any, is calculated based on the excess of the closing prices as reported on the Nasdaq National Market on the date of exercise, less the exercise price of the option, multiplied by the number of shares as to which the option is exercised. No options were exercised by the

named executive officers during 2005.

In-the-money options are those for which the fair market value of the underlying securities exceeds the exercise price of the option. These columns are based upon the closing price of \$37.88 per share on December 30, 2005, minus the per share exercise price, multiplied by the number of shares underlying the option.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options Held at		Value of Unexercised In-the-Money Options	
			December 31, 2005		at December 31, 2005	
			Exercisable	Unexercisable	Exercisable	Unexercisable
S. Douglas Hutcheson				161,007	\$	1,839,390
Glenn T. Umetsu				85,106	\$	964,251
Albin F. Moschner				167,660	\$	1,586,788
Dean M. Luvisa				17,140	\$	194,196
Leonard C. Stephens				23,404	\$	265,167

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**EMPLOYEE BENEFIT PLANS**

**2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan**

All of the outstanding shares of Leap common stock, warrants and options were cancelled as of August 16, 2004 pursuant to our plan of reorganization. Following our emergence from bankruptcy, as contemplated by Section 5.07 of our plan of reorganization, the compensation committee of Leap's board of directors, acting pursuant to a delegation of authority from the board of directors, approved the 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan, or the 2004 Plan. The 2004 Plan authorizes discretionary grants to our employees, consultants and independent directors, and to the employees and consultants of our subsidiaries, of stock options, restricted stock and deferred stock units. The aggregate number of shares of common stock subject to awards under the 2004 Plan is 4,800,000, which may be adjusted for changes in Leap's capitalization and certain corporate transactions.

***Administration***

The 2004 Plan will generally be administered by the compensation committee of Leap's board of directors, or the Administrator. The board of directors, however, will determine the terms and conditions of, and interpret and administer, the 2004 Plan for awards granted to Leap's independent directors and, with respect to these awards, the term Administrator refers to the Board. As appropriate, administration of the 2004 Plan may be revested in the board of directors. In addition, for administrative convenience, the board of directors may determine to grant to one or more members of the Board or to one or more officers the authority to make grants to individuals who are not directors or executive officers.

***Stock Options***

The 2004 Plan provides for discretionary grants of non-qualified stock options to employees, independent directors and consultants. The 2004 Plan also provides for the grant of incentive stock options, which may only be granted to employees. Options may be granted with terms determined by the Administrator; provided that incentive stock options must meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, or the Code. The 2004 Plan provides that an option holder may exercise his or her option for three months following termination of employment, directorship or consultancy (twelve months in the event such termination results from death or disability). With respect to options granted to employees, an option will terminate immediately in the event of an option holder's termination for cause. The exercise price for stock options granted under the 2004 Plan will be set by the Administrator and may not be less than par value (except for incentive stock options and stock options granted to independent directors which must have an exercise price not less than fair market value on the date of grant). Options granted under the 2004 Plan will generally have a term of 10 years.

***Restricted Stock***

Unless otherwise provided in the applicable award agreement, participants generally have all of the rights of a stockholder with respect to restricted stock. Restricted stock may be issued for a nominal purchase price and may be subject to vesting over time or upon attainment of performance targets. Any dividends or other distributions paid on restricted stock will also be subject to restrictions to the same extent as the underlying stock. Award agreements related to restricted stock may provide that restricted stock is subject to repurchase by Leap in the event that the participant ceases to be an employee, director or consultant prior to vesting.

***Deferred Stock Units***

Deferred stock units represent the right to receive shares of stock on a deferred basis. Stock distributed pursuant to deferred stock units may be issued for a nominal purchase price and deferred stock units may be subject to vesting over time or upon attainment of performance targets. Stock distributed pursuant to a deferred stock unit award will not be issued before the deferred stock unit award has vested, and a participant granted a deferred stock unit award generally will have no voting or dividend rights prior to the time when the stock is distributed. The deferred stock unit award will specify when the stock is to be distributed. The Administrator may provide that the

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stock will be distributed pursuant to a deferred stock unit award on a deferred basis pursuant to a timely irrevocable election by the participant. The issuance of the stock distributable pursuant to a deferred stock unit award may not occur prior to the earliest of: (1) a date or dates set forth in the applicable award agreement; (2) the participant's termination of employment or service with us (or in the case of any officer who is a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, six months after such termination); (3) an unforeseeable financial emergency affecting the participant; or (4) a change in control, as described below. Under no circumstances may the time or schedule of distribution of stock pursuant to a deferred stock unit award be accelerated.

### ***Awards Generally Not Transferable***

Awards under the 2004 Plan are generally not transferable during the award holder's lifetime, except, with the consent of the Administrator, pursuant to qualified domestic relations orders. The Administrator may allow non-qualified stock options to be transferable to certain permitted transferees (i.e., immediate family members for estate planning purposes).

### ***Changes in Control and Corporate Transactions***

In the event of certain changes in the capitalization of Leap or certain corporate transactions involving Leap and certain other events (including a change in control, as defined in the 2004 Plan), the Administrator will make appropriate adjustments to awards under the 2004 Plan and is authorized to provide for the acceleration, cash-out, termination, assumption, substitution or conversion of such awards. Leap will give award holders 20 days' prior written notice of certain changes in control or other corporate transactions or events (or such lesser notice as the Administrator determines is appropriate or administratively practicable under the circumstances) and of any actions the Administrator intends to take with respect to outstanding awards in connection with such change in control, transaction or event. Award holders will also have an opportunity to exercise any vested awards prior to the consummation of such changes in control or other corporate transactions or events (and such exercise may be conditioned on the closing of such transactions or events).

### ***Term of the 2004 Plan; Amendment and Termination***

The 2004 Plan will be in effect until December 2014, unless Leap's board of directors terminates the 2004 Plan at an earlier date. The board of directors may terminate the 2004 Plan at any time with respect to any shares not then subject to an award under the 2004 Plan. The board of directors may also modify the 2004 Plan from time to time, except that the board of directors may not, without prior stockholder approval, amend the 2004 Plan so as to increase the number of shares of stock that may be issued under the 2004 Plan, reduce the exercise price per share of the shares subject to any outstanding option, or amend the 2004 Plan in any manner which would require stockholder approval to comply with any applicable law, regulation or rule.

### ***Vesting of Awards Under the 2004 Plan***

For the named executive officers, the stock options described above become exercisable on the third anniversary of the date of grant, and the restricted stock awards described above generally vest on February 28, 2008, in each case subject to accelerated vesting in increments ranging from a minimum of 10% to a maximum of 30% of the applicable award per year if Leap meets certain performance targets in 2006 based on adjusted EBITDA and net customer additions. The stock options and restricted stock awards described above that were granted to Mr. Moschner on October 2005 become exercisable on the fifth anniversary of the date of grant, subject to accelerated vesting in increments ranging from a minimum of 10% to a maximum of 30% of the applicable award per year if Leap meets certain performance targets in 2006, 2007 and 2008 based on adjusted EBITDA and net customer additions. Of the 38,850 shares subject to the restricted stock awards described above that were granted by Leap to Mr. Stephens, 7,050

vested on November 15, 2005 and 7,050 will vest on November 15, 2006, subject to certain accelerated vesting if he is terminated without cause or if he resigns with good reason.

The deferred stock units were fully vested, and the shares underlying the deferred stock unit awards were distributed in August 2005.

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*Change in Control Vesting of Stock Options and Restricted Stock.* The stock options and restricted stock awards granted to the named executive officers (other than 7,050 shares of restricted stock granted to Mr. Stephens in July 2005) will also become exercisable and/or vested on an accelerated basis in connection with certain changes in control. The period over which the award vests or becomes exercisable after a change of control varies depending upon the date that the award was granted and the date of the change of control. Except as described in the following paragraph, an executive officer will be entitled to accelerated vesting and/or exercisability in the event of a change in control only if he is an employee, director or consultant on the effective date of such accelerated vesting and/or exercisability. Following the date of a change in control, there will be no further additional performance-based exercisability and/or vesting applicable to stock options and restricted stock awards based on our adjusted EBITDA and net customer addition performance.

*Discharge Without Cause or Resignation for Good Reason in the Event of a Change in Control.* For each stock option and restricted stock award granted to Leap's executives listed above (other than 7,050 shares of restricted stock granted to Mr. Stephens in July 2005), in the event an employee has a termination of employment by reason of discharge by us other than for cause, or as a result of the executive officer's resignation for good reason, during the period commencing 90 days prior to a change in control and ending 12 months after such change in control, each stock option and restricted stock award will automatically accelerate and become exercisable and/or vested as to any remaining unvested shares subject to such stock option or restricted stock award. Such acceleration will occur upon termination of employment or, if later, immediately prior to the change in control.

This description of the 2004 Plan and the awards under the 2004 Plan is qualified in its entirety by reference to the full text of the 2004 Plan and the various award agreements, copies of which have been filed as exhibits to Leap's shelf registration statement on Form S-1, of which this prospectus forms a part.

## **Employee Savings and Retirement Plan**

Leap's 401(k) plan allows eligible employees to contribute up to 30% of their salary, subject to annual limits. We match a portion of the employee contributions and may, at our discretion, make additional contributions based upon earnings. Our contribution expenses were \$1,485,000 for the year ended December 31, 2005, \$428,000 and \$613,000, for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively, and \$1,043,000 for the year ended December 31, 2003.

