Blackstone Group L.P.
Form 40-6B/A
May 14, 2009
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File No. 813-00375

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO APPLICATION FOR AN ORDER

UNDER SECTIONS 6(b) AND 6(e)

OF THE INVESTMENT COMPANY ACT OF 1940

of

THE BLACKSTONE GROUP L.P.

(Exact name of applicant as specified in charter)

345 Park Avenue

New York, NY 10154

(Address of principal executive offices)

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Application pursuant to Sections 6(b) and 6(e) of the Investment Company Act of 1940.

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GLOSSARY

Terms defined throughout the text of this Application have been collected in this Glossary for the convenience of the reader. Please refer to the definitions found in the text of this Application.

Advisers Act means the Investment Advisers Act of 1940, as amended.

Advisory Person means any person who is not an employee, officer or director of Blackstone or is an entity outside of Blackstone and is an affiliated person of a Partnership as defined in Section 2(a)(3)(E) of the 1940 Act.

Affiliate has the meaning found in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended.

Applicant means the Company.

Application means this amended application for the Order.

Blackstone means the Company, together with any Affiliate of the Company.

Blackstone Third Party Fund means an investment fund or separate account, organized primarily for the benefit of investors who are not affiliated with Blackstone, over which a Blackstone entity exercises investment discretion or which is sponsored by a Blackstone entity.

Board means the General Partner or board of directors (or similar body) of the General Partner or any committee serving similar functions of the General Partner.

Co-Investor means with respect to any Partnership any person who is (i) an affiliated person (as such term is defined in the 1940 Act) of such Partnership (other than a Blackstone Third Party Fund); (ii) a Blackstone entity; (iii) an officer, director or partner of a Blackstone entity; or (iv) an entity (other than a Blackstone Third Party Fund) in which the General Partner or an Affiliate acts as a general partner or has a similar capacity to control the sale or other disposition of the entity s securities.

Commission means the Securities and Exchange Commission.

Company means The Blackstone Group L.P., a Delaware limited partnership.

Consultants means persons or entities whom Blackstone has engaged on retainer to provide services and professional expertise on an ongoing basis as regular consultants or business or legal advisors to Blackstone.

Eligible Employee means (a) an individual who (i) is a current or former employee, officer, director or current Consultant of Blackstone and (ii) except for a maximum of 35 employees described in this Application, meets the standards of an accredited investor under Rule 501(a)(5) or (6) of Regulation D or (b) an entity that (i) is a current Consultant of Blackstone and (ii) meets the standards of an accredited investor under Rule 501(a) of Regulation D.

Eligible Family Member means a spouse, parent, child, spouse of child, brother, sister or grandchild of an Eligible Employee, including step and adoptive relationships.

General Partner means an Affiliate of the Company that acts as a general partner or manager of a Partnership or in a similar capacity.

Interests mean the limited partner or similar ownership interests in a Partnership held by the Limited Partners.

Investment Manager means any Blackstone entity or group of Blackstone employees that has investment management responsibility with respect to the acquisition, management and disposition of Portfolio Investments for the Partnerships.

Limited Partner or Participant means any Partner other than the General Partner.

Managing Employee means any individual who (i) manages the day-to-day affairs of a Partnership and (ii) meets the definition of knowledgeable employee in Rule 3c-5(a)(4) under the 1940 Act as if a Partnership were a Covered Company within the meaning of the Rule.

1933 Act means the Securities Act of 1933, as amended.

1934 Act means the Securities Exchange Act of 1934, as amended.

1940 Act means the Investment Company Act of 1940, as amended.

Non-Accredited Investor means a Managing Employee or other employee of Blackstone who does not meet the standards of an accredited investor under Rule 501(a)(5) or (6) of Regulation D.

Order means the order requested herein.

Partner means any partner or member of, or other investor in, a Partnership, including the General Partner unless otherwise specified.

Partnerships means the partnerships, limited liability companies or other investment vehicles identical in all material respects (other than investment objectives and strategies, form of organization and terms) sponsored by Blackstone that may be offered in reliance on the Order.

Partnership Agreement means the partnership agreement or other organizational document of a Partnership.

Portfolio Investments mean all Partnership investments (which may be made directly or through a Blackstone Third Party Fund or a Third Party Sponsored Fund).

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Pretax Plan means a pre-tax deferred or bonus compensation program.

Qualified Investment Vehicle means (i) a trust of which the trustee, grantor and/or beneficiary is an Eligible Employee, (ii) a partnership, corporation or other entity controlled by an Eligible Employee or (iii) a trust or other entity established solely for the benefit of Eligible Family Members of an Eligible Employee.

Qualified Participant means an individual or entity who or that (i) is an Eligible Family Member or a Qualified Investment Vehicle, and (ii) if such individual or entity is purchasing an Interest directly from the Partnership, except as permitted by Regulation D comes within one of the categories of an accredited investor under Rule 501(a) of Regulation D.

Regulation D means Regulation D under the 1933 Act.

Third Party Investor means any person or entity that is not affiliated with Blackstone and is a partner or other investor in a Blackstone Third Party Fund or Third Party Sponsored Fund.

Third Party Sponsored Fund means an investment fund or pooled investment vehicle for which entities or persons unaffiliated with Blackstone are the sponsors or investment advisers.

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO APPLICATION

FOR AN ORDER

of

THE BLACKSTONE GROUP L.P.

Amendment No. 1 to Application pursuant to Sections 6(b) and 6(e) of the Investment Company Act of 1940.

The Blackstone Group L.P., a Delaware limited partnership (the Applicant or the Company), hereby amends and restates in its entirety its application to the Securities and Exchange Commission (the Commission) pursuant to Sections 6(b) and 6(e) of the Investment Company Act of 1940, as amended (the 1940 Act), for an order (the Order) exempting certain future partnerships, limited liability companies or other investment vehicles identical in all material respects (other than investment objectives and strategies, form of organization and terms) sponsored by the Applicant and/or its Affiliates (the Partnerships) from all provisions of the 1940 Act, except Section 9 and Sections 36 through 53, and the rules and regulations under the 1940 Act, as described herein. With respect to Sections 17(a), (d), (e), (f), (g) and (j) and 30(a), (b), (e) and (h) of the 1940 Act, and the rules and regulations thereunder, and Rule 38a-1 under the 1940 Act, the exemption is limited as set forth in this application (the Application).

No form having been prescribed by the rules and regulations of the Commission, the Applicant proceeds under Rule 0-2 of the 1940 Act.

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The Partnerships will be established primarily for the benefit of Eligible Employees (defined below) of the Company or of any Affiliate (as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended (the 1934 Act)) of the Company (such Affiliates together with the Company being hereinafter referred to as Blackstone) as part of a program designed to create capital building opportunities that are competitive with those at other financial services firms and to facilitate the recruitment of high caliber professionals. Blackstone will control the Partnerships within the meaning of Section 2(a)(9) of the 1940 Act. Each Partnership will comply with the terms and conditions of the Application.

All partners or members of, or other investors (the Partners), in the Partnerships other than the General Partner (the Limited Partners or Participants) will be informed that (i) interests in the Partnerships will be sold in a transaction exempt under Section 4(2) of the Securities Act of 1933, as amended (the 1933 Act), or Regulation D (Regulation D) promulgated thereunder, and thus are offered without registration under the 1933 Act and the protections afforded by that law, and (ii) the Partnerships will be exempt from most provisions of the 1940 Act and from the protections afforded thereby.

Applicant believes that, in view of the facts described below and the conditions contained in this Application, concerns of abuse of investors and overreaching, which the 1940 Act was designed to prevent, will not be present.

PART I. STATEMENT OF FACTS

A statement of the facts relied upon as the basis for the action of the Commission herein requested is as follows:

Organization of the Partnerships

Blackstone is a leading global alternative asset manager and provider of financial advisory services. The alternative asset management businesses include the management of corporate private equity funds, real estate funds, funds of hedge funds, credit-oriented funds,

collateralized loan obligation (CLO) vehicles and publicly-traded closed-end mutual funds. Blackstone also provides a wide range of financial advisory services, including corporate and mergers and acquisitions advisory, restructuring and reorganization advisory and fund placement services.

Each of the Partnerships will be a limited partnership, limited liability company, corporation, business trust or other entity organized under the laws of the State of Delaware or any other U.S. or non-U.S. jurisdiction. (A Partnership may be organized under the laws of a non-U.S. jurisdiction to facilitate the tax, legal, accounting and regulatory objectives of certain of Blackstone s Eligible Employees.) The General Partner of each Partnership will be an Affiliate of the Company. The term General Partner shall hereinafter refer to any Affiliate that is or will be an Affiliate of the Company which acts as the general partner or manager of a Partnership or acts in a similar capacity, *i.e.*, manages, operates and controls such Partnership.

Purposes

The Company intends to form Partnerships to enable Eligible Employees of Blackstone and their Qualified Participants (in each case, as defined below) to pool their investment resources and to receive the benefit of certain investment opportunities that come to the attention of Blackstone without the necessity of having each investor identify such opportunities and analyze their investment merit.[1] In addition, the pooling of resources should allow the Limited Partners diversification of investments and participation in investments which usually would not be available to them as individual investors and the minimum investment level of which might otherwise be beyond their individual means. The Partnerships will each be an employees securities company as defined in Section 2(a)(13) of the 1940 Act.

[1] Blackstone has in the past and may in the future sponsor and manage other investment vehicles for the benefit of certain current and former employees and other affiliated persons that rely on exemptions from the 1940 Act (*e.g.,* Sections 3(c)(1) or 3(c)(7)). Such vehicles will not rely on the Order.

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Eligible Employees

Limited Partner interests or similar ownership interests in the Partnerships (Interests) will be offered without registration in transactions under a claim of exemption pursuant to Section 4(2) of the 1933 Act or Regulation D thereunder and will be sold only (i) to Eligible Employees, (ii) at the request of Eligible Employees and in the discretion of the General Partner, to Qualified Participants of such Eligible Employees or (iii) to Blackstone entities.[2] As a result, prior to offering Interests to an Eligible Employee, the General Partner must reasonably believe that each Eligible Employee that is required to make an investment decision with respect to whether or not to participate, or to request that a related Qualified Participant be permitted to participate, in a Partnership will be a sophisticated investor capable of understanding and evaluating the risks of participating in such Partnership without the benefit of regulatory safeguards. The General Partner may impose more restrictive suitability standards in its sole discretion. Whenever a General Partner, a Blackstone entity, an Investment Manager (defined below) and any other person acting for or on behalf of the Partnerships is required or permitted to make a decision, take or approve an action, or omit to do any of the foregoing in such person s discretion, then such person shall exercise such discretion in accordance with reasonableness and good faith and any fiduciary duties owed to the Partnership, its Participants and, if applicable, to Blackstone Third Party Funds and Third Party Investors (each as defined below) in such funds and related parties.

[2] If the Applicant implements a Pretax Plan, as defined below, participation rights in such Pretax Plan will only be offered to Eligible Employees who are current employees or Consultants, as defined below, of Blackstone.

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Participation in a Partnership will be voluntary on the part of the Eligible Employee. Eligible Employees may be offered the opportunity to participate in Partnerships through deferred or bonus compensation programs pursuant to which they will be granted awards of (i) Interests in a Partnership or (ii) economic interests substantially similar to those which would be achieved by direct investments in a Partnership of the deferred or bonus amounts.

A Blackstone entity may purchase Interests in a Partnership which it may award to Eligible Employees as bonus or similar compensation. Interests so acquired by Blackstone will be acquired for cash from the Partnership at the same time and at the same price as Interests offered to Limited Partners and will be voted in proportion to the votes of the other Limited Partners. The Blackstone entity may award these Interests at any time during the life of the Partnership to Eligible Employees as bonus or similar compensation. Such awards may be subject to vesting arrangements to be determined at the time.

The Applicant may also implement a deferred or bonus compensation program through, among other things, a pretax plan arrangement (Pretax Plan). If the Applicant implements the structure through a Pretax Plan, no investment vehicle will be formed with respect to such Pretax Plan. Pursuant to a Pretax Plan, Blackstone will enter into arrangements with certain Eligible Employees of Blackstone which will generally provide that (i) an Eligible Employee will defer a portion of his or her compensation payable by Blackstone, (ii) such deferred compensation will be treated as having been notionally invested in investments designated for these purposes pursuant to the specific compensation plan and (iii) an Eligible Employee will be entitled to receive cash, securities or other property at the times and in the amounts set forth in the specific

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compensation plan, where the aggregate amount received by such Eligible Employee would be based upon the investment performance of the investments designated for these purposes pursuant to such compensation plan. Because a Pretax Plan will be voluntary and contributory on the part of the Eligible Employees, it could be deemed to be an investment company for purposes of the 1940 Act even in the absence of the organization of an actual entity. Blackstone expects to offer, through any Pretax Plans, economic benefits comparable to what would have been offered in an arrangement where an investment vehicle is formed, and the Applicant requests that the Order sought herein be made applicable to any such Pretax Plan on the terms and conditions made applicable to a Partnership. For purposes of this Application, a Partnership will be deemed to be formed with respect to each Pretax Plan and each reference to Partnership , capital contribution , General Partner , Limited Partner , loans and Interest in this Application will be deemed to refer to the Pretax Plan, the notional capital contribution to the Pretax Plan, Blackstone, a participant of the Pretax Plan, notional loans and participation rights in the Pretax Plan, respectively.

In order to qualify as an Eligible Employee, (a) an individual must (i) be a current or former employee, officer, director or current Consultant (as defined below) of Blackstone and (ii) except for certain individuals who manage the day-to day affairs of the Partnership in question (Managing Employees [3])and a limited number of other employees of Blackstone[4]

[3] A Managing Employee may invest in a Partnership if he or she meets the definition of knowledgeable employee in Rule 3c-5(a)(4) under the 1940 Act with the Partnership treated as though it were a Covered Company for purposes of the Rule.

[4] Such employees must meet the sophistication requirements set forth in Rule 506(b)(2)(ii) of Regulation D under the 1933 Act and may be permitted to invest his or her own funds in the Partnership if, at the time of the employee s investment in a Partnership, he or she (a) has a graduate degree in business, law or accounting, (b) has a minimum of five years of consulting, investment banking or similar business experience, and (c) has had reportable income from all sources of at least $100,000 in each of the two most recent years and a reasonable expectation of income from all sources of at least $140,000 in each year in which such person will be committed to make investments in a Partnership. In addition, such an employee will not be permitted to invest in any year more than 10% of his or her income from all sources for the immediately preceding year in the aggregate in such Partnership and in all other Partnerships in which he or she has previously invested.

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(collectively, Non-Accredited Investors), meet the standards of an accredited investor under Rule 501(a)(5) or (6) of Regulation D, or (b) an entity must (i) be a current Consultant of Blackstone and (ii) meet the standards of an accredited investor under Rule 501(a) of Regulation D. A Partnership may not have more than 35 Non-Accredited Investors.

In the discretion of the General Partner and at the request of an Eligible Employee, Interests may be assigned by such Eligible Employee, or sold directly by the Partnership, to a Qualified Participant of an Eligible Employee. In order to qualify as a Qualified Participant, an individual or entity must (i) be an Eligible Family Member or Qualified Investment Vehicle (in each case as defined below), respectively, of an Eligible Employee and (ii) if purchasing an Interest from a Partnership, except as permitted by Regulation D and as discussed below, come within one of the categories of an accredited investor under Rule 501(a) of Regulation D. An Eligible Family Member is a spouse, parent, child, spouse of child, brother, sister or grandchild of an Eligible Employee, including step and adoptive relationships. A Qualified Investment Vehicle is (i) a trust of which the trustee, grantor and/or beneficiary is an Eligible Employee, (ii) a partnership, corporation or other entity controlled by an Eligible Employee or (iii) a trust or other entity established solely for the benefit of Eligible Family Members of an Eligible Employee. A Qualified Investment Vehicle that is not an accredited investor will be counted in accordance with Regulation D toward the 35 person limit for Non-Accredited Investors.

The inclusion of partnerships, corporations or other entities that are controlled by Eligible Employees who are individuals in the definition of Qualified Investment Vehicle is intended to enable these individuals to make investments in the Partnerships through personal investment vehicles over which they exercise investment discretion or other investment vehicles the management or affairs of which they otherwise control. Individuals often form these types of investment vehicles for the purpose of implementing their personal and family investment and estate planning objectives.

Depending upon the purpose the investment vehicle was intended to serve, the individual and/or the individual s family members also may have a significant economic interest in the investment vehicle, but in any event the individual will exercise control over the entity through ownership of voting securities or otherwise. Accordingly, there is a close nexus between Blackstone and the investment vehicle through the individual who controls the vehicle.

Because of the requirements described above, Interests in each Partnership will be held by persons and entities with a close nexus to Blackstone through employment (or other ongoing relationship in the case of Consultants (as described below)) and/or family ties. However, the status of an individual or entity as a Qualified Participant will not be affected by the termination of employment or other relationship of the relevant Eligible Employee, except under the circumstances described below with respect to Consultants and under Terms of the Partnerships.[5] The General Partner will have the absolute right to purchase any Interest for its fair value if the General Partner determines in good faith that any Partner s continued ownership

[5] As permitted under Section 2(a)(13) of the 1940 Act, Interests may be held by current and former employees, officers and directors of Blackstone and their Qualified Participants.

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of such Interest in a Partnership jeopardizes such Partnership s status as an employees securities company under the 1940 Act; provided that the foregoing is without prejudice to any other rights the General Partner may have as a result of a breach of a representation or other agreement by a Partner.

In addition, in order to further ensure that the close nexus between the Partners of a Partnership and Blackstone is maintained, the terms of each Partnership Agreement (defined below) for a Partnership will provide that any Eligible Family Member participating in such Partnership (either through direct beneficial ownership of an Interest or as an indirect beneficial owner through a Qualified Investment Vehicle) cannot, in any event, be more than two generations removed from an Eligible Employee. If a person more than two generations removed (*e.g.*, a great-grandchild) becomes the beneficial owner of an Interest, the Partnership will be required to repurchase the Interest from such person at fair value or otherwise cause such Interest to be transferred by such person for fair value.

It is anticipated that, at the sole discretion of the General Partner, current consultants or business or legal advisors of Blackstone may be offered the opportunity to participate in the Partnerships. Blackstone believes that persons or entities whom Blackstone has engaged on retainer to provide services and professional expertise on an ongoing basis as regular consultants or business or legal advisors to Blackstone (Consultants) share a community of interest with Blackstone and Blackstone s employees. In order to participate in the Partnerships, Consultants will be required to be sophisticated investors who qualify as accredited investors under Rule 501(a)(5) or (6) of Regulation D (if a Consultant is an individual) or, if not an individual, meet the standards of an accredited investor under Rule 501(a) of Regulation D. Qualified Participants of Consultants may invest in a Partnership. If a Consultant is an entity (such as, for

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example, a law firm or consulting firm), and the Consultant proposes to invest in the Partnership through a partnership, corporation or other entity that is controlled by the Consultant, the individual participants in such partnership, corporation or other entity will be limited to senior level employees, members or partners of the Consultant who are responsible for the activities of the Consultant and will be required to qualify as accredited investors under Rule 501(a)(5) or (6) of Regulation D. In addition, such entities will be limited to businesses controlled by individuals who have levels of expertise and sophistication in the area of investments in securities that are comparable to other Eligible Employees who are employees, officers or directors of Blackstone and who have an interest in maintaining an ongoing relationship with Blackstone. Most importantly, the individuals participating through such entities will belong to that class of persons who will have access to the directors and officers of the General Partner and its Affiliates and/or the officers of Blackstone responsible for making investments for the Partnerships similar to the access afforded other Eligible Employees who are employees, officers or directors of Blackstone. Accordingly, there is a close nexus between Blackstone and such entities. Once a Consultant s ongoing relationship with Blackstone is terminated, such Consultant and its Qualified Participants, if any, will not be permitted to retain their Interests in a Partnership.

Interests in each Partnership will be non-transferable except with the prior written consent of the General Partner, and, in any event, no person or entity will be admitted into the Partnership as a Partner unless such person is (i) an Eligible Employee, (ii) a Qualified

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Participant of an Eligible Employee or (iii) a Blackstone entity.[6] Consequently, the limitations on the transferability of Interests in the Partnership ensure that the community of interest among the Partners will continue through the life of the Partnership.

Only those employees who qualify as Eligible Employees would be able to participate in the Partnerships. Eligible Employees will be professionals with experience in investing, financial planning, securities brokerage, investment banking, asset management, business operations, banking, cash management or trust services or other similar areas, or in administrative, financial, tax, legal, accounting or operational activities related thereto. Many will have both undergraduate and graduate degrees.

Terms of the Partnerships

Blackstone has offered and proposes to continue to offer various investment programs for the benefit of its Eligible Employees.[7] These programs may have varying structures including, without limitation, different Partnerships, or separate plans within the same Partnership or a master limited partnership in which one or more Partnerships and/or Blackstone invest as limited partners and a Blackstone entity serves as the general partner, and the terms of these programs are likely to differ from one another. Interests in these Partnerships will be sold without a sales load. A Partnership may have a set term or may have an indefinite life.

[6] If the Applicant implements a proposed investment program through a Pretax Plan, an Eligible Employee s participation rights in such Pretax Plan may not be transferred (other than to a Qualified Participant in the event of the Eligible Employee s death).

[7] A proposed investment program may be offered only to certain Eligible Employees, and if the Applicant implements such proposed investment program through a Pretax Plan, such investment program will be offered only to Eligible Employees who are current employees or Consultants of Blackstone.

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While the terms of a Partnership will be determined by Blackstone in its discretion, these terms will be fully disclosed to each Eligible Employee and, if a Qualified Participant of such Eligible Employee is required to make an investment decision with respect to whether or not to participate in a Partnership, to such Qualified Participant, prior to the time such person or entity is admitted to the Partnership. Among other things, each Eligible Employee and, if a Qualified Participant of such Eligible Employee is required to make an investment decision with respect to whether or not to participate in a Partnership, such Qualified Participant, will be furnished with offering materials, including a copy of the partnership agreement or other organizational document (the Partnership Agreement) for the relevant Partnership or a description of the terms of the relevant Partnership,[8] which will set forth at a minimum the following terms of the proposed investment program, if applicable:

(i) whether Blackstone will make a co-investment in the same portfolio securities as the Partnership, and the terms generally applicable to the Partnership s investment as compared to those of Blackstone s investment;

(ii) the maximum amount of capital contributions that a Participant will be required to make to the Partnership during the term of the relevant investment program, or the manner in which such amount will be determined, and the manner in which the capital contributions will be applied towards investments made, and expenses incurred, by the Partnership;

8 If the Applicant implements a proposed investment program through a Pretax Plan, Eligible Employees participating in such Pretax Plan will be furnished with a copy of the Pretax Plan, which will set forth at a minimum the same applicable terms of the proposed investment program as those that would have been set forth in a Partnership Agreement if a Partnership entity were to be formed, with such changes as are appropriate to reflect the fact that an entity is not formed in order to implement the Pretax Plan.

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(iii) whether the General Partner or a Blackstone entity will offer to make any loans to a Participant to purchase the Interest in the Partnership and, if so, the terms of such loans;[9]

(iv) whether the General Partner, Blackstone or any employees of the General Partner or Blackstone will be entitled to receive any compensation from, or a performance-based fee (such as a carried interest[10]) based on the gains and losses of, the investment program or of the Partnership s investment portfolio and, if so, the terms of such compensation or performance-based fee;

(v) whether the General Partner or a Blackstone entity will acquire a senior or preferred limited partner interest or other senior equity interest in the Partnership or will make any capital contributions or loans to the Partnership and, if so, the terms applicable to the General Partner s or the Blackstone entity s investment in the Partnership or its extension of credit to the Partnership, provided that the applicable rate will be no less favorable than the rate obtainable in an arm s-length transaction; any indebtedness of the Partnership, other than indebtedness incurred specifically on behalf of a Limited Partner where the Limited Partner has agreed to guarantee the loan or to act as co-obligor on the

[9] A Participant will not borrow from any person if such borrowing would cause any person not named in Section 2(a)(13) of the 1940 Act to own outstanding securities of a Partnership (other than short term paper).

[10] A carried interest is an allocation to the General Partner, a Limited Partner or an Investment Manager based on net gains in addition to the amount allocable to any such entity in proportion to its invested capital. A General Partner, Limited Partner or Investment Manager that is registered as an investment adviser under the Advisers Act may charge a carried interest only if permitted by Rule 205-3 under the Advisers Act. Any carried interest paid to a General Partner, Limited Partner or Investment Manager that is not registered under the Advisers Act also may be paid only if permitted by Rule 205-3 under the Advisers Act as if such entity were registered under the Advisers Act.

loan, will be the debt of the Partnership and without recourse to the Limited Partners; and whether the Partnership may borrow from an unaffiliated third party;[11]

(vi) the consequences to a Participant who defaults on such Participant s obligation to fund required capital contributions to the Partnership (including whether such defaulting person s Interest in existing and future investments will be affected and, if so, the nature of such effects), provided that the General Partner will not elect to exercise any alternative involving the forfeiture by the defaulting person of a portion of such person s capital account if the General Partner determines that the defaulting person at the time of default is suffering from, or will suffer, severe hardship as a result of such forfeiture; and

(vii) whether any vesting and forfeiture provisions will apply to a Participant s Interest in the Partnership and, if so, the terms of such vesting and forfeiture provisions.[12]

The organizational documents for and any other contractual arrangement regarding the Partnerships will not contain any provision which protects or purports to protect a Blackstone entity, any Investment Manager or their delegates against any liability to a Partnership or its security holders to which such person would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of such person s duties, or by reason of such person s reckless disregard of such person s obligations and duties under such contract or organizational documents.

[11] A Partnership will not lend funds to any Blackstone entity. No Partnership will borrow from any person if the borrowing would cause any person not named in Section 2(a)(13) of the 1940 Act to own outstanding securities of the Partnership (other than short term paper).

[12] The offering documents will disclose such items as risk, leverage, and the manner of allocating profits and losses and distributions. Events that would trigger the dissolution of a Partnership and what would happen to a Partnership s assets under dissolution will also be disclosed.

In an investment program that provides for vesting provisions, some or all of an Eligible Employee s Interest at the commencement of the program will be treated as being unvested, and vesting will occur upon certain circumstances, including (i) through the passage of a specified period of time (for example, an Interest might vest over a three year period, 1/3 for each year), (ii) upon the occurrence of a specified event (for example, a change of control), or (iii) the making of periodic capital contributions to the Partnership (for example, a Participant with a $10,000 commitment may be considered to be 50% vested as a result of having made $5,000 in capital contributions to the Partnership). To the extent an Eligible Employee s Interest is or becomes vested, the termination of such Eligible Employee s relationship with Blackstone will not affect the Eligible Employee s rights with respect to the vested portion of the Interest, unless certain specified events described in the following paragraph occur. The portion of an Eligible Employee s Interest that is unvested at the time of termination of such Eligible Employee s relationship with Blackstone may be subject to repurchase or cancellation by Blackstone or the imposition of different terms and conditions, as described in the offering documents related to the relevant Partnership. In any event, the consequences of the vesting and forfeiture provisions will not be more onerous than those set forth below.

Unless (x) an Eligible Employee s relationship with Blackstone is terminated (or would have been eligible for termination) for cause (as defined in the applicable Partnership Agreement or by Blackstone from time to time pursuant to its internal policies relating to the termination of employment of Blackstone employees generally), or (y) a former Eligible Employee becomes employed by, or a partner in, consultant to or otherwise joins any firm that the General Partner

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determines, in its reasonable discretion, to be competitive with any business of Blackstone, or otherwise engages in conduct that the General Partner determines, in its reasonable discretion, to be detrimental to Blackstone, his or her vested Interest in the Partnership will not be affected in any manner. However, if the events described in clauses (x) or (y) above occur, the General Partner may deem the Eligible Employee s entire Interest to be unvested and subject to repurchase or cancellation, as described below, or to the imposition of different terms and conditions, as described in the offering documents related to the relevant Partnership. In addition, if an Eligible Employee voluntarily resigns his or her employment with Blackstone or otherwise has his or her employment terminated for any other reason, any unvested Interest will similarly be subject to repurchase or cancellation, as described below, or the imposition of different terms and conditions, as described in the offering documents related to the relevant Partnership.

In an investment program that does not provide for vesting provisions, an Eligible Employee s entire Interest may be subject to repurchase or cancellation by the General Partner, as described below, or the imposition of different terms and conditions, as described in the offering documents related to the relevant Partnership, upon termination of such Eligible Employee s relationship with Blackstone.

Upon any repurchase or cancellation of a former Eligible Employee s Interest, the General Partner will at a minimum pay to the Eligible Employee the lesser of (i) the amount actually paid by the Eligible Employee to acquire the Interest plus interest less those amounts returned to the Eligible Employee as distributions, and (ii) the fair market value, determined at the time of repurchase or cancellation in good faith by the General Partner, of such Interest. If the terminated Limited Partner financed any part of his or her acquisition of an Interest or capital

commitment thereunder by borrowing from a Blackstone entity, upon such repurchase or cancellation the entire amount of the loan may come due. Blackstone shall be entitled to offset against the payment for a purchased or cancelled Interest (i) any outstanding principal amount of, and unpaid interest on, any loans made by Blackstone to such Eligible Employee to acquire such Interest and (ii) the costs of repurchasing such Interest, such as legal fees and administrative expenses. In addition, if the Eligible Employee has pledged such Interest to secure any such loan, Blackstone may foreclose upon such Interest upon any failure to repay such loan when due.

The terms described above as to the vesting and forfeiture of Interests will apply equally to any Qualified Participant of an Eligible Employee under the circumstances where such Eligible Employee has triggered such provisions.

A Partnership may permit a Partner to purchase or redeem Interests at any time and from time to time, at the discretion of the General Partner, as described in the Partnership s Partnership Agreement and offering documents.

Registration of an Investment Adviser Pursuant to the Investment Advisers Act of 1940

The Blackstone entity acting as the investment adviser to a Partnership, including, if applicable, the General Partner, will be registered as an investment adviser under the Advisers Act, if required under applicable law. The determination as to whether a General Partner or other investment adviser that is an Affiliate of the Company is required to register under the Advisers Act will be made by Blackstone; no relief in respect of such determination is requested herein.

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Investments and Operations

Each of the Partnerships will operate as a diversified or non-diversified, closed-end or open-end investment company of the management type within the meaning of the 1940 Act. The investment objective of each Partnership and whether it will operate as a diversified or non-diversified and open-end or closed-end vehicle may vary from Partnership to Partnership, and will be set forth in the offering documents relating to the specific Partnership.[13] Partnerships may be expected to seek capital appreciation through speculative and high-risk investments in securities (including debt and equity partnership interests) associated with, among other things, leveraged buyouts, venture capital investments, private placements, bankrupt entities, hedge funds, bridge loans, real estate and other similar situations. Potential investments for the Partnerships include a wide variety of U.S. and non-U.S. assets, including but not limited to public and private debt and equity securities, real estate, commodity futures, derivatives and other financial instruments and assets. Investments may be made either directly or indirectly through one or more other pooled investment vehicles (including private funds relying on Sections 3(c)(1) and 3(c)(7) of the 1940 Act)[14] and registered investment companies sponsored or managed by Blackstone or by third parties.[15] Pending investment of capital contributions, reinvestment of proceeds of investments and distribution of proceeds to Participants, a Partnership s funds may be invested in short-term investments. A Partnership may utilize leverage as part of its investment operations. All Partnership investments are referred to herein collectively as Portfolio Investments.

[13] If the Applicant implements a proposed investment program through a Pretax Plan, the investments that will be designated for purposes of such investment program are expected to be primarily equity and equity-related investments. Other types of investments may be designated if first approved by senior management of Blackstone.

[14] Applicant is not requesting any exemption from any provision of the 1940 Act or any rule thereunder that may govern a Partnership s eligibility to invest in a Portfolio Investment (defined below) relying on Section 3(c)(1) or 3(c)(7) of the 1940 Act or the Portfolio Investment s status under the 1940 Act.