## **Employee Stock Purchase Plan**

In September 2005, Leap commenced an Employee Stock Purchase Plan, or ESP Plan, which allows eligible employees to purchase shares of Leap common stock during a specified offering period. A total of 800,000 shares of common stock have been reserved for issuance under the ESP Plan. The aggregate number of shares that may be sold pursuant to options granted under the ESP Plan is subject to adjustment for changes in Leap's capitalization and certain corporate transactions. The ESP Plan is a non-compensatory plan under the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees.

The purpose of the ESP Plan is to assist our eligible employees in acquiring stock ownership in Leap pursuant to a plan which is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Code. In addition, the ESP Plan is intended to help such employees provide for their future security and to encourage them to remain in our employment.

The ESP Plan is administered by the compensation committee of Leap's board of directors. Subject to the terms and conditions of the ESP Plan, Leap's compensation committee has the authority to make all determinations and to take all other actions necessary or advisable for the administration of the ESP Plan. Leap's compensation committee is also



authorized to adopt, amend and rescind rules relating to the administration of the ESP Plan. As appropriate, administration of the ESP Plan may be revested in Leap's board of directors.

Our employees and the employees of Leap or any of our designated subsidiary corporations that customarily work more than twenty hours per week and more than five months per calendar year, and who have been employed by us, Leap or one of our designated subsidiary corporations for at least three months, are eligible to participate in the ESP Plan as of the first day of the first offering period after they become eligible to participate in the ESP Plan.

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However, no employee is eligible to participate in the ESP Plan if, immediately after becoming eligible to participate, such employee would own or be treated as owning stock (including stock such employee may purchase under options granted under the ESP Plan) representing 5% or more of the total combined voting power or value of all classes of Leap's stock or the stock of any of its subsidiary corporations.

Under the ESP Plan, shares of Leap common stock are offered during six month offering periods commencing on each January 1 and July 1. On the first day of an offering period, an eligible employee is granted a nontransferable option to purchase shares of Leap common stock on the last day of the offering period.

An eligible employee can participate in the ESP Plan through payroll deductions. An employee may elect payroll deductions in any whole percentage (up to 15%) of base compensation, and may increase (but not above 15%), decrease or suspend his or her payroll deductions during the offering period. The employee's cumulative payroll deductions (without interest) can be used to purchase shares of Leap common stock on the last day of the offering period, unless the employee elects to withdraw his or her payroll deductions prior to the end of the period. An employee's cumulative payroll deductions for an offering period may not exceed \$5,000.

The per share purchase price of shares of Leap common stock purchased on the last day of an offering period is 85% of the lower of the fair market value of such stock on the first or last day of the offering period. The fair market value of a share of Leap common stock on any given date is determined based on the closing trading price for Leap common stock on the trading day next preceding such date, or, if Leap common stock is not then traded on an exchange, but is then quoted on the Nasdaq National Market, the mean between the closing representative bid and asked prices on the trading day next preceding such date, or, if Leap common stock is not then quoted on the Nasdaq National Market, the mean between the closing bid and ask prices on the trading day next preceding such date, as determined in good faith by the compensation committee.

An employee may purchase no more than 250 shares of Leap common stock for each offering period. Also, an employee may not purchase shares of Leap common stock during a calendar year with a total fair market value of more than \$25,000.

In the event of certain changes in Leap's capitalization or certain corporate transactions involving Leap, Leap's compensation committee will make appropriate adjustments to the number of shares that may be sold pursuant to options granted under the ESP Plan and options outstanding under the ESP Plan and is authorized to provide for the termination, cash-out, assumption, substitution or accelerated exercise of such options.

The ESP Plan will be in effect until May 25, 2015, unless Leap's board of directors terminates the ESP Plan at an earlier date. Leap's board of directors may terminate the ESP Plan at any time and for any reason. Leap's board of directors may also modify the ESP Plan from time to time, except that the board of directors may not, without prior stockholder approval, amend the ESP Plan so as to increase the number of shares of Leap common stock that may be sold under the ESP Plan, or change the corporations whose employees are eligible under the ESP Plan, or amend the ESP Plan in any manner which would require stockholder approval to comply with any applicable law, regulation or rule.

## **Compensation of Directors**

### ***Standard Compensation Arrangements***

Effective February 22, 2006, the board of directors approved an annual compensation package for non-employee directors consisting of a cash component and an equity component. The cash component will be paid, and the equity component will be awarded, each year following the annual meeting of stockholders of Leap.

Each non-employee director will receive annual cash compensation of \$40,000. The chairman of the board of directors will receive additional cash compensation of \$20,000; the chairman of the audit committee will receive additional cash compensation of \$15,000, and the chairman of the compensation committee and the chairman of the nominating and corporate governance committee will each receive additional cash compensation of \$5,000.

Non-employee directors will also receive \$100,000 in Leap restricted common stock pursuant to the 2004 Plan. The purchase price for each share of Leap restricted common stock will be \$.0001, and each such share will be valued at fair market value (as defined in the 2004 Plan) on the date of grant. Each award of restricted common stock

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will vest in equal installments on each of the first, second and third anniversaries of the date of grant. All unvested shares of restricted common stock under each award will vest upon a change of control (as defined in the 2004 Plan).

Leap also reimburses directors for reasonable and necessary expenses, including their travel expenses incurred in connection with attendance at board and board committee meetings.

### ***Prior Option Grants to Directors***

On March 11, 2005, Leap's board of directors granted to Mr. Michael Targoff non-qualified stock options to purchase 30,000 shares of Leap common stock, and granted to each of Dr. Mark Rachesky and Mr. James Dondero non-qualified stock options to purchase 21,900 shares of Leap common stock, in each case in recognition of their service on Leap's board of directors without compensation since our emergence from bankruptcy on August 16, 2004, a period of significant development for us and our business. Each of these option awards vested one-third on the award date and one-third on January 1, 2006. The remaining one-third vests on January 1, 2007. The exercise price for each of these stock options is \$26.51 per share.

In addition, in recognition of their current service on Leap's board of directors, on March 11, 2005, the board of directors granted to Dr. Rachesky, as chairman of the board, non-qualified stock options to purchase 18,300 shares of Leap common stock and granted to each of Messrs. Dondero and Targoff non-qualified stock options to purchase 7,500 shares of Leap common stock. Mr. Targoff, as chairman of the audit committee, was granted non-qualified stock options to purchase an additional 2,000 shares of Leap common stock and Mr. Dondero, as chairman of the compensation committee, was granted non-qualified stock options to purchase an additional 1,200 shares of Leap common stock. Each of these option awards vested one-third on January 1, 2006. An additional one-third vests on January 1, 2007 and the final one-third vests on January 1, 2008. The exercise price for each of these stock options is \$26.51 per share.

In connection with their appointment as non-employee directors of Leap on March 11, 2005 and March 14, 2005, respectively, the board granted each of Messrs. Harkey and LaPenta non-qualified stock options to purchase 5,000 shares of Leap common stock, which option awards vested fully on the award date, and additional non-qualified stock options to purchase 7,500 shares Leap common stock, which option awards vested one-third on January 1, 2006. An additional one-third vests on January 1, 2007 and the final one-third vests on January 1, 2008. The exercise price for these option awards is \$26.51 per share for Mr. Harkey and \$26.45 for Mr. LaPenta.

Each of the option awards to non-employee directors described above has a term of ten years, provided that the options terminate 90 days after the option-holder ceases to be a non-employee director of Leap. Special exercise and termination rules apply if the option-holder's relationship with Leap is terminated as a result of death or disability. The option awards will automatically vest in full upon a change of control of Leap, as defined in the 2004 Plan.

### **Compensation Committee Interlocks, Insider Participation and Board Interlocks**

The current members of Leap's compensation committee are Dr. Rachesky and Messrs. Dondero and Targoff. None of these directors has at any time been an officer or employee of Leap and its subsidiaries.

### **Employment Agreements**

#### ***Amended and Restated Executive Employment Agreement with S. Douglas Hutcheson***

Effective as of February 25, 2005, Cricket and Leap entered into an Amended and Restated Executive Employment Agreement with S. Douglas Hutcheson in connection with Mr. Hutcheson's appointment as our chief executive officer.

The Amended and Restated Executive Employment Agreement amends, restates and supersedes the Executive Employment Agreement dated January 10, 2005, as amended, among Mr. Hutcheson, Cricket and Leap. The Amended and Restated Executive Employment Agreement was amended as of June 17, 2005 and February 17, 2006. As amended, it is referred to in this prospectus as the Executive Employment Agreement. Mr. Hutcheson's term of employment under the Executive Employment Agreement expires on December 31, 2008, unless extended by mutual agreement.