[15] In addition, one Partnership may also invest in another Partnership. For example, a Partnership established under non-U.S. law may be organized primarily for non-U.S. Eligible Employees that would invest in a Partnership established under U.S. law primarily with U.S. resident Eligible Employees in order to more efficiently address U.S. or non-U.S. tax issues.

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The General Partner of each Partnership will manage, operate and control that Partnership. However, the General Partner will be authorized to delegate investment management responsibility with respect to the acquisition, management and disposition of Portfolio Investments to a Blackstone entity or to a group of Blackstone employees (the Investment Manager). As described above, any Blackstone entity that is delegated the responsibility of making investment decisions for the Partnership will be registered as an investment adviser under the Advisers Act (or, in the case of a group of Blackstone employees, be reflected in the Form ADV of the applicable Blackstone entity) if required under applicable law. The ultimate responsibility for the Partnerships investments delegated to an Investment Manager will remain with the General Partner. In addition, the General Partner of a Partnership may, in the case of certain investment programs, contribute substantial funds to the Partnerships or to entities (including Blackstone Third Party Funds) in which the Partnership will invest, in addition to the capital contributions of the Partnerships Limited Partners, for Portfolio Investments.

The General Partner will provide Partners of the Partnerships access to information concerning their Partnership s operations and results as described below under Reports and Accounting. A Partnership may directly engage, or the General Partner may delegate to and pay, Affiliates or unaffiliated third parties to provide administrative, bookkeeping, financial statement and tax accounting and other services.

Investment programs may be structured in which a Partnership will co-invest in a portfolio company (or a pooled investment vehicle) with Blackstone or with or in an investment fund or separate account, organized primarily for the benefit of investors who are not affiliated with Blackstone,[16] over which a Blackstone entity exercises investment discretion or which is sponsored by a Blackstone entity (a Blackstone Third Party Fund). Side-by-side investments held by a Blackstone Third Party Fund, or by a Blackstone entity in a transaction in which the Blackstone investment was made pursuant to a contractual obligation to a Blackstone Third Party Fund, will not be subject to the restrictions contained in Condition 3 in Part III Applicant s Conditions, below. All other side-by-side investments held by Blackstone entities will be subject to the restrictions contained in Condition 3 below.

Applicant believes that the interests of the Eligible Employees participating in a Partnership will be adequately protected even in situations where Condition 3 does not apply. In structuring a Blackstone Third Party Fund, it is common for the unaffiliated investors of such fund to require that Blackstone invest its own capital in fund investments, either through the fund or on a side-by-side basis, and that such Blackstone investments be subject to substantially the same terms as those applicable to the fund s investments. It is important to Blackstone that the interests of the Blackstone Third Party Fund take priority over the interests of the Partnerships, and that the activities of the Blackstone Third Party Fund not be burdened or otherwise affected by activities of the Partnerships. If Condition 3 were to apply to Blackstone s investment in these situations, the effect of such a requirement would be to indirectly burden the Blackstone Third Party Fund with the requirements of Condition 3. In addition, the relationship of a Partnership to a Blackstone Third Party Fund, in the context of this Application, is fundamentally

[16] These unaffiliated investors include U.S. and non-U.S. institutional investors such as public and private pension funds, foundations, endowments, and corporations, and high net worth individuals resident in and outside of the United States.

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different from such Partnership s relationship to Blackstone. The focus of, and the rationale for, the protections contained in this Application are to protect the Partnerships from any overreaching by Blackstone in the employer/employee context, whereas the same concerns are not present with respect to the Partnerships vis-a-vis the investors of a Blackstone Third Party Fund.

It is also possible that an investment program may be structured in which a Partnership will invest directly in an investment fund or pooled investment vehicle for which entities or persons unaffiliated with Blackstone are the sponsors or investment advisers (a Third Party Sponsored Fund). In connection with such an investment, the Third Party Sponsored Fund may permit the Partnership to invest only if a Blackstone entity (including, in certain circumstances, a Blackstone Third Party Fund) will co-invest with the Partnership in the Third Party Sponsored Fund. In addition, a Blackstone entity (including, in certain circumstances, a Blackstone Third Party Fund) may choose to co-invest with a Partnership in a Third Party Sponsored Fund even if there is no requirement to do so. The Partnership s investment (excluding a Blackstone entity s co-investment) will not exceed 50% of the combined amount of the Partnership s and a Blackstone entity s investment in the Third Party Sponsored Fund. The Partnership and the Blackstone entity (other than a Blackstone Third Party Fund) will co-invest in a lock-step manner in the Third Party Sponsored Fund. Such a Blackstone entity s co-investment in the Third Party Sponsored Fund may take the form of an investment in a third party sponsored investment fund or pooled investment vehicle, or an investment in a Partnership. In such a situation, the Partnership may be required to pay its share of management, performance and other fees and expense reimbursements to the sponsor of the Third Party Sponsored Fund on terms that are no less favorable than those applicable to such Blackstone entity (taking into account differences in investment structure). Fees and expenses

may be paid by the Partnership directly to the sponsor of the Third Party Sponsored Fund or to the Blackstone entity in reimbursement of payments made by it in respect of the Partnership s participation in the Third Party Sponsored Fund. A Blackstone entity s (other than a Blackstone Third Party Fund s) co-investment in a Third Party Sponsored Fund will be subject to the restrictions contained in Condition 3 below. The General Partner will not delegate management and investment discretion for the Partnership to the sponsor of the Third Party Sponsored Fund. The ultimate responsibility for the Partnership s investments will remain with the General Partner; however, the Third Party Sponsored Fund may provide for limited termination rights and therefore the General Partner may be unable to terminate a Partnership s involvement in the Third Party Sponsored Fund without breaching the investment contract or triggering contractual remedies in favor of the sponsor of the Third Party Sponsored Fund. For the avoidance of doubt, nothing in this paragraph requires a Blackstone entity to co-invest with a Partnership in a Third Party Sponsored Fund, and to the extent permitted by the applicable Third Party Sponsored Fund, a Partnership may invest therein without such a co-investment.

A Partnership will not acquire any security issued by a registered investment company if immediately after such acquisition such Partnership will own more than 3% of the outstanding voting stock of the registered investment company.

Subject to the terms of the applicable Partnership Agreement, a Partnership will be permitted to enter into transactions involving (i) a Blackstone entity, (ii) a portfolio company, (iii) any Partner or person or entity affiliated with a Partner, (iv) a Blackstone Third Party Fund, or (v) any person or entity who is not affiliated with Blackstone and is a partner or other investor in a Blackstone Third Party Fund or a Third Party Sponsored Fund (a Third Party Investor). Such transactions may include, without limitation, the purchase or sale by the Partnership of an

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investment, or an interest therein, from or to any Blackstone entity or Blackstone Third Party Fund, acting as principal. With regard to such transactions, the General Partner or board of directors (or similar body) of the General Partner or any committee serving similar functions of the General Partner (the Board) must determine prior to entering into such transaction that the terms thereof are fair to the Partners participating in the relevant investment program and the Partnership, in addition to satisfying any requirements in the organizational document for the Blackstone Third Party Fund or the Third Party Sponsored Fund.

A Blackstone entity (including the General Partner), acting as an agent or broker, may receive placement fees, advisory fees or other compensation from a Partnership or a portfolio company in connection with the purchase or sale by the Partnership of securities (paid directly or indirectly by a Blackstone Third Party Fund or a Third Party Sponsored Fund); provided that such placement fees, advisory fees or other compensation from a Partnership can be deemed to be usual and customary in the manner described below.[17]

For purposes of this Application, the Blackstone entity will be permitted to charge such fees or otherwise receive such compensation in a transaction from a Partnership, and such fees or other compensation will be deemed to be usual and customary, only if (i) the Partnership is purchasing or selling securities (directly or indirectly) alongside other unaffiliated third parties (including Blackstone Third Party Funds or Third Party Investors) who are also similarly purchasing or selling securities, (ii) the fees or other compensation that are being charged to the Partnership (directly or indirectly) are also being charged (on a *pro rata* basis) to the unaffiliated

[17] If the Applicant implements a proposed investment program through a Pretax Plan, the Pretax Plan will not actually purchase or sell any securities.

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third parties (including Blackstone Third Party Funds or Third Party Investors), and (iii) the amount of securities being purchased or sold by the Partnership (directly or indirectly) does not exceed 50% of the total amount of securities being purchased or sold by the Partnership (directly or indirectly) and the unaffiliated third parties (including Blackstone Third Party Funds and Third Party Investors).

A comparison of brokerage commissions or other remuneration charged by a Blackstone entity can readily be made to that charged by other firms for providing execution services for comparable trades of similar securities on an exchange during a comparable period of time, as required under Rule 17e-l under the 1940 Act. However, such comparisons are not as feasible or readily determinable in the context of compensation for investment banking services, such as financial advisory fees and private placement fees. Fees for investment banking services are extremely transaction specific and reflect the scope and nature of the services (and the value added component) furnished by the particular investment banking firm to the particular transaction. These transaction- and firm-specific factors make it inherently difficult to establish a universe of comparables with the compensation earned by other firms. Applicant believes that the interests of the Eligible Employees participating in a Partnership will be adequately protected because the requirement described in clause (ii) above ensures that the amount of such compensation will be determined on the basis of arm s-length negotiations between unaffiliated parties.

In addition, a Blackstone entity (including the General Partner) may provide a full range of financial services or asset management or other services, as well as provide financing in the form of debt or equity or other financial instruments, and receive fees or other compensation and expense reimbursement in connection therewith, from entities in which a Partnership (directly or

indirectly) makes an investment, from competitors of such entities or from other unaffiliated persons or entities. Such fees or other compensation may include, without limitation, commitment fees, advisory fees, underwriting fees, placement fees, organization or success fees, financing fees, management fees, performance-based fees, fees for brokerage and clearing services, and compensation in the form of carried interests entitling the Blackstone entity to share disproportionately in income or capital gains or similar compensation. A Blackstone entity may also engage in market-making activities with respect to the securities of entities in which a Partnership makes an investment or competitors of such entities. Employees of Blackstone may serve as officers or directors of such entities pursuant to rights held by a Partnership or Blackstone to designate such officers or directors, and receive officers and directors fees and expense reimbursement in connection with such services. Any such fees or other compensation or expense reimbursement received by Blackstone will generally not be shared with any Partnership. A Blackstone entity, the General Partner, the Investment Manager and any other person acting for or on behalf of a Partnership shall act in or not opposed to the best interest of the Partnership and its Participants.

Reports and Accounting

The General Partner of each Partnership will send its Partners annual financial statements within 120 days after the end of the fiscal year of the Partnership or as soon as practicable thereafter.[18] The annual financial statements of each Partnership will be audited by independent

[18] If the Applicant implements a proposed investment program through a Pretax Plan, Blackstone will prepare an informational statement with respect to the investments deemed to be made by such Pretax Plan, including, with respect to each investment, the name of the portfolio company and the amount deemed invested by such Pretax Plan in the portfolio company. Such informational statement will have been audited. Blackstone will send each participant of such Pretax Plan a separate statement prepared based on the audited informational statement within 120 days after the end of the fiscal year of Blackstone or as soon as practicable thereafter.

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certified public accountants, except under certain circumstances in the case of Partnerships formed to make a single Portfolio Investment.[19] In addition, to enable Participants to determine the U.S. federal and state income tax consequences of their investments, as soon as practicable after the end of each tax year of a Partnership, the General Partner will send to each Partner who was a Partner at any time during the fiscal year then ended a report showing such Partner s share of income, gains, losses, credits, deductions, and other tax items for U.S. federal and state income tax purposes, resulting from the Partnership s operations during that year.

In addition, the Partnership will provide Participants with such information as may be reasonably necessary to enable each non-U.S. Participant to prepare his or her non-U.S. income tax returns, provided that the Participant has notified the General Partner of the specific information required by the jurisdiction or jurisdictions for which such Participant will be preparing income tax returns reasonably in advance of the time that such information will be required, and provided that complying with the information request does not impose an undue or disproportionate burden on the General Partner.

[19] In such cases, audited financial statements will be prepared for either the Partnership or the entity that is the subject of the Portfolio Investment. The latter may be appropriate where the costs of preparing audited financial statements for the Partnership, which would be borne by the Partnership (and indirectly by the Limited Partners), would outweigh the benefits of providing such statements. If audited financial statements were prepared for the entity that is the subject of a Portfolio Investment, a Limited Partner would be able to understand the financial condition of the Partnership by reviewing the Partnership s unaudited financial statements along with the audited financial statements prepared for such entity. Because the audited statements for the Partnership would necessarily rely on the audited statements prepared for such entity, the additional expenses incurred to audit the Partnership s statements would not be expected to provide a meaningful amount of additional information regarding the Partnership s financial condition. Where a Partnership is formed to make a single Portfolio Investment, that Portfolio Investment will not be a Section 3(c)(7) fund unless all of the Limited Partners in such a Partnership are qualified purchasers within the meaning of section 2(a)(51) of the 1940 Act.

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PART II. REQUEST FOR ORDER

Applicable 1940 Act Provisions

Section 2(a)(13) of the 1940 Act defines employees securities company as:

Any investment company or similar issuer all of the outstanding securities of which (other than short-term paper) are beneficially owned (A) by the employees or persons on retainer of a single employer or of two or more employers each of which is an affiliated company of the other, (B) by former employees of such employer or employers, (C) by members of the immediate family of such employees, persons on retainer or former employees, (D) by any two or more of the foregoing classes of persons, or (E) by such employer or employers together with any one or more of the foregoing classes of persons.

Section 6(b) of the 1940 Act provides, in part, that the Commission may, by order upon application, conditionally or unconditionally exempt any employees securities company from the provisions of the 1940 Act and the rules and regulations thereunder, if and to the extent that such exemption is consistent with the protection of investors. Section 6(b) provides that the Commission will consider, in determining the provisions of the 1940 Act from which the company should be exempt, the company s form of organization and capital structure, the persons owning and controlling its securities, the price of the company s securities and the amount of any sales load, how the company s funds are invested, and the relationship between the company and the issuers of the securities in which it invests.

Section 7 of the 1940 Act generally prohibits investment companies that are not registered under Section 8 of the 1940 Act from selling or redeeming their securities. Section 6(e) of the 1940 Act provides that the Commission may determine as necessary or appropriate in the public interest or for the protection of investors that, in connection with any order exempting an investment company from Section 7 of the 1940 Act, certain provisions of the 1940 Act shall be applicable to such investment company and to other persons in their transactions and relations with such company, as though such company were a registered investment company.

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Section 9 of the 1940 Act limits persons who can act as employees, officers, directors, members of the advisory board, investment advisers and depositors of registered investment companies and provides the Commission with certain administrative powers to enforce the 1940 Act.

Section 17 of the 1940 Act generally limits certain affiliated and joint transactions between an investment company and certain affiliated persons of the investment company, its principal underwriter or affiliated persons of such persons or underwriter. Section 17 also sets forth standards for custody arrangements for an investment company s securities as well as requirements for fidelity bonding, liability limitations for directors, officers and investment advisers and a code of ethics for such investment company.

Section 17(a) of the 1940 Act, among other things, generally prohibits certain persons affiliated with an investment company, acting as principal, from knowingly selling any security or other property to the investment company or knowingly purchasing a security or other property from the investment company. Among the persons precluded from dealing as principal with an investment company under Section 17(a) are: (a) any affiliated person of the investment company; and (b) any affiliated person of an affiliated person of the investment company.

Section 17(d) of the 1940 Act and Rule 17d-1 promulgated thereunder, in the absence of an order granted by the Commission, preclude any affiliated person of an investment company, or any affiliated persons of such a person, acting as principal, from effecting any transaction in connection with any joint enterprise or other joint arrangement in which the company is a participant.

Section 17(e) of the 1940 Act, in the absence of an order granted by the Commission, precludes any affiliated person of an investment company, or any affiliated persons of such a person, acting as agent or broker, from receiving any compensation in connection with the purchase or sale of property or securities to or from the company other than the usual and customary brokerage commissions or underwriting fees. Rule 17e-1 promulgated thereunder provides that such compensation may be deemed usual and customary if certain conditions are met, including certain actions and approvals by a majority of the directors who are not interested persons as set forth in Rule 17e-1(b). Rule 17e-1(c) provides that the board of directors of an investment company must satisfy the fund governance standards of Rule 0-1(a)(7).