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Under the Executive Employment Agreement, Mr. Hutcheson received an annual base salary of \$350,000 through January 27, 2006, and an annual base salary of \$550,000 beginning on January 28, 2006, subject to adjustment pursuant to periodic reviews by Leap's board of directors, and an opportunity to earn an annual performance bonus. Mr. Hutcheson's annual target performance bonus for 2006 will be 100% of his base salary. The amount of any annual performance bonus will be determined in accordance with Cricket's prevailing annual performance bonus practices that are used to determine annual performance bonuses for the senior executives of Cricket generally. In the event Mr. Hutcheson is employed by Cricket on December 31, 2008, then Mr. Hutcheson will receive the final installment of his 2008 annual performance bonus without regard to whether he is employed by Cricket on the date such final installments are paid to senior executives of Cricket. In addition, the Executive Employment Agreement specifies that Mr. Hutcheson is entitled to participate in all insurance and benefit plans generally available to Cricket's executive officers. Mr. Hutcheson received success bonuses of \$150,000 in January 2005 and in September 2005.

If, during the term of the Executive Employment Agreement, all or substantially all of Cricket's assets, or shares of stock of Cricket or Leap having 50% or more of the voting rights of the total outstanding stock of Cricket or Leap, as the case may be, are sold with the approval of or pursuant to the active solicitation of the board of directors of Cricket or Leap, as applicable, to a strategic investor, and if Mr. Hutcheson continues his employment with Cricket or its successor for two months following the closing of such sale, Cricket will pay to Mr. Hutcheson a stay bonus in a lump sum payment equal to one and one half times his then current annual base salary and target performance bonus.

Under the terms of the Executive Employment Agreement, if Mr. Hutcheson's employment is terminated as a result of his discharge by Cricket without cause or if he resigns with good reason, he will be entitled to receive (1) a lump sum payment equal to one and one-half times the sum of his then current annual base salary plus his target performance bonus; however, this payment would not be due to Mr. Hutcheson if he receives the stay bonus described above, and (2) if he elects continuation health coverage under COBRA, Cricket will pay the premiums for such continuation health coverage for a period of 18 months (or, if earlier, until he is eligible for comparable coverage with a subsequent employer). Mr. Hutcheson will be required to execute a general release as a condition to his receipt of any of these severance benefits.

The agreement also provides that if Mr. Hutcheson's employment is terminated by reason of his discharge without cause or his resignation for good reason, in each case within one year of a change in control, and he is subject to excise tax pursuant to Section 4999 of the Code as a result of any payments to him, then Cricket will pay him a gross-up payment equal to the sum of the excise tax and all federal, state and local income and employment taxes payable by him with respect to the gross-up payment. This gross-up payment will not exceed \$1 million and, if Mr. Hutcheson's employment was terminated by reason of his resignation for good reason, such payment is conditioned on Mr. Hutcheson's agreement to provide consulting services to Cricket or Leap for up to three days per month for up to a one-year period for a fee of \$1,500 per day.

If Mr. Hutcheson's employment is terminated as a result of his discharge by Cricket for cause or if he resigns without good reason, he will be entitled only to his accrued base salary through the date of termination. If Mr. Hutcheson's employment is terminated as a result of his death or disability, he will be entitled only to his accrued base salary through the date of death or termination, as applicable, and his pro rata share of his target performance bonus for the year in which his death or termination occurs.

Effective January 5, 2005, Leap's compensation committee granted Mr. Hutcheson non-qualified stock options to purchase 85,106 shares of Leap common stock at \$26.55 per share under the 2004 Plan. Also effective January 5, 2005, the compensation committee agreed to grant Mr. Hutcheson restricted stock awards to purchase 90,000 shares of Leap common stock at \$.0001 per share and deferred stock unit awards to purchase 30,000 shares of Leap common stock at \$.0001 per share, if and when Leap filed a Registration Statement on Form S-8 with respect to the 2004 Plan. The Registration Statement on Form S-8 was filed on June 17, 2005, and the restricted stock and deferred stock unit

awards were issued on that date. Under the Executive Employment Agreement, on February 24, 2005, Mr. Hutcheson was granted additional non-qualified stock options to purchase 75,901 shares of Leap common stock at \$26.35 per share. The compensation committee also agreed to grant Mr. Hutcheson restricted stock awards to purchase 9,487 shares of Leap common stock at \$.0001 per share, if and when a Registration Statement on Form S-8

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was filed. Leap filed a Registration Statement on Form S-8 with respect to the 2004 Plan on June 17, 2005, and the restricted stock awards were issued to Mr. Hutcheson on that date. The forms of award agreements for these awards are attached to his Amended and Restated Executive Employment Agreement, a copy of which has been filed as an exhibit to Leap's shelf registration statement on Form S-1, of which this prospectus forms a part. Of the awards granted to Mr. Hutcheson, 85,106 shares subject to stock options described above become exercisable on the third anniversary of the date of grant and 90,000 shares subject to the restricted stock awards described above become vested on February 28, 2008. In addition, up to 30% of the shares subject to such stock options and restricted stock awards may vest earlier upon Leap's achievement of certain adjusted EBITDA and net customer addition targets for fiscal year 2006 (in approximately March of 2007). The remaining 75,901 shares subject to stock options and 9,487 shares subject to restricted stock awards become vested on December 31, 2008. In addition, up to 30% of the shares subject to such stock options and restricted stock awards may vest earlier upon Leap's achievement of certain adjusted EBITDA and net customer addition targets for each of fiscal years 2006 and 2007 (in each case in approximately March of the following year). In each case, Mr. Hutcheson must be an employee, director or consultant of Cricket or Leap on such date.

The stock options and restricted stock awards listed above will also become exercisable and/or vested on an accelerated basis in connection with certain changes in control, as more fully described above under the heading "2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan - Vesting of Awards under the 2004 Plan." In addition, if Mr. Hutcheson's employment is terminated by reason of discharge by Cricket other than for cause, or if he resigns for good reason, (1) if Mr. Hutcheson agrees to provide consulting services to Cricket or Leap for up to five days per month for up to a one-year period for a fee of \$1,500 per day, any remaining unvested shares subject to his stock options and restricted stock awards will vest and/or become exercisable on the last day of such one-year period, or (2) such remaining unvested shares subject to his stock options and restricted stock awards will become exercisable and/or vested on the third anniversary of the date of grant (for the January 5, 2005 awards) and on December 31, 2008 (for the February 24, 2005 awards). Mr. Hutcheson will be required to execute a general release as a condition to his receipt of the foregoing accelerated vesting.

The description of the Executive Employment Agreement with Mr. Hutcheson is qualified in its entirety by reference to the full text of the Amended and Restated Executive Employment Agreement, as amended, a copy of which has been filed as an exhibit to Leap's shelf registration statement on Form S-1, of which this prospectus forms a part.

### ***Resignation Agreement with William M. Freeman***

On February 24, 2005, Leap and its wholly owned subsidiary Cricket entered into a Resignation Agreement with William M. Freeman, under which Mr. Freeman resigned as the chief executive officer and as a director of Leap, Cricket and their domestic subsidiaries, effective as of February 25, 2005. This Resignation Agreement superseded the Executive Employment Agreement entered into by Cricket and Mr. Freeman as of May 24, 2004. Under the Resignation Agreement, Mr. Freeman received a severance payment of \$1 million. Mr. Freeman also relinquished all rights to any stock options, restricted stock and deferred stock unit awards from Leap. Mr. Freeman executed a general release as a condition to his receipt of the severance payment. This description of the Resignation Agreement with Mr. Freeman is qualified in its entirety by reference to the full text of the Resignation Agreement, a copy of which was filed as an exhibit to Leap's shelf registration statement on Form S-1, of which this prospectus forms a part.

### ***Emergence Bonus Agreements***

Effective as of February 17, 2005, Leap entered into Emergence Bonus Agreements with four senior executive officers in connection with the emergence bonuses such officers were awarded in 2004. The agreements provided that a portion of the emergence bonuses awarded in 2004 would not be paid to the executives until the earlier of September 30, 2005 or the date on which such executives ceased to be employed by Cricket, unless such cessation of



employment occurred as a result of a termination for cause. The portions of the 2004 emergence bonus covered by the respective Emergence Bonus Agreements and paid on September 30, 2005 are: Glenn T. Umetsu, Executive Vice President and Chief Technical Officer \$125,000, David B. Davis, Senior Vice President, Operations \$87,500,

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Robert J. Irving, Jr., Senior Vice President, General Counsel and Secretary \$87,500, and Leonard C. Stephens, Senior Vice President, Human Resources \$87,500.

***Severance Agreements***

On November 8, 2005, we entered into Severance Benefits Agreements with our Executive Vice Presidents and Senior Vice Presidents, or the Severance Agreements. These agreements replaced severance agreements which expired on August 15, 2005. The term of the Severance Agreements extends through December 31, 2006, with an automatic extension for each subsequent year unless notice of termination is provided to the executive no later than June 30th of the preceding year.

Pursuant to the Severance Agreements, executives who are terminated without cause (as defined in the Severance Agreement) or who resign for good reason (as defined in the Severance Agreement), will receive severance benefits consisting of an amount equal to one year of base salary and target bonus. In addition, we will pay the cost of continuation health coverage (COBRA) for one year or, if shorter, until the time when the executive is eligible for comparable coverage with a subsequent employer.

In consideration for these benefits, the executives have agreed to provide a general release of Leap and its operating subsidiary Cricket, prior to receiving severance benefits, and have agreed not to compete with us for one year, and not to solicit any of our employees and to maintain the confidentiality of our information for three years.

This description of the Severance Agreements is qualified in its entirety by reference to the full text of the form of the Executive Vice President and Senior Vice President Severance Benefits Agreement, a copy of which has been filed as an exhibit to Leap's resale shelf registration statement on Form S-1, of which this prospectus forms a part.

On January 16, 2006, Leap entered into a Severance Benefits Agreement with Dean Luvisa, our acting chief financial officer and vice president, finance. Mr. Luvisa's Severance Benefits Agreement is similar to the form of Executive Vice President and Senior Vice President Severance Benefits Agreement, except that Mr. Luvisa's agreement renews annually only until December 31, 2008, at which date his Severance Benefits Agreement with us expires. The description of Mr. Luvisa's Severance Benefits Agreement is qualified in its entirety by reference to the full text of the agreement, a copy of which has been filed as an exhibit to Leap's resale shelf registration statement on Form S-1, of which this prospectus forms a part.

**Indemnification of Directors and Executive Officers and Limitation on Liability**

As permitted by Section 102 of the Delaware General Corporation Law, Leap has adopted provisions in its amended and restated certificate of incorporation and amended and restated bylaws that limit or eliminate the personal liability of Leap's directors for a breach of their fiduciary duty of care as a director. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to Leap or its stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to Leap or its stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or
- any transaction from which the director derived an improper personal benefit.



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These limitations of liability do not affect the availability of equitable remedies such as injunctive relief or rescission. Leap's amended and restated certificate of incorporation also authorizes Leap to indemnify its officers, directors and other agents to the fullest extent permitted under Delaware law.

As permitted by Section 145 of the Delaware General Corporation Law, Leap's amended and restated bylaws provide that:

Leap may indemnify its directors, officers, and employees to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions;

Leap may advance expenses to its directors, officers and employees in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and

the rights provided in Leap's amended and restated bylaws are not exclusive.

Leap's amended and restated certificate of incorporation and amended and restated bylaws provide for the indemnification provisions described above. In addition, we have entered into separate indemnification agreements with our directors and officers which may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements may require us, among other things, to indemnify our officers and directors against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct. These indemnification agreements also may require us to advance any expenses incurred by the directors or officers as a result of any proceeding against them as to which they could be indemnified. In addition, we have purchased a policy of directors' and officers' liability insurance that insures our directors and officers against the cost of defense, settlement or payment of a judgment in some circumstances. These indemnification provisions and the indemnification agreements may be sufficiently broad to permit indemnification of our officers and directors for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

On December 31, 2002, several members of American Wireless Group, LLC, referred to in this prospectus 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, on June 6, 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

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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.

Although Leap is not a defendant in either the Whittington or AWG Lawsuits, several of the defendants have indemnification agreements with Leap. 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 and estimable; therefore, no accrual has been made in Leap's annual consolidated financial statements as of December 31, 2005 related to these contingencies.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS  
AND MANAGEMENT**

The following table contains information about the beneficial ownership of our common stock for:

each stockholder known by us to beneficially own more than 5% of our common stock;

each of our directors;

each of our named executive officers; and

all directors and executive officers as a group.

The percentage of ownership indicated in the following table is based on 61,212,528 shares of common stock outstanding on April 10, 2006.

Information with respect to beneficial ownership has been furnished by each director and officer, and with respect to beneficial owners of more than 5% of our common stock, by Schedules 13D and 13G, filed with the SEC. Beneficial ownership is determined in accordance with the rules of the SEC by them. Except as indicated by footnote and subject to community property laws where applicable, to our knowledge, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days after April 10, 2006 are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

<b>5% Stockholders, Officers and Directors</b>	<b>Beneficial Ownership(1)</b>	
	<b>Number of Shares</b>	<b>Percent of Total</b>
Entities affiliated with Highland Capital Management, L.P.(2)	5,104,271	8.3
MHR Institutional Partners II LP(3)	3,340,378	5.5
MHR Institutional Partners IIA LP(3)	8,415,428	13.7
Entities affiliated with Iridian Asset Management LLC(4)	3,221,900	5.3
Entities affiliated with Ameriprise Financial, Inc.(5)	3,068,509	5.0
James D. Dondero(6)(8)	5,121,771	8.4
Mark H. Rachesky, M.D.(7)(8)	11,776,506	19.2
John D. Harkey, Jr.(8)	7,500	*
Robert V. LaPenta(8)(9)	12,500	*
Michael B. Targoff(8)	23,166	*
S. Douglas Hutcheson(10)	118,045	*
Glenn T. Umetsu(11)	81,560	*
Albin F. Moschner(12)	35,000	*
Dean M. Luvisa(13)	27,375	*
Leonard C. Stephens(14)	37,171	*
William M. Freeman	0	*

All executive officers and directors as a group (15 persons)	17,333,846	28.3
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\* Represents beneficial ownership of less than 1.0% of the outstanding shares of common stock.

(1) Unless otherwise indicated, the address for each person or entity named below is c/o Leap Wireless International, Inc., 10307 Pacific Center Court, San Diego, California 92121.

(2) Consists of (a) 76,137 shares of common stock held by Columbia Floating Rate Advantage Fund ( Columbia Advantage ); (b) 76,137 shares of common stock held by Columbia Floating Rate Limited Liability Company ( Columbia LLC ); (c) 2,309,794 shares of common stock held by Highland Crusader Offshore Partners, L.P. ( Crusader ); (d) 190,342 shares of common stock held by Highland Loan Funding V, Ltd. ( HLF ); (e) 194,148 shares of common stock held by Highland Legacy, Limited ( Legacy ); (f) 52,504 shares of common stock held by PAM Capital Funding, L.P. ( PAM Capital ); (g) 951,750 shares of common stock held by Highland Equity Focus Fund, L.P. ( Focus ), (h) 214,711 shares of common stock held by Highland CDO Opportunity Fund, Ltd. ( CDO Fund ) and



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- (i) 1,038,748 shares of common stock held in accounts for which Highland Capital Management, L.P. ( HCMLP ) has investment discretion. HCMLP is the investment manager for CDO Fund, Focus, Columbia Advantage, Columbia LLC and Crusader. Pursuant to certain management agreements, HCMLP serves as collateral manager for HLF, Legacy, and PAM Capital. Strand Advisors, Inc. ( Strand ) is the general partner of HCMLP. Mr. Dondero is a director and the President of Strand. Mr. Dondero also serves as a director of Leap. HCMLP, Strand and Mr. Dondero expressly disclaim beneficial ownership of the securities described above, except to the extent of their pecuniary interest therein. The address for Strand, Focus, Columbia Advantage, Columbia LLC, Crusader, HCMLP and Mr. Dondero is Two Galleria Tower, 13455 Noel Road, Suite 1300, Dallas, Texas 75240. The address for HLF, Legacy, CDO Fund, and PAM Capital is P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (3) Consists of (a) 3,340,378 shares of common stock held for the account of MHR Institutional Partners II LP, a Delaware limited partnership ( Institutional Partners II ) and (b) 8,415,428 shares of common stock held for the account of MHR Institutional Partners IIA LP, a Delaware limited partnership ( Institutional Partners IIA ). MHR Institutional Advisors II LLC ( Institutional Advisors ) is the general partner of Institutional Partners II and Institutional Partners IIA. In such capacity, Institutional Advisors may be deemed to be the beneficial owner of these shares of common stock. The address for this entity is 40 West 57th Street, 24th Floor, New York, New York 10019.
- (4) The address for this entity is 276 Post Road West, Westport, Connecticut 06880. Mr. Jeffrey M. Elliott is Executive Vice President of Iridian Asset Management LLC ( Iridian ), a limited liability company. Iridian has direct beneficial ownership and serves as the investment adviser under investment management agreements with The Governor and Company of the Bank of Ireland (the Bank of Ireland ), an Ireland corporation, IBI Interfunding ( IBI ), an Ireland corporation, BancIreland/First Financial, Inc. ( BancIreland ), a New Hampshire corporation, and BIAM (US) Inc., a Delaware corporation, and has direct power to vote or dispose of the aggregate securities held by this group. BIAM (US) Inc., as the controlling member of Iridian, may be deemed to possess beneficial ownership of the shares of common stock owned by Iridian. BancIreland, as the sole shareholder of BIAM (US) Inc., may be deemed to possess beneficial ownership of the shares of common stock beneficially owned by BIAM (US) Inc. IBI, as the sole shareholder of BancIreland, may be deemed to possess beneficial ownership of the shares of common stock beneficially owned by BancIreland. The Bank of Ireland, as the sole shareholder of IBI, may be deemed to possess beneficial ownership of the shares of common stock beneficially owned by IBI. The address for Bank of Ireland and IBI is Head Office, Lower Baggot Street, Dublin 2, Ireland. The address for BancIreland and BIAM (US) Inc. is Liberty Park #15, 282 Route 101, Amherst, New Hampshire 03110.
- (5) The address for this entity is 145 Ameriprise Financial Center, Minneapolis, Minnesota 55474. Mr. Steve Turbenson is the Director of Fund Administration of Ameriprise Financial, Inc. ( Ameriprise ), a Delaware corporation, which is the parent company of Ameriprise Trust Company, a trust organized under the laws of the State of Minnesota, RiverSource Funds, an investment company, and RiverSource Investments, LLC, an investment adviser. As the parent company, Ameriprise may be deemed to be the beneficial owner of the shares of common stock. Ameriprise, and each of its subsidiaries, disclaims beneficial ownership of any of these shares.
- (6) Consists of the shares in footnote 2 above. Mr. Dondero is the President and a director of Strand and as such, he may be deemed to be an indirect beneficial owner of these shares. Mr. Dondero disclaims beneficial ownership of the shares of common stock held by these entities, except to the extent of his pecuniary interest therein. The address for Mr. Dondero is Two Galleria Tower, 13455 Noel Road, Suite 1300, Dallas, Texas 75240.
- (7) Consists of the shares in footnote 3 above. Dr. Rachesky is the managing member of Institutional Advisors and as such, he may be deemed to be a beneficial owner of these shares. Dr. Rachesky disclaims beneficial

ownership of the shares of common stock held by these entities. The address for Dr. Rachesky is 40 West 57th Street, 24th Floor, New York, New York 10019.