Section 17(f) of the 1940 Act requires each investment company to place and maintain its securities only in the custody of certain qualified custodians. Rule 17f-1 promulgated under Section 17(f) specifies the requirements that must be satisfied for an investment company to maintain custody of its securities and similar investments with a company that is a member of a national securities exchange. Rule 17f-2 promulgated under Section 17(f) allows an investment company to act as self-custodian, subject to certain requirements.

Section 17(g) of the 1940 Act requires that certain officers or employees of an investment company who have access to such company s securities or funds be bonded by a reputable fidelity insurance company against larceny and embezzlement in amounts as prescribed in Rule 17g-1 promulgated thereunder. Rule 17g-l requires that a majority of directors who are not interested persons take certain actions and give certain approvals relating to fidelity bonding. Paragraph (g) of Rule 17g-1 sets forth certain materials relating to the fidelity bond that must be filed with the Commission and certain notices relating to the fidelity bond that must be given to each member of the investment company s board of directors. Paragraph (h) of Rule 17g-1

provides that an investment company must designate one of its officers to make the filings and give the notices required by paragraph (g). Paragraph (j) of Rule 17g-1 exempts a joint insured bond provided and maintained by an investment company and one or more other parties from the prohibitions on joint transactions contained in Section 17(d) of the 1940 Act. Paragraph (j)(3) of Rule 17g-1 provides that the board of directors of an investment company must satisfy the fund governance standards of Rule 0-1(a)(7).

Section 17(j) and paragraph (b) of Rule 17j-1 make it unlawful for certain enumerated persons to engage in fraudulent or deceptive practices in connection with the purchase or sale of a security held or to be acquired by a registered investment company. Rule 17j-l also requires that every registered investment company adopt a written code of ethics and that every access person of a registered company report personal securities transactions.

Section 30 of the 1940 Act sets forth the periodic financial reporting requirements for an investment company to its shareholders and the Commission. Section 30(h) sets forth certain reporting requirements applicable to key shareholders, directors, officers, the investment adviser and affiliated persons of the investment adviser of a closed-end investment company pursuant to Section 16 of the 1934 Act.

Sections 36 through 53 of the 1940 Act deal generally with the Commission s rule-making, investigation and enforcement powers under the 1940 Act and the rules and regulations thereunder.

Rule 38a-1 requires investment companies to adopt, implement and periodically review written policies and procedures reasonably designed to prevent violation of the federal securities laws and to appoint a chief compliance officer.

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Discussion

Section 6(b) provides that the Commission shall exempt employees securities companies from the provisions of the 1940 Act to the extent that such exemption is consistent with the protection of investors. Section 6(e) provides that in connection with any order exempting an investment company from any provision of Section 7, certain specified provisions of the 1940 Act shall be applicable to such company, and to other persons in their transactions and relations with such company, as though such company were registered under the 1940 Act, if the Commission deems it necessary. On the basis of the foregoing statement of facts, the Applicant submits that the action of the Commission herein requested is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the 1940 Act for the following reasons:

1. each Partnership will be an employees securities company as such term is defined in Section 2(a)(13) of the 1940 Act; all persons who will be officers and directors of the General Partner will be directors, officers or other appropriate employees of Blackstone and all Limited Partners of such Partnership will be Eligible Employees and/or their Qualified Participants; each Eligible Employee will be an accredited investor pursuant to the requirements set forth in Rule 501(a)(5) or (6) of Regulation D, except for a maximum of 35 Non-Accredited Investors; and the fact that no sales load, advisory fee or compensation (other than the management fee, the carried interest and/or other compensation provided for in the applicable Partnership Agreement, if any) is payable directly or indirectly to the General Partner by such Partnership;

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2. with respect to each Partnership, the substantial community of economic and other interests among Blackstone, the General Partner and the Participants of such Partnership, taking into consideration the concern of Blackstone with the morale of its personnel and the importance to Blackstone of attracting and retaining its personnel, and the absence of any public group of investors;

3. the fact that any investment program for a Partnership will be conceived and organized by persons who may be investing, directly or indirectly, or may be eligible to invest, in such Partnership and will not be promoted to Eligible Employees by persons outside of Blackstone seeking to profit from fees for investment advice or from the distribution of securities;

4. the potentially burdensome aspects of compliance, including the requirement that an application be filed each and every time each Partnership considers a (i) co-investment with Blackstone, or (ii) purchase or sale to or from Blackstone; and the imposition of a burden of unnecessary expenditures both of money and time on the part of the General Partner of such Partnership and on the part of such Partnership, and to some extent on the part of the staff of the Commission, in light of the substantial protections afforded to the Participants of such Partnership with respect to such matters as independent accountants, the furnishing of reports to Participants of such Partnership, and in the conditions and other restrictions on such Partnership s operations contained in this Application;

5. the fact that Eligible Employees will be professionals with experience in investing, financial planning, securities brokerage, investment banking, asset management, business operations, banking, cash management or trust services or other similar areas, or in administrative, financial, tax, legal, accounting or operational activities related thereto, who meet the current standard of accredited investor under the requirements set forth in Rule 501(a)(5) or (6) of Regulation D (except as described above) and, in the reasonable belief of the General

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Partner, are each equipped by experience and education to understand and evaluate the structure, management and plan of each Partnership as compared to other investment opportunities, to understand and evaluate the merits and risks of investing in such Partnership and to understand that Interests in such Partnership are being offered without registration under the 1940 Act and the 1933 Act and the protections afforded thereby; and

6. the relief sought is similar to the relief granted by the Commission to employees securities companies in *Project Capital 1995, LLC*, Docket No. 813-164, Release Nos. IC-22650 (Apr. 30, 1997) [notice] and IC-22688 (May 28, 1997) [order]; *RGIP, LLC and Ropes & Gray*, Docket No. 813-160, Release Nos. IC-23053 (Mar. 2, 1998) [notice] and IC-23092 (Mar. 30, 1998) [order]; *Hambrecht & Quist Employee Venture Fund, L.P.*, Docket No. 813-176, Release Nos. IC-23396 (Aug. 21, 1998) [notice] and IC-23438 (Sept. 16, 1998) [order]; *WS Investment Company, LLC*, Docket No. 813-252, Release Nos. IC-25173 (Sept. 25, 2001) [notice] and IC-25146 (Aug. 29, 2001) [order]; *Greenwich Street Employees Fund, L.P., et al.*, Docket No. 813-202, Release Nos. IC-25324 (Dec. 21, 2001) [notice] and IC-25367 (Jan. 16, 2002) [order]; *GDC Partners Fund, LLC*, Docket No. 813-240, Release Nos. IC-25768 (Oct. 15, 2002) [notice] and IC-25801 (Nov. 12, 2002) [order]; *GC&H Investments, LLC*, Docket No. 813-272, Release Nos. IC-25799 (Nov. 8, 2002) [notice] and IC-25843 (Dec. 4, 2002) [order]; *Opal Private Equity Fund, LP and Schottenstein, Zox & Dunn Co., L.P.A.*, Docket No. 813-356, Release Nos. IC-27612 (De> *Errors in the Timing of Recognition of Service Revenues (Revenue Timing Adjustments)* The Company identified several timing errors in the recognition of service revenues that generally resulted from errors in the processes that the Company used to ensure that revenues were not recognized until service had

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been provided to customers and cash had been received from them. The nature of these timing errors generally was that revenue that was recognized in a particular month should have been recognized in either the preceding or the following month. These errors resulted in an understatement of service revenues of $6.2 million, $2.3 million and $0.9 million in the seven months ended July 31, 2004, the five months ended December 31, 2004 and the year ended December 31, 2005, respectively, and an overstatement of service revenues of $16.1 million, $2.8 million and $2.2 million in the year ended December 31, 2006 and the quarters ended March 31, 2007 and June 30, 2007, respectively.

Other Errors in the Recognition of Service Revenues (Other Revenue Adjustments) The Company incorrectly recognized revenue for a group of customers who voluntarily disconnected their service. For these customers, approximately one month of deferred revenue that was recorded when the customers monthly bills were generated was mistakenly recognized as revenue after their service was disconnected, due to the fact that one of the key reports used to validate that revenue is not recognized for customers who have not yet paid erroneously excluded this subset of disconnected customer balances. These customers comprised a small percentage of the Company s disconnected customers, and the error arose in connection with the Company s re-implementation of the pay-in-advance billing method for new and reactivating customers in May 2006. This error resulted in an overstatement of service revenues of $2.8 million, $2.0 million and $2.6 million in the year ended December 31, 2006 and the quarters ended March 31, 2007 and June 30, 2007, respectively. In addition, certain other errors were made in the recognition of revenue and revenue-related accounts, resulting in an understatement of service revenues of $0.8 million in the year ended December 31, 2005, an overstatement of service revenues of $2.3 million and $1.8 million in the year ended December 31, 2006 and the quarter ended March 31, 2007, respectively, and an understatement of service revenues of $0.3 million in the quarter ended June 30, 2007.

Errors in the Classification of Certain Components of Service Revenues, Equipment Revenues and Operating Expenses (Reclassification Adjustments) The Company identified errors relating to the classification of certain components of service revenues, equipment revenues and operating expenses. The Company incorrectly classified certain customer service fees as equipment revenue rather than service revenue. The Company incorrectly classified certain costs related to handset insurance purchased by some pay-in-arrears customers as a reduction of service revenues rather than as a cost of service. The Company incorrectly classified certain revenues received by the Company in connection with handsets sold to Company customers under insurance or other handset replacement programs as a reduction in handset costs rather than as equipment revenues. These classification errors resulted from deficiencies in certain account analyses that resulted in the Company incorrectly analyzing certain types of transactions for their classification impacts. The errors resulted in a net understatement of total revenues and understatement of operating expenses of $4.9 million, $4.2 million, $41.4 million, $51.7 million, $10.5 million and $9.9 million in the seven months ended July 31, 2004, the five months ended December 31, 2004, the years ended December 31, 2005 and 2006 and the quarters ended March 31, 2007 and June 30, 2007, respectively. These errors had no impact on operating income or net income.

Other Non-Material Items (Other Adjustments) The Company identified other errors that were not material, individually or in the aggregate, to its financial statements taken as a whole. However, because the Company is restating its financial statements for the effects of the items noted above, the Company revised its previously reported financial statements to correct all identified errors, including those that were not material. These items resulted in a net understatement of operating expenses of $0.5 million in the year ended December 31, 2005, a net overstatement of operating expenses of $1.1 million in the year ended December 31, 2006, a net overstatement of operating expenses of $0.5 million in the three months ended March 31, 2007 and a net understatement of operating expenses of $1.0 million in the three months ended June 30, 2007.

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Income Tax Adjustments The State of Texas made certain technical corrections to the Texas Margins Tax (TMT) credit in June 2007 which confirmed that the Company was eligible for a $2.5 million TMT credit against future tax liabilities. The Company believes that it is more likely than not that the TMT credit will be realized and therefore a valuation allowance should not have been established for this item during the second quarter of 2007. Accordingly, the Company has recorded an adjustment to release that valuation allowance in the second quarter of 2007, which resulted in the realization of a $2.5 million income tax benefit and a $2.5 million increase in net income for such period.

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

The following tables present the adjustments due to the restatements of the Company s previously issued consolidated financial statements and quarterly condensed consolidated financial statements as of and for the quarterly periods ended June 30, 2007 and March 31, 2007, the year ended December 31, 2006, the quarterly periods ended September 30, 2006, June 30, 2006, and March 31, 2006, the year ended December 31, 2005, the period from August 1, 2004 to December 31, 2004 (Successor Company) and the period from January 1, 2004 to July 31, 2004 (Predecessor Company) (in thousands, except share and per share data):

	June 30, 2007		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 327,328	$ (996)	$ 326,332
Short-term investments	357,444		357,444
Restricted cash, cash equivalents and short-term investments	12,747		12,747
Inventories	90,343		90,343
Other current assets	46,613	995	47,608
Total current assets	834,475	(1)	834,474
Property and equipment, net	1,144,131	2,271	1,146,402
Wireless licenses	1,857,312		1,857,312
Goodwill	431,896	(6,114)	425,782
Other intangible assets, net	62,965		62,965
Deposits for wireless licenses	758		758
Other assets	49,556		49,556
Total assets	$ 4,381,093	$ (3,844)	$ 4,377,249
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 209,584	$ 3,049	$ 212,633
Current maturities of long-term debt	9,000		9,000
Other current liabilities	75,212	23,815	99,027
Total current liabilities	293,796	26,864	320,660
Long-term debt	2,042,249		2,042,249
Deferred tax liabilities	155,684	(3,654)	152,030
Other long-term liabilities	50,041		50,041
Total liabilities	2,541,770	23,210	2,564,980
Minority interests	34,084	(136)	33,948
Stockholders equity:			
Preferred stock			
Common stock	7		7
Additional paid-in capital	1,791,961		1,791,961

Retained earnings (accumulated deficit)	12,560	(26,918)	(14,358)
Accumulated other comprehensive income	711		711
Total stockholders equity	1,805,239	(26,918)	1,778,321
Total liabilities and stockholders equity	$ 4,381,093	$ (3,844)	$ 4,377,249

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	Three Months Ended June 30, 2007						
		Revenue	Other				
	Previously Reported	Timing Adjustments	Revenue Adjustments	Reclassification Adjustments (Unaudited)	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 350,212	$ (2,213)	$ (2,333)	$ 1,587	$	$	$ 347,253
Equipment revenues	42,997	(677)		8,341			50,661
Total revenues	393,209	(2,890)	(2,333)	9,928			397,914
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(89,622)			(233)	(704)		(90,559)
Cost of equipment	(81,052)			(9,695)	(71)		(90,818)
Selling and marketing	(46,861)				(150)		(47,011)
General and administrative	(66,371)				(36)		(66,407)
Depreciation and amortization	(72,415)						(72,415)
Total operating expenses	(356,321)			(9,928)	(961)		(367,210)
Operating income	36,888	(2,890)	(2,333)		(961)		30,704
Minority interests in consolidated subsidiaries	652				21		673
Interest income	7,134						7,134
Interest expense	(27,090)						(27,090)
Income before income taxes	17,584	(2,890)	(2,333)		(940)		11,421
Income tax expense	(14,337)					12,554	(1,783)
Net income	$ 3,247	$ (2,890)	$ (2,333)	$	$ (940)	$ 12,554	$ 9,638
Basic and diluted earnings per share:							
Basic earnings per share	$ 0.05	$ (0.04)	$ (0.04)	$	$ (0.01)	$ 0.18	$ 0.14
Diluted earnings per share	$ 0.05	$ (0.04)	$ (0.04)	$	$ (0.01)	$ 0.18	$ 0.14

Shares used in per share calculations:		
Basic	67,124	67,124
Diluted	68,800	68,800

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	March 31, 2007		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 303,784	$ (3,463)	$ 300,321
Short-term investments	25,432		25,432
Restricted cash, cash equivalents and short-term investments	12,479		12,479
Inventories	75,985		75,985
Other current assets	55,038	184	55,222
Total current assets	472,718	(3,279)	469,439
Property and equipment, net	1,107,314	2,324	1,109,638
Wireless licenses	1,564,381		1,564,381
Goodwill	431,896	(6,114)	425,782
Other intangible assets, net	71,397		71,397
Deposits for wireless licenses	274,084		274,084
Other assets	39,054		39,054
Total assets	$ 3,960,844	$ (7,069)	$ 3,953,775
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 173,606	$ 1,700	$ 175,306
Current maturities of long-term debt	9,000		9,000
Other current liabilities	96,897	15,397	112,294
Total current liabilities	279,503	17,097	296,600
Long-term debt	1,674,250		1,674,250
Deferred tax liabilities	141,439	9,258	150,697
Other long-term liabilities	49,038		49,038
Total liabilities	2,144,230	26,355	2,170,585
Minority interests	23,849	(115)	23,734
Stockholders equity:			
Preferred stock			
Common stock	7		7
Additional paid-in capital	1,782,880		1,782,880
Retained earnings (accumulated deficit)	9,313	(33,309)	(23,996)
Accumulated other comprehensive income	565		565
Total stockholders equity	1,792,765	(33,309)	1,759,456
Total liabilities and stockholders equity	$ 3,960,844	$ (7,069)	$ 3,953,775