- (8) Includes shares issuable upon exercise of options, as follows: Mr. Dondero, 17,500 shares; Dr. Rachesky, 20,700 shares; Mr. Harkey, 7,500 shares; Mr. Targoff, 23,166 shares; and Mr. LaPenta, 7,500 shares.
- (9) Includes 5,000 shares held by a corporation which is wholly owned by Mr. LaPenta. Mr. LaPenta has the power to vote and dispose of such shares by virtue of his serving as an officer and director thereof.
- (10) Includes restricted stock awards for 90,000 shares which vest on February 28, 2008 and restricted stock awards for 9,487 shares which vest on December 31, 2008, in each case subject to certain conditions and accelerated vesting, as described under Management Employment Agreements Amended and Restated Executive Employment Agreement with S. Douglas Hutcheson.
- (11) Includes restricted stock awards for 76,560 shares which vest on February 28, 2008, subject to certain conditions and accelerated vesting, as described under Management Employee Benefit Plans Awards to Executives under the 2004 Plan.
- (12) Includes restricted stock awards for 20,000 shares which vest on February 28, 2008 and restricted stock awards for 15,000 shares which vest on October 26, 2010, subject to certain conditions and accelerated vesting as described under Management Employee Benefit Plans Awards to Executives under the 2004 Plan.
- (13) Includes restricted stock awards for 23,150 shares which vest on February 28, 2008, subject to certain conditions and accelerated vesting as described under Management Employee Benefit Plans Awards to Executives under the 2004 Plan.
- (14) Includes restricted stock awards for 24,750 shares which vest on February 28, 2008 and 7,050 shares which vest on November 15, 2006, subject to certain conditions and accelerated vesting as described under Management Employee Benefit Plans Awards to Executives under the 2004 Plan.

**Table of Contents****SELLING STOCKHOLDERS**

The following table provides the name of each selling stockholder and the number of shares of our common stock offered by each selling stockholder under this prospectus. The information regarding shares beneficially owned after the offering assumes the sale of all shares offered by the selling stockholders.

The selling stockholders do not have any position, office or other material relationship with us or any of our affiliates, nor have they had any position, office or material relationship with us or any of our affiliates within the past three years, except for those listed in the footnotes to the following table or under **Related Party Transactions** beginning on page 84. The number of shares beneficially owned by each stockholder and each stockholder's percentage ownership prior to the offering is based on their outstanding shares of common stock as of April 10, 2006. The percentage of ownership indicated in the following table is based on 61,212,528 shares of common stock outstanding on April 10, 2006.

Information with respect to beneficial ownership has been furnished by each selling stockholder. Beneficial ownership is determined in accordance with the rules of the SEC. Except as indicated by footnote and subject to community property laws where applicable, to our knowledge, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Selling Stockholders:	Beneficial Ownership				
	Number of Shares Beneficially Owned Prior to Offering	Number of Shares Being Offered	Number of Shares Beneficially Owned After Offering	Percentage of Shares Beneficially Owned	
				Before Offering	After Offering
Columbia Floating Rate Limited Liability Company(1)	76,137	76,137	-0-	*	0%
Highland Crusader Offshore Partners, L.P.(1)	2,309,794	2,309,794	-0-	3.8%	0%
Columbia Floating Rate Advantage Fund(1)	76,137	76,137	-0-	*	0%
Highland Loan Funding V, Ltd.(2)	190,342	190,342	-0-	*	0%
Highland Legacy, Limited(2)	194,148	194,148	-0-	*	0%
Highland CDO Opportunity Fund, Ltd.(1)	214,711	214,711	-0-	*	0%
PAM Capital Funding, L.P.(2)	52,504	52,504	-0-	*	0%
Highland Equity Focus Fund, L.P.(1)	951,750	951,750	-0-	1.6%	0%
Highland Capital Management, L.P.(1)(2)(3)	1,038,748	1,038,748	-0-	1.7%	0%
MHR Institutional Partners II LP(4)	3,340,378	3,340,378	-0-	5.5%	0%
MHR Institutional Partners IIA LP(4)	8,415,428	8,415,428	-0-	13.7%	0%
<b>Total</b>	<b>16,860,077</b>	<b>16,860,077</b>	<b>-0-</b>	<b>27.5%</b>	<b>0%</b>

\* denotes less than 1%

- (1) Highland Capital Management, L.P. ( HCMLP ) is the investment manager for Highland CDO Opportunity Fund, Ltd., Highland Equity Focus Fund, L.P., Columbia Floating Rate Advantage Fund, Columbia Floating Rate Limited Liability Company, and Highland Crusader Offshore Partners, L.P. Strand Advisors, Inc. ( Strand ) is the general partner of HCMLP. Mr. James D. Dondero is a director and the President of Strand, and in that capacity, may be deemed to have or share voting control over the Leap common stock held by these selling stockholders. Mr. Dondero also serves as a director of Leap. HCMLP, Strand and Mr. Dondero expressly disclaim beneficial ownership of the securities described above, except to the extent of their pecuniary interest therein.
- (2) Pursuant to certain management agreements, HCMLP serves as collateral manager for Highland Loan Funding V, Ltd., Highland Legacy, Limited, and PAM Capital Funding, L.P. Strand is the general partner of HCMLP. Mr. Dondero is a director and the President of Strand, and in that capacity, may be deemed to have or share voting control over the Leap common stock held by these selling stockholders. Mr. Dondero also serves as a director of Leap. HCMLP, Strand and Mr. Dondero expressly disclaim beneficial ownership of the securities described above, except to the extent of their pecuniary interest therein.
- (3) Amounts listed for HCMLP reflect 1,038,748 shares of common stock in accounts for which HCMLP has investment discretion. HCMLP expressly disclaims beneficial ownership of such securities, except to the extent of its pecuniary interest therein. Amounts listed for HCMLP do not include 4,065,523 shares of common stock for which HCMLP may be deemed to have beneficial ownership, as more fully described in Notes (1) and (2) above. HCMLP expressly disclaims beneficial ownership of such securities, except to the extent of its pecuniary interest therein.

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- (4) MHR Institutional Advisors II LLC ( Institutional Advisors ) is the general partner of MHR Institutional Partners II LP and MHR Institutional Partners IIA LP. Dr. Mark H. Rachesky is the managing member of Institutional Advisors, and in such capacity, he exercises voting control over the Leap common stock held by these selling stockholders. Dr. Rachesky also serves as chairman of the board of directors of Leap. Each of Dr. Rachesky and Institutional Advisors may be deemed to be the beneficial owner of these securities. Dr. Rachesky disclaims beneficial ownership of these securities.

**PLAN OF DISTRIBUTION**

The selling stockholders, or their pledgees, donees, transferees, or any of their successors in interest selling shares received from a named selling stockholder as a gift, partnership distribution or other non-sale-related transfer after the date of this prospectus (all of whom may be selling stockholders), may sell the securities from time to time on any stock exchange or automated interdealer quotation system on which the securities are listed, in the over-the-counter market, in privately negotiated transactions or otherwise, at fixed prices that may be changed, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at prices otherwise negotiated. The selling stockholders may sell the securities by one or more of the following methods, without limitation:

- (a) block trades in which the broker or dealer so engaged will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- (b) purchases by a broker or dealer as principal and resale by the broker or dealer for its own account pursuant to this prospectus;
- (c) an exchange distribution in accordance with the rules of any stock exchange on which the securities are listed;
- (d) ordinary brokerage transactions and transactions in which the broker solicits purchases;
- (e) privately negotiated transactions;
- (f) short sales;
- (g) through the writing of options on the securities, whether or not the options are listed on an options exchange;
- (h) through the distribution of the securities by any selling stockholder to its partners, members or stockholders;
- (i) one or more underwritten offerings on a firm commitment or best efforts basis; and
- (j) any combination of any of these methods of sale.

The selling stockholders may also transfer the securities by gift. We do not know of any arrangements by the selling stockholders for the sale of any of the securities.

The selling stockholders may engage brokers and dealers, and any brokers or dealers may arrange for other brokers or dealers to participate in effecting sales of the securities. These brokers, dealers or underwriters may act as principals, or as an agent of a selling stockholder. Broker-dealers may agree with a selling stockholder to sell a specified number of the securities at a stipulated price per security. If the broker-dealer is unable to sell securities acting as agent for a selling stockholder, it may purchase as principal any unsold securities at the stipulated price. Broker-dealers who acquire securities as principals may thereafter resell the securities from time to time in transactions on any stock exchange or automated interdealer quotation system on which the securities are then listed, at prices and on terms then

prevailing at the time of sale, at prices related to the then-current market price or in negotiated transactions. Broker-dealers may use block transactions and sales to and through broker-dealers, including transactions of the nature described above. The selling stockholders may also sell the securities in accordance with Rule 144 under the Securities Act of 1933, as amended, rather than pursuant to this prospectus, regardless of whether the securities are covered by this prospectus.

From time to time, one or more of the selling stockholders may pledge, hypothecate or grant a security interest in some or all of the securities owned by them. The pledgees, secured parties or persons to whom the securities have

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been hypothecated will, upon foreclosure in the event of default, be deemed to be selling stockholders. As and when a selling stockholder takes such actions, the number of securities offered under this prospectus on behalf of such selling stockholder will decrease. The plan of distribution for that selling stockholder's securities will otherwise remain unchanged. In addition, a selling stockholder may, from time to time, sell the securities short, and, in those instances, this prospectus may be delivered in connection with the short sales and the securities offered under this prospectus may be used to cover short sales.

To the extent required under the Securities Act of 1933, as amended, the aggregate amount of selling stockholders securities being offered and the terms of the offering, the names of any agents, brokers, dealers or underwriters and any applicable commission with respect to a particular offer will be set forth in an accompanying prospectus supplement. Any underwriters, dealers, brokers or agents participating in the distribution of the securities may receive compensation in the form of underwriting discounts, concessions, commissions or fees from a selling stockholder and/or purchasers of selling stockholders' securities for whom they may act (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The selling stockholders and any underwriters, brokers, dealers or agents that participate in the distribution of the securities may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, and any discounts, concessions, commissions or fees received by them and any profit on the resale of the securities sold by them may be deemed to be underwriting discounts and commissions.

A selling stockholder may enter into hedging transactions with broker-dealers and the broker-dealers may engage in short sales of the securities in the course of hedging the positions they assume with that selling stockholder, including, without limitation, in connection with distributions of the securities by those broker-dealers. A selling stockholder may enter into option or other transactions with broker-dealers that involve the delivery of the securities offered hereby to the broker-dealers, who may then resell or otherwise transfer those securities. A selling stockholder may also loan or pledge the securities offered hereby to a broker-dealer and the broker-dealer may sell the securities offered hereby so loaned or upon a default may sell or otherwise transfer the pledged securities offered hereby.

A selling stockholder may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by the selling stockholder or borrowed from the selling stockholder or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from the selling stockholder in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment).

The selling stockholders and other persons participating in the sale or distribution of the securities will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including Regulation M. This regulation may limit the timing of purchases and sales of any of the securities by the selling stockholders and any other person. The anti-manipulation rules under the Securities Exchange Act of 1934 may apply to sales of securities in the market and to the activities of the selling stockholders and their affiliates. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution of the securities to engage in market-making activities with respect to the particular securities being distributed for a period of up to five business days before the distribution. These restrictions may affect the marketability of the securities and the ability of any person or entity to engage in market-making activities with respect to the securities.

We have agreed to indemnify in certain circumstances the selling stockholders and any brokers, dealers and agents (who may be deemed to be underwriters), if any, of the securities covered by the registration statement, against certain liabilities, including liabilities under the Securities Act of 1933, as amended. The selling stockholders have agreed to indemnify us in certain circumstances against certain liabilities, including liabilities under the Securities Act of 1933, as amended.



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The securities offered hereby were originally issued to the selling stockholders pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended. We agreed to register the securities under the Securities Act of 1933, as amended, and to keep the registration statement of which this prospectus is a part effective for a specified period of time. We have agreed to pay all expenses in connection with this offering, including the fees and expenses of counsel to the selling stockholders, but not including underwriting discounts, concessions, commissions or fees of the selling stockholders.

We will not receive any proceeds from sales of any securities by the selling stockholders.

We cannot assure you that the selling stockholders will sell all or any portion of the securities offered hereby.

## **RELATED PARTY TRANSACTIONS**

In August 2004, we entered into a registration rights agreement with certain holders of Leap's common stock, including MHR Institutional Partners II LP, MHR Institutional Partners IIA LP (these entities are affiliated with Mark H. Rachesky, M.D., one of Leap's directors) and Highland Capital Management, L.P. (this entity is affiliated with James D. Dondero, one of Leap's directors), whereby we granted them registration rights with respect to the shares of common stock issued to them on the effective date of our plan of reorganization.

Pursuant to this registration rights agreement, we are required to register for sale shares of common stock held by these holders upon demand of a holder of a minimum of 15% of our common stock on the effective date of the plan of reorganization or when we register for sale to the public shares of our common stock. We are also required to effect a resale shelf registration statement, of which this prospectus forms a part, pursuant to which these holders may sell certain of their shares of common stock on a delayed or continuous basis. We are obligated to pay all the expenses of registration, other than underwriting fees, discounts and commissions. The registration rights agreement contains cross-indemnification provisions, pursuant to which we are obligated to indemnify the selling stockholders in the event of material misstatements or omissions in a registration statement that are attributable to us, and they are obligated to indemnify us for material misstatements or omissions attributable to them.

On January 10, 2005, Leap entered into a senior secured Credit Agreement for a six-year \$500 million term loan and a \$110 million revolving credit facility with a syndicate of lenders and Bank of America, N.A. (as administrative agent and letter of credit issuer). The Credit Agreement was amended on July 22, 2005 to, among other things, increase the amount of the term loan by \$100 million, which was fully drawn on that date. Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) have participated in the syndication of our Credit Agreement, as amended, in the following initial amounts: \$100 million of the initial \$500 million term loan; \$30 million of the \$110 million revolving credit facility; and \$9 million of the additional \$100 million term loan.

## **DESCRIPTION OF CAPITAL STOCK**

Leap's authorized capital stock consists of 160,000,000 shares of common stock, \$0.0001 par value per share, and 10,000,000 shares of preferred stock, \$0.0001 par value per share.

The following summary of the rights of Leap's common stock and preferred stock is not complete and is qualified in its entirety by reference to our amended and restated certificate of incorporation and amended and restated bylaws, copies of which are filed as exhibits to Leap's resale shelf registration statement on Form S-1, of which this prospectus forms a part.

## **Common Stock**

As of April 10, 2006, there were 61,212,528 shares of common stock outstanding.

As of April 10, 2006, there were warrants outstanding to purchase 600,000 shares of Leap s common stock.

As of April 10, 2006, Leap had approximately 159 record holders of Leap s common stock.

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### ***Voting Rights***

Holders of Leap's common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock are not entitled to cumulative voting rights with respect to the election of directors, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election.

### ***Dividends***

Subject to limitations under Delaware law and preferences that may apply to any outstanding shares of preferred stock, holders of Leap's common stock are entitled to receive ratably such dividends or other distribution, if any, as may be declared by Leap's board of directors out of funds legally available therefor.

### ***Liquidation***

In the event of our liquidation, dissolution or winding up, holders of Leap's common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the liquidation preference of any outstanding preferred stock.

### ***Rights and Preferences***

The common stock has no preemptive, conversion or other rights to subscribe for additional securities. There are no redemption or sinking fund provisions applicable to Leap's common stock. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that Leap may designate and issue in the future.

### ***Fully Paid and Nonassessable***

All outstanding shares of Leap's common stock are, validly issued, fully paid and nonassessable.

### **Preferred Stock**

Leap's board of directors is authorized, subject to the limits imposed by the Delaware General Corporation Law, to issue up to 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any of its qualifications, limitations and restrictions. Leap's board of directors can also increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by Leap's stockholders.

Leap's board of directors may authorize the issuance of preferred stock with voting or conversion rights that adversely affect the voting power or other rights of Leap's common stockholders. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, financings and other corporate purposes, could have the effect of delaying, deferring or preventing our change in control and may cause the market price of Leap's common stock to decline or impair the voting and other rights of the holders of Leap's common stock. We have no current plans to issue any shares of preferred stock. At April 10, 2006, Leap had no shares of preferred stock outstanding.

### **Warrants**

As of April 10, 2006, there were warrants outstanding to purchase 600,000 shares of our capital stock. The warrants expire on March 23, 2009. These warrants have an exercise price of \$16.83 per share and contain customary

anti-dilution and net-issuance provisions.

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### **Registration Rights Agreement with the Selling Holders**

Under a registration rights agreement, as amended, certain of Leap's stockholders have the right to require us to register their shares with the SEC so that those shares may be publicly resold, or to include their shares in any registration statement we file as follows:

#### ***Demand Registration Rights***

At any time after June 30, 2005, any holder who is a party to the registration rights agreement and who holds a minimum of 15% of the common stock covered by the registration rights agreement, has the right to demand that we file a registration statement covering the resale of its common stock, subject to a maximum of three such demands in the aggregate for all holders and to other specified exceptions. The underwriters of any such offering will have the right to limit the number of shares to be offered except that if the limit is imposed, then only shares held by holders who are parties to the registration rights agreement will be included in such offering and the number of shares to be included in such offering will be allocated pro rata among those same parties.

#### ***Piggyback Registration Rights***

If we register any securities for public sale, stockholders with registration rights will have the right to include their shares in the registration statement. The underwriters of any underwritten offering will have the right to limit the number of such shares to be included in the registration statement, except, in any underwritten offering that is not a demand registration, the number of shares held by these stockholders cannot be reduced to less than 50% of the total number of securities that are included in such registration statement.