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	Three Months Ended March 31, 2007						
	Previously Reported	Revenue Timing Adjustments	Other Revenue Adjustments	Reclassification Adjustments	Other Adjustments	Income Tax Adjustments	As Restated
				(Unaudited)			
Revenues:							
Service revenues	$ 326,809	$ (2,805)	$ (3,765)	$ 1,452	$	$	$ 321,691
Equipment revenues	62,613	123		8,998			71,734
Total revenues	389,422	(2,682)	(3,765)	10,450			393,425
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(90,949)			(313)	822		(90,440)
Cost of equipment	(112,482)			(10,137)	(46)		(122,665)
Selling and marketing	(48,560)				(209)		(48,769)
General and administrative	(65,199)				(35)		(65,234)
Depreciation and amortization	(68,800)						(68,800)
Total operating expenses	(385,990)			(10,450)	532		(395,908)
Gain on sale or disposal of assets	940						940
Operating income (loss)	4,372	(2,682)	(3,765)		532		(1,543)
Minority interests in consolidated subsidiaries	1,520				59		1,579
Interest income	5,285						5,285
Interest expense	(26,496)						(26,496)
Other expense, net	(637)						(637)
Loss before income taxes	(15,956)	(2,682)	(3,765)		591		(21,812)
Income tax benefit (expense)	7,833					(10,245)	(2,412)
Net loss	$ (8,123)	$ (2,682)	$ (3,765)	$	$ 591	$ (10,245)	$ (24,224)
Basic and diluted loss per share:							
Basic loss per share	$ (0.12)	$ (0.04)	$ (0.06)	$	$ 0.01	$ (0.15)	$ (0.36)

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

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

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	Year Ended December 31, 2006						
	Previously Reported	Revenue Timing Adjustments	Other Revenue Adjustments	Reclassification Adjustments (Unaudited)	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 972,781	$ (16,090)	$ (5,056)	$ 4,730	$	$	$ 956,365
Equipment revenues	163,919	(28)		46,931			210,822
Total revenues	1,136,700	(16,118)	(5,056)	51,661			1,167,187
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(261,614)			(3,157)	609		(264,162)
Cost of equipment	(262,330)			(48,504)			(310,834)
Selling and marketing	(159,257)						(159,257)
General and administrative	(197,070)				466		(196,604)
Depreciation and amortization	(226,747)						(226,747)
Impairment of assets	(7,912)						(7,912)
Total operating expenses	(1,114,930)			(51,661)	1,075		(1,165,516)
Gain on sale or disposal of assets	22,054						22,054
Operating income	43,824	(16,118)	(5,056)		1,075		23,725
Minority interests in consolidated subsidiaries	1,436				57		1,493
Interest income	23,063						23,063
Interest expense	(61,334)						(61,334)
Other expense, net	(2,650)						(2,650)
Income (loss) before income taxes and cumulative effect of change in accounting principle	4,339	(16,118)	(5,056)		1,132		(15,703)
Income tax expense	(9,101)					(176)	(9,277)
Loss before cumulative effect of	(4,762)	(16,118)	(5,056)		1,132	(176)	(24,980)

change in accounting principle							
Cumulative effect of change in accounting principle	623						623
Net loss	$ (4,139)	$ (16,118)	$ (5,056)	$	$ 1,132	$ (176)	$ (24,357)
Basic earnings (loss) per share:							
Loss before cumulative effect of change in accounting principle	$ (0.08)	$ (0.26)	$ (0.08)	$	$ 0.01	$	$ (0.41)
Cumulative effect of change in accounting principle	0.01						0.01
Basic loss per share	$ (0.07)	$ (0.26)	$ (0.08)	$	$ 0.01	$	$ (0.40)
Diluted earnings (loss) per share:							
Loss before cumulative effect of change in accounting principle	$ (0.08)	$ (0.26)	$ (0.08)	$	$ 0.01	$	$ (0.41)
Cumulative effect of change in accounting principle	0.01						0.01
Diluted loss per share	$ (0.07)	$ (0.26)	$ (0.08)	$	$ 0.01	$	$ (0.40)
Shares used in per share calculations:							
Basic	61,645						61,645
Diluted	61,645						61,645

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

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

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

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	Nine Months Ended September 30, 2006						
	Previously Reported	Revenue Timing Adjustments	Other Revenue Adjustments	Reclassification Adjustments (Unaudited)	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 695,707	$ (11,002)	$ (2,457)	$ 3,551	$	$	$ 685,799
Equipment revenues	126,448	8		40,320			166,776
Total revenues	822,155	(10,994)	(2,457)	43,871			852,575
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(186,181)			(2,719)	(140)		(189,040)
Cost of equipment	(179,678)			(41,152)			(220,830)
Selling and marketing	(107,992)						(107,992)
General and administrative	(145,268)				486		(144,782)
Depreciation and amortization	(163,782)						(163,782)
Impairment of assets	(7,912)						(7,912)
Total operating expenses	(790,813)			(43,871)	346		(834,338)
Gain on sale or disposal of assets	21,990						21,990
Operating income	53,332	(10,994)	(2,457)		346		40,227
Minority interests in consolidated subsidiaries	(347)				556		209
Interest income	15,218						15,218
Interest expense	(31,607)						(31,607)
Other expense, net	(5,111)						(5,111)
Income before income taxes and cumulative effect of change in accounting principle	31,485	(10,994)	(2,457)		902		18,936
Income tax benefit	3,105					(1,384)	1,721
Income before cumulative effect of change in accounting	34,590	(10,994)	(2,457)		902	(1,384)	20,657

principle							
Cumulative effect of change in accounting principle	623						623
Net income	$ 35,213	$ (10,994)	$ (2,457)	$	$ 902	$ (1,384)	$ 21,280
Basic earnings per share:							
Income before cumulative effect of change in accounting principle	$ 0.57	$ (0.18)	$ (0.04)	$	$ 0.01	$ (0.02)	$ 0.34
Cumulative effect of change in accounting principle	0.01						0.01
Basic earnings per share	$ 0.58	$ (0.18)	$ (0.04)	$	$ 0.01	$ (0.02)	$ 0.35
Diluted earnings per share:							
Income before cumulative effect of change in accounting principle	$ 0.56	$ (0.18)	$ (0.04)	$	$ 0.01	$ (0.02)	$ 0.33
Cumulative effect of change in accounting principle	0.01						0.01
Diluted earnings per share	$ 0.57	$ (0.18)	$ (0.04)	$	$ 0.01	$ (0.02)	$ 0.34
Shares used in per share calculations:							
Basic	60,286						60,286
Diluted	61,866						61,866

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	Nine Months Ended September 30, 2006		
	Previously Reported	Adjustments (Unaudited)	As Restated
Operating activities:			
Net cash provided by operating activities	$ 223,007	$ (1,310)	$ 221,697
Investing activities:			
Purchases of property and equipment	(348,911)		(348,911)
Change in prepayments for purchases of property and equipment	2,770		2,770
Purchases of and deposits for wireless licenses and spectrum clearing costs	(307,128)		(307,128)
Proceeds from sale of wireless licenses and operating assets	27,968		27,968
Purchases of investments	(120,398)		(120,398)
Sales and maturities of investments	165,982		165,982
Changes in restricted cash, cash equivalents and short-term investments, net	(3,443)		(3,443)
Net cash used in investing activities	(583,160)		(583,160)
Financing activities:			
Proceeds from long-term debt	900,000		900,000
Repayment of long-term debt	(596,694)		(596,694)
Payment of debt issuance costs	(8,058)		(8,058)
Payment of fees related to forward equity sale	(1,066)		(1,066)
Minority interest contributions	5,767		5,767
Proceeds from issuance of common stock, net	725		725
Net cash provided by financing activities	300,674		300,674
Net decrease in cash and cash equivalents	(59,479)	(1,310)	(60,789)
Cash and cash equivalents at beginning of period	293,073		293,073
Cash and cash equivalents at end of period	$ 233,594	$ (1,310)	$ 232,284
Supplementary cash flow information:			
Cash paid for interest	$ 41,942	$	$ 41,942
Cash paid for income taxes	$ 327	$	$ 327

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	June 30, 2006		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 553,038	$ (762)	$ 552,276
Short-term investments	57,382		57,382
Restricted cash, cash equivalents and short-term investments	9,758		9,758
Inventories	63,820		63,820
Other current assets	40,545	(1,328)	39,217
Total current assets	724,543	(2,090)	722,453
Property and equipment, net	780,852		780,852
Wireless licenses	795,046		795,046
Assets held for sale	38,658		38,658
Goodwill	431,896	(6,114)	425,782
Other intangible assets, net	96,690		96,690
Other assets	35,852		35,852
Total assets	$ 2,903,537	$ (8,204)	$ 2,895,333
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 210,274	$ (1,760)	$ 208,514
Current maturities of long-term debt	9,000		9,000
Other current liabilities	53,007	(1,704)	51,303
Total current liabilities	272,281	(3,464)	268,817
Long-term debt	891,000		891,000
Deferred tax liabilities	141,935	(4,593)	137,342
Other long-term liabilities	41,837	(4)	41,833
Total liabilities	1,347,053	(8,061)	1,338,992
Minority interests	4,151		4,151
Stockholders equity:			
Preferred stock			
Common stock	6		6
Additional paid-in capital	1,500,154		1,500,154
Retained earnings	46,809	(143)	46,666
Accumulated other comprehensive income	5,364		5,364
Total stockholders equity	1,552,333	(143)	1,552,190
Total liabilities and stockholders equity	$ 2,903,537	$ (8,204)	$ 2,895,333

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

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

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

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

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

	December 31, 2005		
	Previously Reported	Adjustments (Unaudited)	As Restated
Assets			
Cash and cash equivalents	$ 293,073	$	$ 293,073
Short-term investments	90,981		90,981
Restricted cash, cash equivalents and short-term investments	13,759		13,759
Inventories	37,320		37,320
Other current assets	29,237	(519)	28,718
Total current assets	464,370	(519)	463,851
Property and equipment, net	621,946	261	622,207
Wireless licenses	821,288		821,288
Assets held for sale	15,145		15,145
Goodwill	431,896	(6,114)	425,782
Other intangible assets, net	113,554		113,554
Other assets	38,119		38,119
Total assets	$ 2,506,318	$ (6,372)	$ 2,499,946
Liabilities and Stockholders Equity			
Accounts payable and accrued liabilities	$ 167,770	$ 661	168,431
Current maturities of long-term debt	6,111		6,111
Other current liabilities	49,627	(5,684)	43,943
Total current liabilities	223,508	(5,023)	218,485
Long-term debt	588,333		588,333
Deferred tax liabilities	141,935	(4,593)	137,342
Other long-term liabilities	36,424		36,424
Total liabilities	990,200	(9,616)	980,584
Minority interests	1,761		1,761
Stockholders equity:			
Preferred stock			
Common stock	6		6
Additional paid-in capital	1,511,580	234	1,511,814
Unearned share-based compensation	(20,942)		(20,942)
Retained earnings	21,575	3,010	24,585
Accumulated other comprehensive income	2,138		2,138
Total stockholders equity	1,514,357	3,244	1,517,601
Total liabilities and stockholders equity	$ 2,506,318	$ (6,372)	$ 2,499,946

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	Year Ended December 31, 2005						
	Previously Reported	Revenue Timing Adjustments	Other Revenue Adjustments	Reclassification Adjustments (Unaudited)	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 763,680	$ 890	$ 785	$ 3,561	$	$	$ 768,916
Equipment revenues	150,983			37,872			188,855
Total revenues	914,663	890	785	41,433			957,771
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(200,430)			(3,118)			(203,548)
Cost of equipment	(192,205)			(38,315)			(230,520)
Selling and marketing	(100,042)						(100,042)
General and administrative	(159,249)				(492)		(159,741)
Depreciation and amortization	(195,462)						(195,462)
Impairment of assets	(12,043)						(12,043)
Total operating expenses	(859,431)			(41,433)	(492)		(901,356)
Gain on sale or disposal of assets	14,587						14,587
Operating income	69,819	890	785		(492)		71,002
Minority interests in consolidated subsidiaries	(31)						(31)
Interest income	9,957						9,957
Interest expense	(30,051)						(30,051)
Other income, net	1,423						1,423
Income before income taxes	51,117	890	785		(492)		52,300
Income tax expense	(21,151)					(464)	(21,615)
Net income	$ 29,966	$ 890	$ 785	$	$ (492)	$ (464)	$ 30,685
Basic and diluted earnings per share:							
Basic earnings per share	$ 0.50	$ 0.02	$ 0.01	$	$ (0.01)	$ (0.01)	$ 0.51
	$ 0.49	$ 0.02	$ 0.01	$	$ (0.01)	$ (0.01)	$ 0.50

Diluted earnings per share		
Shares used in per share calculations:		
Basic	60,135	60,135
Diluted	61,003	61,003

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	Successor Company						
	Five Months Ended December 31, 2004						
	Previously Reported	Revenue Timing Adjustments	Revenue Adjustments	Other Reclassification Adjustments (Unaudited)	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 285,647	$ 2,291	$	$ 1,417	$	$	$ 289,355
Equipment revenues	58,713			2,779			61,492
Total revenues	344,360	2,291		4,196			350,847
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(79,148)			(1,138)			(80,286)
Cost of equipment	(82,402)			(3,058)			(85,460)
Selling and marketing	(39,938)						(39,938)
General and administrative	(57,110)						(57,110)
Depreciation and amortization	(75,324)						(75,324)
Total operating expenses	(333,922)			(4,196)			(338,118)
Operating income	10,438	2,291					12,729
Interest income	1,812						1,812
Interest expense	(16,594)						(16,594)
Other expense, net	(117)						(117)
Loss before income taxes	(4,461)	2,291					(2,170)
Income tax expense	(3,930)						(3,930)
Net loss	$ (8,391)	$ 2,291	$	$	$	$	$ (6,100)
Basic and diluted loss per share:							
Basic loss per share	$ (0.14)	$ 0.04	$	$	$	$	$ (0.10)
Diluted loss per share	$ (0.14)	$ 0.04	$	$	$	$	$ (0.10)
Shares used in per share calculations:							
Basic	60,000						60,000
Diluted	60,000						60,000

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	Predecessor Company Seven Months Ended July 31, 2004 (Unaudited)						
	Previously Reported	Revenue Timing Adjustments	Revenue Adjustments	Other Reclassification Adjustments	Other Adjustments	Income Tax Adjustments	As Restated
Revenues:							
Service revenues	$ 398,451	$ 6,188	$	$ 1,211	$	$	$ 405,850
Equipment revenues	83,196			3,710			86,906
Total revenues	481,647	6,188		4,921			492,756
Operating expenses:							
Cost of service (exclusive of items shown separately below)	(113,988)			(640)			(114,628)
Cost of equipment	(97,160)			(4,281)			(101,441)
Selling and marketing	(51,997)						(51,997)
General and administrative	(81,514)						(81,514)
Depreciation and amortization	(178,120)						(178,120)
Total operating expenses	(522,779)			(4,921)			(527,700)
Gain on sale or disposal of assets	532						532
Operating loss	(40,600)	6,188					(34,412)
Interest expense	(4,195)						(4,195)
Other expense, net	(293)						(293)
Loss before reorganization items and income taxes	(45,088)	6,188					(38,900)
Reorganization items, net	962,444						962,444
Income before income taxes	917,356	6,188					923,544
Income tax expense	(4,166)						(4,166)
Net income	$ 913,190	$ 6,188	$	$	$	$	$ 919,378
Basic and diluted earnings per share:							
Basic earnings per share	$ 15.58	$ 0.10	$	$	$	$	$ 15.68
Diluted earnings per share	$ 15.58	$ 0.10	$	$	$	$	$ 15.68

Shares used in per share calculations:		
Basic	58,623	58,623
Diluted	58,623	58,623

Note 3. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared by the Company without audit, in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes required by accounting principles generally accepted in the United States of America for a complete set of

financial statements. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments necessary for a fair statement of the results for the periods presented, with such adjustments consisting of normal recurring adjustments and other than normal recurring adjustments associated with the restatement adjustments described in Note 2. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The condensed consolidated financial statements include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of LCW Wireless and Denali and their wholly owned subsidiaries. The Company consolidates its interests in LCW Wireless and Denali in accordance with FIN 46(R), Consolidation of Variable Interest Entities, because these entities are variable interest entities and the Company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

Revenues

Cricket s business revenues principally arise from the sale of wireless services, handsets and accessories. Wireless services are generally provided on a month-to-month basis. New and reactivating customers are required to pay for their service in advance, and generally, customers who activated their service prior to May 2006 pay in arrears. The Company does not require any of its customers to sign fixed-term service commitments or submit to a credit check. These terms generally appeal to less affluent customers who are considered more likely to terminate service for inability to pay than wireless customers in general. Consequently, the Company has concluded that collectibility of its revenues is not reasonably assured until payment has been received. Accordingly, service revenues are recognized only after services have been rendered and payment has been received.