#### ***Shelf Registration Rights***

Not later than June 30, 2005, we were required to file with the SEC a resale shelf registration statement covering all shares of common stock held by these stockholders to be offered to the public on a delayed or continuous basis, subject to specified exceptions. We have filed a resale shelf registration statement, of which this prospectus forms a part, pursuant to this registration rights agreement. We are required to keep this registration statement continuously effective until (a) all shares of common stock registered pursuant to the registration statement have been sold; (b) such shares of common stock have been sold or transferred in accordance with the provisions of Rule 144 promulgated under the Securities Act; (c) such shares of common stock are sold or transferred (other than in a transaction under (a) or (b) above) by these stockholders in a transaction in which the rights under this registration rights agreement are not assigned; (d) such shares of common stock are no longer outstanding; or (e) such shares of common stock may be sold or transferred by these stockholders or beneficial owners of such shares pursuant to Rule 144(k).

#### ***Expenses of Registration***

Other than underwriting fees, discounts and commissions, we will pay all reasonable expenses relating to piggyback registrations and all reasonable expenses relating to demand registrations.

#### ***Expiration of Registration Rights***

The registration rights described above will terminate for a particular holder when (a) all shares of common stock registered pursuant to the resale shelf registration statement, of which this prospectus forms a part, have been sold; (b) such shares of common stock have been sold or transferred in accordance with the provisions of Rule 144 promulgated under the Securities Act; (c) such shares of common stock are sold or transferred (other than in a transaction under (a) or (b) above) by these stockholders in a transaction in which the rights under this registration

rights agreement are not assigned; (d) such shares of common stock are no longer outstanding; or (e) such shares of common stock may be sold or transferred by these stockholders or beneficial owners of such shares pursuant to Rule 144(k).

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**Registration Rights Granted to CSM in Connection with LCW Wireless Transaction**

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

We have agreed to prepare and file a resale shelf registration statement for any shares of Leap common stock that may be issued to CSM upon the exercise of CSM's option to put its entire equity interest in LCW Wireless to Cricket. See *Business Arrangements with LCW Wireless*. This resale shelf registration statement will cover these shares of common stock held by CSM to be offered to the public on a delayed or continuous basis, subject to specified exceptions. We also have agreed to use our reasonable efforts to cause such resale shelf registration statement to be declared effective by the SEC. We are required to keep this resale registration statement continuously effective until (a) all such shares of common stock registered pursuant to the registration statement have been resold; or (b) all such shares of common stock may be sold or transferred pursuant to Rule 144. Other than underwriting fees, discounts and commissions, the fees and disbursements of counsel retained by CSM and transfer taxes, if any, we will pay all reasonable expenses incident to the registration of such shares.

**Anti-takeover Effects of Delaware Law and Provisions of Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws**

***Delaware Takeover Statute***

We are subject to Section 203 of the Delaware General Corporation Law. This statute regulating corporate takeovers prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for three years following the date that the stockholder became an interested stockholder, unless:

prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

on or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;

subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; or



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the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

***Amended and Restated Certificate of Incorporation and Amended and Restated Bylaw Provisions***

Provisions of Leap's amended and restated certificate of incorporation and amended and restated bylaws, may have the effect of making it more difficult for a third-party to acquire, or discourage a third-party from attempting to acquire, control of our company by means of a tender offer, a proxy contest or otherwise. These provisions may also make the removal of incumbent officers and directors more difficult. These provisions are intended to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of Leap to first negotiate with us. These provisions could also limit the price that investors might be willing to pay for shares of Leap's common stock. These provisions may make it more difficult for stockholders to take specific corporate actions and could have the effect of delaying or preventing a change in control of the company. The amendment of any of these anti-takeover provisions would require approval by holders of at least 66 $\frac{2}{3}$ % of our outstanding common stock entitled to vote on such amendment.

In particular, Leap's certificate of incorporation and bylaws as amended and restated, provide for the following:

***No Written Consent of Stockholders***

Any action to be taken by Leap's stockholders must be effected at a duly called annual or special meeting and may not be effected by written consent.

***Special Meetings of Stockholders***

Special meetings of Leap's stockholders may be called only by the chairman of the board of directors, the chief executive officer or president, or a majority of the members of the board of directors.

***Advance Notice Requirement***

Stockholder proposals to be brought before an annual meeting of Leap's stockholders must comply with advance notice procedures. These advance notice procedures require timely notice and apply in several situations, including stockholder proposals relating to the nominations of persons for election to the board of directors. Generally, to be timely, notice must be received at our principal executive offices not less than 70 days nor more than 90 days prior to the first anniversary date of the annual meeting for the preceding year.

***Amendment of Bylaws and Certificate of Incorporation***

The approval of not less than 66 $\frac{2}{3}$ % of the outstanding shares of Leap's capital stock entitled to vote is required to amend the provisions of Leap's amended and restated bylaws by stockholder action, or to amend provisions of Leap's amended and restated certificate of incorporation described in this section or that are described in Employee Benefit Plans Indemnification of Directors and Executive Officers and Limitation on Liability above. These provisions make it more difficult to circumvent the anti-takeover provisions of Leap's certificate of incorporation and bylaws.

***Issuance of Undesignated Preferred Stock***

Leap's board of directors is authorized to issue, without further action by the stockholders, up to 10,000,000 shares of preferred stock with rights and preferences, including voting rights, designated from time to time by the board of directors. The existence of authorized but unissued shares of preferred stock enables Leap's board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

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**Transfer Agent and Registrar**

The transfer agent and registrar for Leap's common stock is Mellon Bank Investor Services, LLC.

**Nasdaq National Market**

Leap's common stock is listed for trading on the Nasdaq National Market under the symbol LEAP.

**LEGAL MATTERS**

The validity of the shares of common stock offered by this prospectus has been passed upon for us by Latham & Watkins LLP, San Diego, California.

**EXPERTS**

The consolidated financial statements of Leap (Successor Company) as of December 31, 2005 and 2004 and for the year ended December 31, 2005 and the five months ended December 31, 2004 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) as of December 31, 2005 included in this prospectus have been so included in reliance on the report (which contains explanatory paragraphs related to our emergence from bankruptcy and the restatement of Leap's 2004 consolidated financial statements and contains an adverse opinion on the effectiveness of internal control over financial reporting) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as an expert in auditing and accounting.

The consolidated financial statements of Leap (Predecessor Company) for the seven months ended July 31, 2004 and the year ended December 31, 2003 included in this prospectus have been so included in reliance on the report (which contains an explanatory paragraph related to our emergence from bankruptcy) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as an expert in auditing and accounting.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus, which is a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information with respect to us and the common stock offered by this prospectus, please see the registration statement and the exhibits and schedules filed with the registration statement. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedules filed with the registration statement may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, NE, Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from such offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the website is [www.sec.gov](http://www.sec.gov).

We are subject to the information and periodic reporting requirements of the Exchange Act and, in accordance therewith, we file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy

statements and other information are available for inspection and copying at the public reference room and website of the SEC referred to above. We maintain a website at *www.leapwireless.com*. You may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act with the SEC free of charge at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The reference to our web address does not constitute incorporation by reference of the information contained at such site.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have completed an integrated audit of Leap Wireless International, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005 and an audit of its 2004 consolidated financial statements 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, 2005 and 2004, and the results of their operations and their cash flows for the year ended December 31, 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 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, the Company has restated its 2004 consolidated financial statements.

***Internal Control Over Financial Reporting***

Also, we have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Leap Wireless International, Inc. did not maintain effective internal control over financial reporting as of December 31, 2005 because (1) the Company did not maintain a sufficient complement of personnel with the appropriate skills, training and Company-specific experience in its accounting, financial reporting and tax functions and (2) the Company did not maintain effective internal controls surrounding the preparation of its income tax provision 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.

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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 control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses have been identified and included in management's assessment as of December 31, 2005:

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

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

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2005 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.





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In our opinion, management's assessment that Leap Wireless International, Inc. did not maintain effective internal control over financial reporting as of December 31, 2005 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 effects of the material weaknesses 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, 2005 based on criteria established in *Internal Control - Integrated Framework* issued by the COSO.

PricewaterhouseCoopers LLP

San Diego, California

March 21, 2006

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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 and the year ended December 31, 2003, 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 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 and substantially all of its subsidiaries voluntarily filed a petition 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 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

**Table of Contents****LEAP WIRELESS INTERNATIONAL, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except share data)**

	<b>Successor Company</b>	
	<b>December</b>	<b>December 31,</b>
	<b>31,</b>	<b>2004</b>
	<b>2005</b>	<b>(As Restated)</b>
		<b>(See Note 3)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 293,073	\$ 141,141
Short-term investments	90,981	113,083
Restricted cash, cash equivalents and short-term investments	13,759	31,427
Inventories	37,320	25,816
Other current assets	29,237	37,531
Total current assets	464,370	348,998
Property and equipment, net	621,946	575,486
Wireless licenses	821,288	652,653
Assets held for sale (Note 11)	15,145	
Goodwill	431,896	457,637
Other intangible assets, net	113,554	151,461
Deposits for wireless licenses		24,750
Other assets	38,119	9,902
Total assets	\$ 2,506,318	\$ 2,220,887
<b>Liabilities and Stockholders Equity</b>		
Accounts payable and accrued liabilities	\$ 167,770	\$ 91,093
Current maturities of long-term debt (Note 7)	6,111	40,373
Other current liabilities	49,627	71,770
Total current liabilities	223,508	203,236
Long-term debt (Note 7)	588,333	371,355
Other long-term liabilities	178,359	176,240
Total liabilities	990,200	750,831
Minority interest	1,761	
Commitments and contingencies (Note 13)		
Stockholders equity:		

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Preferred stock authorized 10,000,000 shares, \$.0001 par value; no shares issued and outstanding		
Common stock authorized 160,000,000 shares, \$.0001 par value; 61,202,806 and 60,000,000 shares issued and outstanding at December 31, 2005 and 2004, respectively	6	6
Additional paid-in capital	1,511,580	1,478,392
Unearned stock-based compensation	(20,942)	
Retained earnings (accumulated deficit)	21,575	(8,391)
Accumulated other comprehensive income	2,138	49
Total stockholders equity	1,514,357	1,470,056
Total liabilities and stockholders equity	\$ 2,506,318	\$ 2,220,887

See accompanying notes to consolidated financial statements.

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Table of Contents**LEAP WIRELESS INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)**

	<b>Successor Company</b>	<b>Predecessor Company</b>		
	<b>Year Ended</b>	<b>Five Months Ended</b>	<b>Seven Months Ended</b>	<b>Year Ended</b>
	<b>December 31, 2005</b>	<b>December 31, 2004</b>	<b>July 31, 2004</b>	<b>December 31, 2003</b>
		<b>(As Restated)</b>		
		<b>(See Note 3)</b>		
Revenues:				
Service revenues	\$ 763,680	\$ 285,647	\$ 398,451	\$ 643,566
Equipment revenues	150,983	58,713	83,196	107,730
Total revenues	914,663	344,360	481,647	751,296
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(200,430)	(79,148)	(113,988)	(199,987)
Cost of equipment	(192,205)	(82,402)	(97,160)	(172,235)
Selling and marketing	(100,042)	(39,938)	(51,997)	(86,223)
General and administrative	(159,249)	(57,110)	(81,514)	(162,378)
Depreciation and amortization	(195,462)	(75,324)	(178,120)	(300,243)
Impairment of indefinite-lived intangible assets	(12,043)			(171,140)
Loss on disposal of property and equipment				(24,054)
Total operating expenses	(859,431)	(333,922)	(522,779)	(1,116,260)
Gain on sale of wireless licenses and operating assets	14,587		532	4,589
Operating income (loss)	69,819	10,438	(40,600)	(360,375)
Minority interest in loss of consolidated subsidiary	(31)			
Interest income	9,957	1,812		779
Interest expense (contractual interest expense was \$156.3 million for the seven months ended July 31, 2004 and \$257.5 million for the year ended December 31, 2003)	(30,051)	(16,594)	(4,195)	(83,371)
Other income (expense), net	1,423	(117)	(293)	(176)
Income (loss) before reorganization items and income taxes	51,117	(4,461)	(45,088)	(443,143)

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Reorganization items, net			962,444		(146,242)
Income (loss) before income taxes	51,117	(4,461)	917,356		(589,385)
Income taxes	(21,151)	(3,930)	(4,166)		(8,052)
Net income (loss)	\$ 29,966	\$ (8,391)	\$ 913,190	\$	(597,437)
Net income (loss) per share:					
Basic	\$ 0.50	\$ (0.14)	\$ 15.58	\$	(10.19)
Diluted	\$ 0.49	\$ (0.14)	\$ 15.58	\$	(10.19)
Shares used in per share calculations:					
Basic	60,135	60,000	58,623		58,604
Diluted	61,003	60,000	58,623		58,604

See accompanying notes to consolidated financial statements.

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Table of Contents**LEAP WIRELESS INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	<b>Successor Company</b>	<b>Predecessor Company</b>		
	<b>Year Ended</b>	<b>Five Months Ended</b>	<b>Seven Months Ended</b>	<b>Year Ended</b>
	<b>December 31, 2005</b>	<b>December 31, 2004</b>	<b>July 31, 2004</b>	<b>December 31, 2003</b>
		<b>(As Restated)</b>		
		<b>(See Note 3)</b>		
Operating activities:				
Net income (loss)	\$ 29,966	\$ (8,391)	\$ 913,190	\$ (597,437)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Non-cash stock-based compensation expense	12,245			243
Depreciation and amortization	195,462	75,324	178,120	300,243
Reorganization items, net			(962,444)	146,242
Deferred income tax expense	21,088	3,823	3,370	7,713
Impairment of indefinite-lived intangible assets	12,043			171,140
Loss on disposal of property and equipment				24,054
Gain on sale of wireless licenses and operating assets	(14,587)		(532)	(4,589)
Other	1,815		(805)	166
Changes in assets and liabilities:				
Inventories	(11,504)	8,923	(17,059)	12,723
Other assets	3,570	(21,132)	(5,343)	(5,910)
Accounts payable and accrued liabilities	57,101	(4,421)	4,761	24,575
Other liabilities	1,081	15,626	12,861	80,399
Net cash provided by operating activities before reorganization activities	308,280	69,752	126,119	159,562
Net cash used for reorganization activities			(5,496)	(115,129)
Net cash provided by operating activities	308,280	69,752	120,623	44,433
Investing activities:				
Purchases of property and equipment	(208,808)	(49,043)	(34,456)	(37,488)
Prepayments for purchases of property and equipment	(9,828)	5,102	1,215	(7,183)
Purchases of wireless licenses	(243,960)			
Proceeds from sale of wireless licenses and operating assets	108,800		2,000	4,722



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Purchases of investments	(307,021)	(47,368)	(87,201)	(134,245)
Sales and maturities of investments	329,043	32,494	58,333	144,188
Restricted cash, cash equivalents and investments, net	(338)	12,537	9,810	(26,525)
Net cash used in investing activities	(332,112)	(46,278)	(50,299)	(56,531)
Financing activities:				
Proceeds from long-term debt	600,000			
Repayment of long-term debt	(418,285)	(36,727)		(4,742)
Issuance of common stock, net				50
Minority interest	1,000			
Payment of debt issuance costs	(6,951)			
Net cash provided by (used in) financing activities	175,764	(36,727)		(4,692)
Net increase (decrease) in cash and cash equivalents	151,932	(13,253)	70,324	(16,790)
Cash and cash equivalents at beginning of period	141,141	154,394	84,070	100,860
Cash and cash equivalents at end of period	\$ 293,073	\$ 141,141	\$ 154,394	\$ 84,070

See accompanying notes to consolidated financial statements.

**Table of Contents****LEAP WIRELESS INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)**  
**(In thousands, except share data)**

	<b>Common Stock</b>		<b>Additional</b>	<b>Unearned</b>	<b>Retained</b>	<b>Accumulated</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Paid-In</b>	<b>Stock-Based</b>	<b>Earnings</b>	<b>Other</b>	<b>Total</b>
			<b>Capital</b>	<b>Compensation</b>	<b>(Accumulated</b>	<b>Comprehensive</b>	
					<b>Deficit)</b>	<b>Income</b>	
						<b>(Loss)</b>	
Predecessor Company balance at December 31, 2002	58,704,189	\$ 6	\$ 1,156,379	\$ (986)	\$ (1,450,994)	\$ (1,191)	\$ (296,786)
Components of comprehensive loss:							
Net loss					(597,437)		(597,437)
Net unrealized holding gains on investments						271	271
Comprehensive loss							(597,166)
Issuance of common stock under stock-based compensation plans	35		353				353
Unearned stock-based compensation			(322)	322			
Amortization of stock-based compensation				243			243
Predecessor Company balance at December 31, 2003	58,704,224	6	1,156,410	(421)	(2,048,431)	(920)	(893,356)
Components of comprehensive income:							
Net income					913,190		913,190
Net unrealized holding gains on investments						47	47
Comprehensive income							913,237
Issuance of common stock under stock-based compensation plans			31				31
Unearned stock-based compensation			(1,205)	1,205			

Amortization of stock-based compensation				(837)			(837)
Application of fresh-start reporting:							
Elimination of Predecessor Company common stock	(58,704,224)	(6)	(1,155,236)	53		873	(1,154,316)
Issuance of Successor Company common stock and fresh-start adjustments	60,000,000	6	1,478,392		1,135,241		2,613,639
Successor Company balance at August 1, 2004	60,000,000	6	1,478,392				1,478,398
Components of comprehensive loss:							
Net loss (as restated)					(8,391)		(8,391)
Net unrealized holding gains on investments (as restated)						49	49
Comprehensive loss (as restated)							(8,342)
Successor Company balance at December 31, 2004 (as restated)	60,000,000	6	1,478,392		(8,391)	49	1,470,056
Components of comprehensive income:							
Net income					29,966		29,966
Net unrealized holding losses on investments						(57)	(57)
Unrealized gains on derivative instruments						2,146	2,146
Comprehensive income							32,055
Issuance of common stock under stock-based compensation plans	1,202,806		6,871				6,871
Unearned stock-based compensation			26,317	(26,317)			