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

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

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

Sales incentives offered without charge to customers and volume-based incentives paid to the Company s third-party dealers are recognized as a reduction of revenue and as a liability when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage; as a result, customer returns of handsets and accessories have historically been negligible.

Amounts billed by the Company in advance of customers wireless service periods are not reflected in accounts receivable or deferred revenue as collectibility of such amounts is not reasonably assured. Deferred

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revenue consists primarily of cash received from customers in advance of their service period and deferred equipment revenue related to handsets and accessories sold to third-party dealers.

Costs and Expenses

The Company s costs and expenses include:

Cost of Service. The major components of cost of service are: charges from other communications companies for long distance, roaming and content download services provided to the Company s customers; charges from other communications companies for their transport and termination of calls originated by the Company s customers and destined for customers of other networks; and expenses for tower and network facility rent, engineering operations, field technicians and related utility and maintenance charges, and salary and overhead charges associated with these functions.

Cost of Equipment. Cost of equipment primarily includes the cost of handsets and accessories purchased from third-party vendors and resold to the Company s customers in connection with its services, as well as the 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 expenses, promotional and public relations costs associated with acquiring new customers, store operating costs (such as retail associates salaries and rent), and overhead charges associated with selling and marketing functions.

General and Administrative. General and administrative expenses primarily include call center and other customer care program costs and salary, overhead and outside consulting costs associated with the Company s customer care, billing, information technology, finance, human resources, accounting, legal and executive functions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity at the time of purchase of three months or less to be cash equivalents. The Company invests its cash with major financial institutions in money market funds, short-term U.S. Treasury securities, obligations of U.S. government agencies and other securities such as prime-rated short-term commercial paper and investment grade corporate fixed-income securities. The Company has not experienced any significant losses on its cash and cash equivalents.

Short-Term Investments

Short-term investments consist of highly liquid, fixed-income investments with an original maturity at the time of purchase of greater than three months. Such investments consist of commercial paper, asset-backed commercial paper, auction rate securities, obligations of the U.S. government, and investment grade fixed-income securities guaranteed by U.S. government agencies. Generally, with the exception of its investments in commercial paper, all short-term investments owned by the Company are directly or indirectly guaranteed by a U.S. government agency.

Investments are classified as available-for-sale and stated at fair value. The net unrealized gains or losses on available-for-sale securities are reported as a component of comprehensive income (loss). The specific identification method is used to compute the realized gains and losses on investments. Investments are periodically reviewed for impairment. If the carrying value of an investment exceeds its fair value and the decline in value is determined to be other-than-temporary, an impairment loss is recognized for the difference.

As of September 30, 2007, the Company held approximately $159.9 million in asset-backed commercial paper, some of which is backed, in part, by residential mortgages. Such asset-backed commercial paper is subject to credit risk as the obligor may be unable to repay its maturing commercial paper as it becomes due. Due to the recent downturns in the financial and credit markets, certain of the Company s investments have been downgraded by a major rating agency and their respective fair values have declined. As a result, the Company recognized an other-than-temporary impairment loss of approximately $4.4 million to other income (expense), net in its condensed consolidated statements of operations during the three months ended September 30, 2007. The impairment loss was calculated based upon quotes provided by third-party financial institutions.

The Company believes its future risk of loss with respect to these investments is limited given the short term duration of these commercial paper holdings, the nature of the underlying assets securing these holdings, payment preferences that would be available to the Company in the event of liquidation, and interest and principal payments received subsequent to September 30, 2007; however, future volatility and uncertainty in the financial markets could result in additional losses. As of September 30, 2007, the Company has received both interest and principal payments for all of its commercial paper investments as they have reached maturity. As of November 30, 2007, the Company held approximately $56.4 million in asset-backed commercial paper backed, in part, by residential mortgages. Of this amount, approximately $40 million is expected to mature during December 2007 and January 2008.

Property and Equipment

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

The following table summarizes the depreciable lives for property and equipment (in years):

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

The Company s network construction expenditures are recorded as construction-in-progress until the network or assets are placed in service, at which time the assets are transferred to the appropriate property or equipment category. The Company capitalizes salaries and related costs of engineering and technical operations employees as components of construction-in-progress during the construction period to the extent time and expense are contributed to the construction effort. The Company also capitalizes certain telecommunications and other related costs as construction-in-progress during the construction period to the extent they are incremental and directly related to the network under construction. In addition, interest is capitalized on the carrying values of both wireless licenses and equipment during the construction period and is depreciated over an estimated useful life of ten years. During the three and nine months ended September 30, 2007, the Company capitalized interest of $11.5 million and $33.3 million, respectively, to property and equipment. During the three and nine months ended September 30, 2006, the Company capitalized interest of $3.4 million and $12.3 million, respectively, to property and equipment.

Property and equipment to be disposed of by sale is not depreciated and is carried at the lower of carrying value or fair value less costs to sell. As of September 30, 2007 and December 31, 2006, there was no property or equipment classified as assets held for sale.

Wireless Licenses

The Company operates broadband PCS networks under wireless licenses granted by the FCC that are specific to a particular geographic area on spectrum that has been allocated by the FCC for such services. In addition, through the Company s participation in Auction #66 in December 2006, it acquired a number of AWS licenses that can be used to provide services comparable to the PCS services it currently provides, in addition to other advanced wireless services. Wireless licenses are initially recorded at cost and are not amortized. Although FCC licenses are issued with a stated term, ten years in the case of PCS licenses and fifteen years in the case of AWS licenses, wireless licenses are considered to be indefinite-lived intangible assets because the Company expects to continue to provide

wireless service using the relevant licenses for the foreseeable future, PCS and AWS licenses are routinely renewed for a nominal fee, and management has determined that no legal, regulatory, contractual, competitive, economic, or other factors currently exist that limit the useful life of the Company s PCS and AWS licenses. If any legal, regulatory, contractual, competitive, economic or other factors were to limit the useful lives of its indefinite-lived wireless licenses, the Company would be required to test these intangible assets for impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, and amortize the respective intangible asset over its remaining useful life. As of September 30, 2007 and December 31, 2006, the carrying value of the Company s wireless licenses was $1.9 and $1.6 billion, respectively. Wireless licenses to be disposed of by sale are carried at the lower of carrying value or fair value less costs to sell. As of September 30, 2007 there were no wireless licenses classified as assets held for sale. As of December 31, 2006, wireless licenses and with a carrying value of $8.1 million were classified as assets held for sale.

The Company s spectrum clearing costs are capitalized to wireless licenses as incurred. During the three and nine months ended September 30, 2007, the Company incurred approximately $1.7 million and $2.2 million, respectively, in spectrum clearing costs. No such costs were incurred during the nine months ended September 30, 2006.

Goodwill and Other Intangible Assets

Goodwill represents the excess of reorganization value over the fair value of identified tangible and intangible assets recorded in connection with fresh-start reporting as of July 31, 2004. Other intangible assets were recorded upon adoption of fresh-start reporting and consist of customer relationships and trademarks which are being amortized on a straight-line basis over their estimated useful lives of four and 14 years, respectively.

Impairment of Indefinite-Lived Intangible Assets

The Company assesses potential impairments to its indefinite-lived intangible assets, including wireless licenses and goodwill, on an annual basis or when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. The annual impairment test is conducted during the third quarter of each year.

The Company s wireless licenses in its operating markets are combined into a single unit of accounting for purposes of testing impairment because management believes that utilizing these wireless licenses as a group represents the highest and best use of the assets, and the value of the wireless licenses would not be significantly impacted by a sale of one or a portion of the wireless licenses, among other factors. The Company s non-operating licenses are tested for impairment on an individual basis. An impairment loss is recognized when the fair value of a wireless license is less than its carrying value and is measured as the amount by which the license s carrying value exceeds its fair value. Estimates of the fair value of the Company s wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions. Any required impairment losses are recorded as a reduction in the carrying value of the wireless license and charged to results of operations. As a result of the annual impairment test of wireless licenses, the Company recorded impairment charges of $1.0 million and $4.7 million during the three months ended September 30, 2007 and 2006, respectively, to reduce the carrying values of certain non-operating wireless licenses to their estimated fair values. No impairment charges were recorded for the Company s licenses in its operating markets as the fair value of these licenses, as a group, exceeded the carrying value.

The goodwill impairment test involves a two-step process. First, the book value of the Company s net assets, which are combined into a single reporting unit for purposes of the impairment test of goodwill, is compared to the fair value of the Company s net assets. If the fair value was determined to be less than book value, a second step would be performed to measure the amount of the impairment, if any. As of September 30, 2007, the Company completed the first step of the goodwill impairment test and did not identify any indicia of impairment.

The accounting estimates for the Company s wireless licenses and goodwill require management to make significant assumptions about fair value. Management s assumptions regarding fair value require significant judgment about economic factors, industry factors and technology considerations, as well as its views regarding the

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Company s business prospects. Changes in these judgments may have a significant effect on the estimated fair values.

Investments in Other Entities

The Company uses the equity method to account for investments in common stock of corporations in which it has a voting interest of between 20% and 50% or in which the Company otherwise has the ability to exercise significant influence, and in limited liability companies that maintain specific ownership accounts in which it has more than a minor but not greater than a 50% ownership interest. Under the equity method, the investment is originally recorded at cost and adjusted to recognize the Company s share of net earnings or losses of the investee. During the three and nine months ended September 30, 2007, the Company s share of its equity method investee losses was $0.8 million. No such amounts were recorded during 2006 as the Company did not have any equity method investments during that year.

The Company regularly monitors and evaluates the realizable value of its investments. When assessing an investment for an other-than-temporary decline in value, the Company considers such factors as, among other things, the performance of the investee in relation to its business plan, the investee s revenue and cost trends, liquidity and cash position, market acceptance of the investee s products or services, any significant news that has been released regarding the investee, and the outlook for the overall industry in which the investee operates. If events and circumstances indicate that a decline in the value of these assets has occurred and is other-than-temporary, the Company records a reduction to the carrying value of its investment and a corresponding charge to earnings.

Concentrations

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

The Company does not have a national network, and it must pay fees to other carriers who provide the Company with roaming services. Currently, the Company has roaming agreements with several other carriers which allow its customers to roam on such carriers networks. If it were unable to cost-effectively provide roaming services to customers, the Company s competitive position and business prospects could be adversely affected.

Share-Based Compensation

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

Total share-based compensation expense related to all of the Company s share-based awards for the three and nine months ended September 30, 2007 and 2006 was allocated as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006 (As Restated)
Cost of service	$ 535	$ 311	$ 1,679	$ 830

Selling and marketing expenses	843	637	2,403	1,437
General and administrative expenses	5,696	4,115	17,630	11,976
Share-based compensation expense	$ 7,074	$ 5,063	$ 21,712	$ 14,243
Share-based compensation expense per share:				
Basic	$ 0.11	$ 0.08	$ 0.32	$ 0.24
Diluted	$ 0.11	$ 0.08	$ 0.32	$ 0.23

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Income Taxes

The Company s provisions for income taxes during the interim reporting periods in 2005 and 2006 were based on estimates of its annual effective tax rate for each full fiscal year. The computation of the annual effective tax rate includes a forecast of the Company s estimated ordinary income (loss), which is its annual income (loss) from continuing operations before tax, excluding unusual or infrequently occurring (or discrete) items. Significant management judgment is required in projecting the Company s ordinary income (loss) and, beginning with the first quarter of 2007, the Company s projection for 2007 is close to break-even. The Company s projected ordinary income tax expense for the full year 2007, which excludes the effect of unusual or infrequently occurring (or discrete) items, consists primarily of the deferred tax effect of the amortization of wireless licenses and goodwill for income tax purposes. Because the Company s projected 2007 income tax expense is a relatively fixed amount, a small change in the ordinary income (loss) projection can produce a significant variance in the effective tax rate and, therefore, it is difficult to make a reliable estimate of the annual effective tax rate. As a result and in accordance with paragraph 82 of FIN 18, the Company has computed its provision for income taxes for the three and nine months ended September 30, 2007 by applying the actual effective tax rate to the year-to-date income.

The Company calculates income taxes in each of the jurisdictions in which it operates. This process involves calculating the actual current tax expense and any deferred income tax expense resulting from temporary differences arising from differing treatments of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss carryforwards, capital loss carryforwards, and income tax credits.

The Company must then periodically assess the likelihood that its deferred tax assets will be recovered from future taxable income, which assessment requires significant judgment. To the extent the Company believes it is more likely than not that its deferred tax assets will not be recovered, it must establish a valuation allowance. As part of this periodic assessment for the quarter ended September 30, 2007, the Company weighed the positive and negative factors with respect to this determination and, at this time, except with respect to the realization of a $2.5 million Texas Margins Tax credit, does not believe there is sufficient positive evidence and sustained operating earnings to support a conclusion that it is more likely than not that all or a portion of its deferred tax assets will be realized. At September 30, 2007, the Company has cumulative pre-tax income since its emergence from bankruptcy in August 2004. The Company will continue to closely monitor the positive and negative factors to determine whether its valuation allowance should be released. Deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures cannot be considered a source of taxable income to support the realization of deferred tax assets because these deferred tax liabilities will not reverse until some indefinite future period.

At such time as the Company determines that it is more likely than not that all or a portion of the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to SOP 90-7, up to $218.5 million in future decreases in the valuation allowance established in fresh-start reporting will be accounted for as a reduction of goodwill rather than as a reduction of income tax expense.

On January 1, 2007, the Company adopted the provisions of FIN 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109. The adoption of FIN 48 did not have a material effect on the Company s consolidated financial position or results of operations. At the date of adoption and during the three and nine months ended September 30, 2007, the Company s unrecognized income tax benefits and uncertain tax positions were not material. Interest and penalties related to uncertain tax positions are recognized by the Company as a component of income tax expense but were immaterial on the date of adoption and for the three and nine months ended September 30, 2007. All of the Company s tax years from 1998 to 2006 remain open to examination by federal and state taxing authorities.

The Company changed its tax accounting method for amortizing wireless licenses during the quarter ended September 30, 2007. Under the prior method, the Company began amortizing wireless licenses for tax purposes on the date a license was placed into service. Under the new tax accounting method, the Company will generally begin amortizing wireless licenses for tax purposes on the date the wireless license is acquired. The new tax accounting method generally allows the Company to amortize wireless licenses for tax purposes at an earlier date and allows it to accelerate its tax deductions. At the same time, the new method increases the Company s income tax expense due

to the deferred tax effect of accelerating amortization on wireless licenses. The Company has applied the new method as if it had been in effect for all of its prior tax periods, and the resulting cumulative increase to income tax expense of $19.3 million through June 30, 2007 was recorded during the three months ended September 30, 2007. The new method also increased the Company s tax expense by $4.8 million for the three months ended September 30, 2007. This tax accounting method change also affects the characterization of certain income tax gains and losses on the sale of non-operating wireless licenses. Under the prior method, gains or losses on the sale of non-operating licenses were characterized as capital gains or losses; however, under the new method, gains or losses on the sale of non-operating licenses for which the Company had commenced tax amortization prior to the sale are characterized as ordinary gains or losses. As a result of this change, $64.7 million of net income tax losses previously reported as capital loss carryforwards have been recharacterized as net operating loss carryforwards. These net operating loss carryforwards can be used to offset future taxable income and reduce the amount of cash required to settle future tax liabilities.

Comprehensive Income (Loss)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006 (As Restated)**	**2007**	**2006 (As Restated)**
Net income (loss)	$ (43,289)	$ (801)	$ (57,875)	$ 21,280
Other comprehensive income (loss):				
Net unrealized holding gains (losses) on investments, net of tax	27	(128)	15	(170)
Unrealized gains (losses) on interest rate swaps	(4,809)	(3,033)	(5,873)	235
Comprehensive income (loss)	$ (48,071)	$ (3,962)	$ (63,733)	$ 21,345

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

	September 30, 2007	**December 31, 2006**
Net unrealized holding losses on investments, net of tax	$ (1,373)	$ (4)
Unrealized gains (losses) on interest rate swaps	(2,699)	1,790
Accumulated other comprehensive income (loss)	$ (4,072)	$ 1,786

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157), which defines fair value for accounting purposes, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America and expands disclosure regarding fair value measurements. The Company will be

required to adopt SFAS 157 in the first quarter of 2008. The Company is currently evaluating what impact SFAS 157 will have on its consolidated financial statements.

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

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141(R)), which expands the definition of a business and a business combination, requires the fair value

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of the purchase price of an acquisition including the issuance of equity securities to be determined on the acquisition date, requires that all assets, liabilities, contingent consideration, contingencies and in-process research and development costs of an acquired business be recorded at fair value at the acquisition date, requires that acquisition costs generally be expensed as incurred, requires that restructuring costs generally be expensed in periods subsequent to the acquisition date, and requires changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period to impact income tax expense. The Company will be required to adopt SFAS 141(R) on January 1, 2009. The Company is currently evaluating what impact SFAS 141(R) will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51 (SFAS 160), which changes the accounting and reporting for minority interests such that minority interests will be recharacterized as noncontrolling interests and will be required to be reported as a component of equity, and requires that purchases or sales of equity interests that do not result in a change in control be accounted for as equity transactions and, upon a loss of control, requires the interest sold, as well as any interest retained, to be recorded at fair value with any gain or loss recognized in earnings. The Company will be required to adopt SFAS 160 on January 1, 2009. The Company is currently evaluating what impact SFAS 160 will have on its consolidated financial statements.

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

	September 30, 2007	December 31, 2006 (As Restated)
Other current assets:		
Accounts receivable, net(1)	$ 25,490	$ 38,257
Prepaid expenses	30,597	11,808
Other	879	2,916
	$ 56,966	$ 52,981
Property and equipment, net:		
Network equipment	$ 1,346,983	$ 1,128,127
Computer equipment and other	132,481	100,496
Construction-in-progress	297,393	238,579
	1,776,857	1,467,202
Accumulated depreciation	(579,333)	(388,681)
	$ 1,197,524	$ 1,078,521
Accounts payable and accrued liabilities:		
Trade accounts payable	$ 102,093	$ 218,020
Accrued payroll and related benefits	27,302	29,450
Other accrued liabilities	78,463	69,623
	$ 207,858	$ 317,093

Other current liabilities:				
Deferred service revenue(2)	$	42,625	$	32,929
Deferred equipment revenue(3)		14,886		16,589
Accrued sales, telecommunications, property and other taxes payable		21,424		15,865
Accrued interest		42,864		13,671
Other		6,465		5,621
	$	128,264	$	84,675

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

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

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

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006 (As Restated)	2007	2006 (As Restated)
Basic weighted-average shares outstanding	67,194	60,295	67,064	60,286
Effect of dilutive common share equivalents:				
Non-qualified stock options				147
Restricted stock awards				933
Warrants				367
Common shares issuable upon physical settlement of forward sale agreements				133
Diluted weighted-average shares outstanding	67,194	60,295	67,064	61,866

The Company incurred losses for the three and nine months ended September 30, 2007 and for the three months ended September 30, 2006; therefore, 4.7 million, 4.7 million and 4.2 million common share equivalents were excluded in computing diluted earnings (loss) per share for those periods, respectively. The number of common share equivalents not included in the computation of diluted earnings per share, because the effect of their inclusion would have been antidilutive, totaled 1.4 million for the nine months ended September 30, 2006.

Note 6. Long-Term Debt

Long-term debt as of September 30, 2007 and December 31, 2006 was comprised of the following (in thousands):

	September 30,	December 31,

	2007	2006
Term loans under senior secured credit facilities	$ 928,750	$ 935,500
Senior notes	1,120,334	750,000
	2,049,084	1,685,500
Current maturities of long-term debt	(10,000)	(9,000)
	$ 2,039,084	$ 1,676,500

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Senior Secured Credit Facilities

Cricket Communications

The Company s senior secured credit facility under its amended and restated senior secured credit agreement (the Credit Agreement) consists of a six year $895.5 million term loan and an undrawn $200 million revolving credit facility.

Outstanding borrowings under the term loan must be repaid in 22 quarterly payments of $2.25 million each (which commenced on March 31, 2007) followed by four quarterly payments of $211.5 million (which commence on September 30, 2012). If the term loan is prepaid in connection with a re-pricing transaction prior to March 15, 2008, a prepayment premium in the amount of 1.0% of the principal amount prepaid will be payable by Cricket.

As of December 31, 2006, the interest rate on the term loan was the London Interbank Offered Rate (LIBOR) plus 2.75% or the bank base rate plus 1.75%, as selected by Cricket. The interest rate on the term loan was reduced in the first and second quarters of 2007: first, in connection with a March 2007 amendment to the Credit Agreement in which the interest rate was reduced by 50 basis points, and then in June 2007, when Leap s corporate family debt rating improved, causing the interest rate on the term loan to be reduced by an additional 25 basis points in accordance with the terms of the Credit Agreement. On September 4, 2007, the Company s debt rating outlook changed to developing from stable and as a result the interest rate on the term loan was increased by 25 basis points. As a result of these changes, the interest rate on the term loan was LIBOR plus 2.25% or the bank base rate plus 1.25%, as selected by Cricket, as of September 30, 2007.

Outstanding borrowings under the revolving credit facility, to the extent that there are any borrowings, are due in June 2011. As of September 30, 2007, the revolving credit facility was undrawn. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. The commitment fee on the revolving credit facility is payable quarterly at a rate of between 0.25% and 0.50% per annum, depending on the Company s consolidated senior secured leverage ratio, and the rate is currently 0.25%. As of September 30, 2007, borrowings under the revolving credit facility accrued interest at LIBOR plus 2.25% or the bank base rate plus 1.25%, as selected by Cricket.

Subsequent to September 30, 2007, as more fully described in Note 2, the Company announced its intention to restate certain of its historical consolidated financial statements. On November 20, 2007, and as more fully described in Note 10, the Company entered into a second amendment (the Second Amendment) to the Credit Agreement in which the lenders waived defaults and potential defaults under the Credit Agreement arising from the Company s potential breach of representations regarding the presentation of its prior consolidated financial statements and the associated delay in filing this Quarterly Report on Form 10-Q. In addition, the Second Amendment amended the interest rates payable under the Credit Agreement. The term loan now bears interest at LIBOR plus 3.0% or the bank base rate plus 2.0%, as selected by Cricket, which represents an increase of 75 basis points to the interest rate previously applicable to the term loan borrowings in effect on September 30, 2007. The Second Amendment also resulted in an increase of 75 basis points to the interest rate previously applicable to the revolving credit facility on September 30, 2007.

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 LCW Wireless and Denali and their respective subsidiaries) and are secured by substantially all of the present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries. Under the Credit Agreement, the Company is subject to certain limitations, including limitations on its ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; pay dividends; and make certain other restricted payments. In addition, the Company will be required to pay down the facilities under certain circumstances

if it issues debt, sells assets or property, receives certain extraordinary receipts or generates excess cash flow (as defined in the Credit Agreement). The Company is also subject to a financial covenant with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. In addition to investments in the Denali joint venture, the Credit Agreement allows the Company to invest up to $85 million in LCW Wireless and its subsidiaries and up

to $150 million plus an amount equal to an available cash flow basket in other joint ventures, and allows the Company to provide limited guarantees for the benefit of LCW Wireless and other joint ventures.

In addition to the foregoing restrictions, the Second Amendment requires the Company to furnish its unaudited condensed consolidated financial statements for the quarter ended September 30, 2007 to the administrative agent on or before December 14, 2007. The Company is also required to furnish its amended Annual Report on Form 10-K for the year ended December 31, 2006 and revised unaudited condensed consolidated financial statements for the quarters ended March 31 and June 30, 2007 to the administrative agent on or before December 31, 2007. The Second Amendment also provides that these revised financial statements may not result in a cumulative net reduction in operating income for the period from January 1, 2005 through June 30, 2007 in excess of $35 million. If the Company fails to timely furnish such financial statements and documents to the administrative agent, this would result in an immediate default under the Credit Agreement which, unless waived by the required lenders, would permit the administrative agent to exercise its available remedies, including declaring all outstanding debt under the Credit Agreement to be immediately due and payable. An acceleration of the outstanding debt under the Credit Agreement would also trigger a default under Cricket s indenture governing its $1.1 billion of 9.375% senior notes due 2014. The Company currently expects to file the necessary amendment to its Annual Report on Form 10-K for the year ended December 31, 2006, and its amendments to its Quarterly Reports on Form 10-Q for the first two quarters of 2007, on or before December 31, 2007.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a former director of Leap) participated in the syndication of the term loan in an amount equal to $222.9 million. Additionally, Highland Capital Management continues to hold a $40 million commitment under the $200 million revolving credit facility.

The effective interest rate on the term loan was 7.3% as of September 30, 2007, which includes the effect of interest rate swaps, and the outstanding indebtedness was $889 million. The terms of the Credit Agreement require the Company to enter into interest rate swap agreements in a sufficient amount so that at least 50% of the Company s total outstanding indebtedness for borrowed money bears interest at a fixed rate. The Company is in compliance with this requirement. Prior to September 28, 2007, the Company had interest rate swap agreements with respect to $255 million of its debt which effectively fixed the LIBOR interest rate on $150 million of indebtedness at 7.5% and $105 million of indebtedness at 6.6% through June 2009. To increase the amount of total outstanding indebtedness for borrowed money subject to interest at a fixed rate, the Company entered into additional interest rate swap agreements on September 28, 2007 which effectively fixed the LIBOR interest rate on $100 million of additional indebtedness at 7.3% through September 2010. As a result, the Company had interest rate swap agreements with respect to $355 million of its debt as of September 30, 2007. In addition, on such date, $1,100 million of senior notes bearing interest at the fixed rate of 9.375% per year were outstanding. The fair value of the swap agreements at September 30, 2007 and December 31, 2006 was an aggregate loss of $2.7 million and an aggregate gain of $3.2 million, respectively, and was recorded in other liabilities and other assets, respectively, in the condensed consolidated balance sheets.

LCW Operations

LCW Operations has a senior secured credit agreement consisting of two term loans for $40 million in the aggregate. The loans bear interest at LIBOR plus the applicable margin ranging from 2.7% to 6.3%. At September 30, 2007, the effective interest rate on the term loans was 9.6%, and the outstanding indebtedness was $40 million. In January 2007, LCW Operations entered into an interest rate cap agreement which effectively caps the three month LIBOR interest rate at 7.0% on $20 million of its outstanding borrowings. The obligations under the loans are guaranteed by LCW Wireless and LCW Wireless License, LLC, a wholly owned subsidiary of LCW Operations (and are non-recourse to Leap, Cricket and their other subsidiaries). Outstanding borrowings under the term loans must be repaid in varying

quarterly installments starting in June 2008, with an aggregate final payment of $24.5 million due in June 2011. Under the senior secured credit agreement, LCW Operations and the guarantors are subject to certain limitations, including limitations on their ability to: incur additional debt or sell assets with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; pay dividends; and make certain other restricted payments. In addition, LCW Operations will be required to pay down

the facilities under certain circumstances if it or the guarantors issue debt, sell assets or generate excess cash flow. The senior secured credit agreement requires that LCW Operations and the guarantors comply with financial covenants related to earnings before interest, taxes, depreciation and amortization, gross additions of subscribers, minimum cash and cash equivalents and maximum capital expenditures, among other things.

Senior Notes

In October 2006, Cricket issued $750 million of unsecured senior notes due 2014 in a private placement to institutional buyers. During the second quarter of 2007, the Company offered to exchange the notes for identical notes that had been registered with the Securities and Exchange Commission (SEC), and all notes were tendered for exchange.

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

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

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a former director of Leap) purchased an aggregate of $25 million principal amount of unsecured senior notes in the October 2006 private placement. In March 2007, these notes were sold by the Highland entities to a third party.

In June 2007, Cricket issued an additional $350 million of unsecured senior notes due 2014 in a private placement to institutional buyers at an issue price of 106% of the principal amount. These notes are an additional issuance of the 9.375% unsecured senior notes due 2014 discussed above and are treated as a single class with these notes. The terms of these additional notes are identical to the existing notes, except for certain applicable transfer restrictions. The

$21 million premium the Company received in connection with the issuance of the notes has been recorded in long-term debt in the condensed consolidated financial statements and is being amortized as a reduction to interest expense over the term of the notes. At September 30, 2007, the effective interest rate on the $350 million of unsecured senior notes was 9.1%, which included the effect of the premium amortization.

In connection with the private placement of the additional senior notes, the Company entered into a registration rights agreement with the purchasers in which the Company agreed to file a registration statement with the SEC to permit the holders to exchange or resell the notes. The Company must use reasonable best efforts to file such registration statement within 150 days after the issuance of the notes, have the registration statement declared effective within 270 days after the issuance of the notes and then consummate any exchange offer within 30 business days after the effective date of the registration statement. In the event that the registration statement is not filed or declared effective or the exchange offer is not consummated within these deadlines, the agreement provides that additional interest will accrue on the principal amount of the notes at a rate of 0.50% per annum during the 90-day period immediately following any of these events and will increase by 0.50% per annum at the end of each subsequent 90-day period, but in no event will the penalty rate exceed 1.50% per annum. There are no other alternative settlement methods and, other than the 1.50% per annum maximum penalty rate, the agreement contains no limit on the maximum potential amount of consideration that could be transferred in the event the Company does not meet the registration statement filing requirements. Due to the Company s restatement of its historical consolidated financial results as described in Note 2, the Company was unable to file the registration statement within 150 days after issuance of the notes. The Company intends to file the registration statement with the SEC as soon as is reasonably practicable and, based upon its anticipated registration statement filing date and the penalty rate applicable to the anticipated registration default event, the Company has accrued additional interest expense of approximately $0.5 million as of September 30, 2007.

Note 7. Significant Acquisitions and Dispositions

In January 2007, the Company completed the sale of three wireless licenses that it was not using to offer commercial service for an aggregate sales price of $9.5 million, resulting in a net gain of $1.3 million. There were no significant acquisitions or dispositions during the three months ended September 30, 2007.

In June and August 2007, the Company purchased approximately 20% of the outstanding membership units of a regional wireless service provider for an aggregate purchase price of $17.9 million. The Company uses the equity method to account for its investment. The Company s equity in net earnings or losses are recorded two months in arrears to facilitate the timely inclusion of such equity in net earnings or losses in the Company s condensed consolidated financial statements. During the three and nine months ended September 30, 2007, the Company s share of its net losses of the entity were $0.8 million.

Note 8. Commitments and Contingencies

Patent Litigation

On June 14, 2006, the Company sued MetroPCS Communications, Inc. (MetroPCS) in the United States District Court for the Eastern District of Texas, Marshall Division, for infringement of U.S. Patent No. 6,813,497 *Method for Providing Wireless Communication Services and Network and System for Delivering Same,* issued to the Company. The Company s complaint seeks damages and an injunction against continued infringement. On August 3, 2006, MetroPCS (i) answered the complaint, (ii) raised a number of affirmative defenses, and (iii) together with certain related entities (referred to, collectively with MetroPCS, as the MetroPCS entities), counterclaimed against Leap, Cricket, numerous Cricket subsidiaries, Denali License, and current and former employees of Leap and Cricket, including the Company s Chief Executive Officer, S. Douglas Hutcheson. MetroPCS has since amended its complaint and Denali License has been dismissed, without prejudice, as a counterclaim defendant. The countersuit now alleges claims for breach of contract, misappropriation, conversion and disclosure of trade secrets, fraud, misappropriation of confidential information and breach of confidential relationship, relating to information provided by MetroPCS to such employees, including prior to their employment by Leap, and asks the court to award attorneys fees and damages, including punitive damages, impose an injunction enjoining the Company from participating in any auctions or sales of wireless spectrum, impose a constructive trust on the Company s business and assets for the benefit of the

MetroPCS entities, transfer the Company s business and assets to MetroPCS and declare that the MetroPCS entities have not infringed U.S. Patent No. 6,813,497 and that such patent is invalid. MetroPCS s claims allege that the Company and the other counterclaim defendants improperly obtained, used and disclosed trade secrets and confidential information of the MetroPCS entities and breached confidentiality agreements with the MetroPCS entities. On October 31, 2007, pursuant to a stipulation between the parties,

the court administratively closed the case for a period not to exceed six months. The parties stipulated that neither will move the court to reopen the case until at least 90 days following the administrative closures. On November 1, 2007, MetroPCS formally withdrew its September 4, 2007 unsolicited merger proposal, which the Company s board of directors had previously rejected on September 16, 2007. On September 22, 2006, Royal Street Communications, LLC (Royal Street), an entity affiliated with MetroPCS, filed an action in the United States District Court for the Middle District of Florida, Tampa Division, seeking a declaratory judgment that the Company s U.S. Patent No. 6,813,497 (the same patent that is the subject of the Company s infringement action against MetroPCS) is invalid and is not being infringed by Royal Street or its PCS systems. Upon the Company s request, the court has transferred the Royal Street case to the United States District Court for the Eastern District of Texas due to the affiliation between MetroPCS and Royal Street. The Company anticipates that the Royal Street case will be stayed along with the case originally filed by MetroPCS in the Eastern District of Texas. If and when the cases proceed, the Company intends to vigorously defend against the counterclaims filed by the MetroPCS entities and the action brought by Royal Street. Due to the complex nature of the legal and factual issues involved, however, the outcome of these matters is not presently determinable. If the MetroPCS entities were to prevail in these matters, it could have a material adverse effect on the Company s business, financial condition and results of operations.

On August 17, 2006, the Company was served with a complaint filed by certain MetroPCS entities, along with another affiliate, MetroPCS California, LLC, in the Superior Court of the State of California, which names Leap, Cricket, certain of its subsidiaries, and certain current and former employees of Leap and Cricket, including Mr. Hutcheson, as defendants. In response to demurrers by the Company and by the court, two of the plaintiffs have amended their complaint twice, dropped the other plaintiffs, and have filed a third amended complaint. In the current complaint, the plaintiffs allege statutory unfair competition, statutory misappropriation of trade secrets, breach of contract, intentional interference with contract, and intentional interference with prospective economic advantage, seek a preliminary and permanent injunction and ask the court to award damages, including punitive damages, attorneys fees, and restitution. The Company has filed a demurrer to the third amended complaint. On October 25, 2007, pursuant to a stipulation between the parties, the court entered a stay of the litigation for a period of 90 days. If and when the case proceeds, the Company intends to vigorously defend against these claims. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable. If the MetroPCS entities were to prevail in this action, it could have a material adverse effect on the Company s business, financial condition and results of operations.

On June 6, 2007, the Company was sued by Minerva Industries, Inc. (Minerva) in the United States District Court for the Eastern District of Texas, Marshall Division, for infringement of U.S. Patent No. 6,681,120 entitled *Mobile Entertainment and Communication Device.* Minerva alleges that certain handsets sold by the Company infringe a patent relating to mobile entertainment features, and the complaint seeks damages (including enhanced damages), an injunction and attorneys fees. The complaint also makes reference to a pending patent application relating to the asserted patent. The Company s time to respond to the complaint was extended until January 7, 2008 pursuant to stipulation between the parties. On June 7, 2007, the Company was sued by Barry W. Thomas (Thomas) in the United States District Court for the Eastern District of Texas, Marshall Division, for infringement of U.S. Patent No. 4,777,354 entitled *System for Controlling the Supply of Utility Services to Consumers.* Thomas alleges that certain handsets sold by the Company infringe a patent relating to actuator cards for controlling the supply of a utility service, and the complaint seeks damages (including enhanced damages) and attorneys fees. The Company and other co-defendants have filed a motion seeking to stay the litigation pending determination of similar litigation in the Western District of North Carolina. The Company intends to vigorously defend against these matters brought by Minerva and Thomas. Due to the complex nature of the legal and factual issues involved, however, the outcome of these matters is not presently determinable. The Company has notified its handset suppliers of these lawsuits, the majority of whom were also sued by Minerva and Thomas in other actions, and the Company anticipates that it will be indemnified by such suppliers for the costs of defense and any damages arising with respect to such lawsuits.

On June 8, 2007, the Company was sued by Ronald A. Katz Technology Licensing, L.P. (Katz), in the United States District Court for the District of Delaware, for infringement of 19 U.S. patents, 15 of which have expired. Katz alleges that the Company has infringed patents relating to automated telephone systems, including customer service systems, and the complaint seeks damages (including enhanced damages), an injunction, and

attorneys fees. The Company is currently in discussions with Katz to settle this matter. In the event that the Company and Katz are unable to reach a settlement, the Company intends to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable. If Katz were to prevail in this matter, it could have a material adverse effect on the Company s business, financial condition and results of operations.

On October 15, 2007, the Company was sued by Visual Interactive Phone Concepts, Inc. (Visual Interactive) in the United States District Court for the Southern District of California for infringement of U.S. Patent No. 5,724,092 entitled *Videophone Mailbox Interactive Facility System and Method of Processing Information* and U.S. Patent No. 5,606,361 entitled *Videophone Mailbox Interactive Facility System and Method of Processing Information.* Visual Interactive alleges that the Company infringes these patents relating to interactive videophone systems, and the complaint seeks an accounting for damages under 35 U.S.C. § 284, an injunction and attorneys fees. The Company intends to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable.

On December 10, 2007, the Company was sued by Freedom Wireless, Inc. (Freedom Wireless) in the United States District Court for the Eastern District of Texas, Marshall Division for infringement of U.S. Patent No. 5,722,067 entitled *Security Cellular Telecommunications System,* U.S. Patent No. 6,157,823 entitled *Security Cellular Telecommunications System,* and U.S. Patent No. 6,236,851 entitled *Prepaid Security Cellular Telecommunications System.* Freedom Wireless alleges that its patents claim a novel cellular system that enables prepaid services subscribers to both place and receive cellular calls without dialing access codes or using modified telephones. The complaint seeks unspecified monetary damages, increased damages under 35 U.S.C. § 284 together with interest, costs and attorneys fees, and an injunction. The Company intends to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable.

American Wireless Group

On December 31, 2002, several members of American Wireless Group, LLC (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 appealed the denial of the motion to the Mississippi Supreme Court. On November 15, 2007, the Mississippi Supreme Court denied the appeal and remanded the action to the trial court.

In a related action to the action described above, in June 2003, AWG filed a lawsuit in the Circuit Court of the First Judicial District of Hinds County, Mississippi, referred to herein as the AWG Lawsuit, against the same individual defendants named in the Whittington Lawsuit. The complaint generally sets forth the same claims made by the plaintiffs in the Whittington Lawsuit. In its complaint, plaintiff seeks rescission and/or damages according to proof at trial of not less than the aggregate amount paid for the Leap stock (alleged in the complaint to have a value of approximately $57.8 million in June 2001 at the closing of the license sale transaction), plus interest, punitive or exemplary damages in the amount of not less than three times compensatory damages, and costs and expenses.

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Defendants filed a motion to compel arbitration or, in the alternative, to dismiss the AWG Lawsuit, making arguments similar to those made in their motion to dismiss the Whittington Lawsuit. The motion was denied and the defendants have appealed the ruling to the state supreme court. AWG agreed to arbitrate this lawsuit and filed a motion in the Circuit Court seeking to stay the proceeding pending arbitration.

Although Leap is not a defendant in either the Whittington or AWG Lawsuits, several of the defendants have indemnification agreements with the Company. Leap s D&O insurers have not filed a reservation of rights letter and have been paying defense costs. Management believes that the defendants liability, if any, from the AWG and Whittington Lawsuits and any further indemnity claims of the defendants against Leap is not presently determinable.

Securities Litigation

On November 13, 2007, a shareholder derivative lawsuit was filed in California Superior Court for San Diego County against certain of the Company s current and former directors. In its complaint, the plaintiff asserts claims for breaches of fiduciary duty, gross mismanagement, waste of corporate assets, unjust enrichment and violations of California s insider trading laws arising from the Company s restatement of its financial statements as described in Note 2, the September 2007 unsolicited merger proposal from MetroPCS and sales of Company common stock by certain of the defendants between December 2004 and June 2007. The complaint seeks unspecified damages, equitable and/or injunctive relief and disgorgement of all profits, benefits and other compensation obtained by the defendants. Due to the complex nature of the legal and factual issues involved, the outcome of this matter is not presently determinable.

The Company, certain of its current and former officers and directors, and the Company s independent registered public accounting firm, PricewaterhouseCoopers, LLP, have been named as defendants in multiple securities class action lawsuits filed in the United States District Court for the Southern District of California on behalf of investors who purchased the Company s common stock during various periods between May 16, 2004 and November 9, 2007. The class action lawsuits, which will be consolidated, allege that the defendants violated the Securities Exchange Act of 1934 by making false and misleading statements about the Company s business and financial results and seek unspecified damages. The Company intends to vigorously defend against these lawsuits. Due to the complex nature of the legal and factual issues involved, however, the outcome of these matters is not presently determinable.

Spectrum Clearing Obligations

The spectrum that was auctioned in Auction #66 is currently used by U.S. government and/or incumbent commercial licensees. FCC rules require winning bidders to avoid interfering with these existing users or to clear the incumbent users from the spectrum through specified relocation procedures. To facilitate the clearing of this spectrum, the FCC adopted a transition and cost-sharing plan whereby incumbent non-governmental users may be reimbursed for costs they incur in relocating from the spectrum by AWS licensees benefiting from the relocation. In addition, this plan requires the AWS licensees and the applicable incumbent non-governmental user to negotiate for a period of two or three years (depending on the type of incumbent user and whether the user is a commercial or non-commercial licensee), triggered from the time that an AWS licensee notifies the incumbent user that it desires the incumbent to relocate. If no agreement is reached during this period of time, the FCC rules provide that an AWS licensee may force the incumbent non-governmental user to relocate at the licensee s expense. The FCC rules also provide that a portion of the proceeds raised in Auction #66 will be used to reimburse the costs of governmental users relocating from the AWS spectrum. However, not all governmental users are obligated to relocate and some such users may delay relocation for an extended and undetermined period of time. The Company is currently evaluating its spectrum clearing obligations and the potential costs that may be incurred could be material.

FCC Hurricane Katrina Order

The FCC regulates the licensing, construction, modification, operation, ownership, sale and interconnection of wireless communications systems, as do some state and local regulatory agencies. The FCC recently released an

order implementing certain recommendations of an independent panel reviewing the impact of Hurricane Katrina on communications networks, which requires wireless carriers to provide emergency back-up power sources for their equipment and facilities, including 24 hours of emergency power for mobile switch offices and up to eight hours for cell site locations. The order is expected to become effective once the Office of Management and Budget approves information collection requirements associated with the FCC s new rules, which action is expected some time in 2008. As a result, in order for the Company to comply with the new requirements, it will likely need to purchase additional equipment, obtain additional state and local permits, authorizations and approvals and incur additional operating expenses. The Company is currently evaluating its compliance with this order and the potential costs that may be incurred to achieve compliance could be material.

System Equipment Purchase Agreements

In June 2007, the Company entered into certain system equipment purchase agreements. The agreements generally have a term of three years pursuant to which the Company agreed to purchase and/or license wireless communications systems, products and services designed to be AWS functional at a current estimated cost to the Company of approximately $266 million, which commitments are subject, in part, to the necessary clearance of spectrum in the markets to be built. Under the terms of the agreements, the Company is entitled to certain pricing discounts, credits and incentives, which credits and incentives are subject to the Company s achievement of its purchase commitments, and to certain technical training for the Company s personnel. If the purchase commitment levels per the agreements are not achieved, the Company may be required to refund previous credits and incentives it applied to historical purchases.

Other

In addition to the matters described above, the Company is often involved in certain other claims, arising in the ordinary course of business, seeking monetary damages and other relief, none of which matters, based upon current information, is currently expected to have a material adverse effect on the Company s business, financial condition and results of operations.

Note 9. Guarantor Financial Information

The $1,100 million of unsecured senior notes issued by Cricket (the Issuing Subsidiary) are jointly and severally guaranteed on a full and unconditional basis by Leap (the Guarantor Parent Company) and certain of its direct and indirect wholly owned subsidiaries, including Cricket s subsidiaries that hold real property interests or wireless licenses, and ANB 1 and ANB 1 License (collectively, the Guarantor Subsidiaries).

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

Condensed consolidating financial information of the Guarantor Parent Company, Issuing Subsidiary, Guarantor Subsidiaries, non-guarantor subsidiaries and total consolidated Leap and subsidiaries as of September 30, 2007 and December 31, 2006, as restated, and for the three and nine months ended September 30, 2007 and 2006, as restated, is presented below. The equity method of accounting is used to account for ownership interests in subsidiaries, where applicable.

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Condensed Consolidating Balance Sheet as of September 30, 2007 (unaudited and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Cash and cash equivalents	$	$ 305,069	$ 22,036	$ 29,619	$	$ 356,724
Short-term investments		275,109		23,882		298,991
Restricted cash, cash equivalents and short-term investments	7,319	7,541	639	30		15,529
Inventories		77,299	1,996	688		79,983
Other current assets	163	52,566	3,402	835		56,966
Total current assets	7,482	717,584	28,073	55,054		808,193
Property and equipment, net	49	1,000,178	145,351	51,946		1,197,524
Investments in and advances to affiliates and consolidated subsidiaries	1,739,268	2,040,631	170,164		(3,950,063)	
Wireless licenses		14,452	1,522,848	324,099		1,861,399
Goodwill		425,782				425,782
Other intangible assets, net		54,313		221		54,534
Deposits for wireless licenses						
Other assets	1,109	44,560	2,022	3,472	(2,250)	48,913
Total assets	$ 1,747,908	$ 4,297,500	$ 1,868,458	$ 434,792	$ (3,952,313)	$ 4,396,345
Liabilities and Stockholders Equity						
Accounts payable and accrued liabilities	$ 6,390	$ 188,830	$ 11,957	$ 681	$	$ 207,858
Current maturities of long-term debt		9,000		1,000		10,000
Intercompany payables	3,974	170,165	31,204		(205,343)	
Other current liabilities		117,754	8,825	2,749	(1,064)	128,264
Total current liabilities	10,364	485,749	51,986	4,430	(206,407)	346,122
Long-term debt		2,000,084	319,928	302,138	(583,066)	2,039,084
Deferred tax liabilities		7,705	169,276			176,981
Other long-term liabilities		49,214	4,838	1,399		55,451

Total liabilities	10,364	2,542,752	546,028	307,967	(789,473)	2,617,638
Minority interests		15,480			25,683	41,163
Membership units subject to repurchase				28,002	(28,002)	
Stockholders equity	1,737,544	1,739,268	1,322,430	98,823	(3,160,521)	1,737,544
Total liabilities and stockholders equity	$ 1,747,908	$ 4,297,500	$ 1,868,458	$ 434,792	$ (3,952,313)	$ 4,396,345

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Condensed Consolidating Balance Sheet as of December 31, 2006 (unaudited, as restated and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Cash and cash equivalents	$ 206	$ 316,398	$ 12,842	$ 43,366	$	$ 372,812
Short-term investments		66,400				66,400
Restricted cash, cash equivalents and short-term investments	8,093	4,258	495	735		13,581
Inventories		87,303	2,080	802		90,185
Other current assets	105	50,307	2,097	472		52,981
Total current assets	8,404	524,666	17,514	45,375		595,959
Property and equipment, net	117	892,859	147,521	38,024		1,078,521
Investments in and advances to affiliates and consolidated subsidiaries	1,779,514	2,013,023	144,966		(3,937,503)	
Wireless licenses			1,527,574	36,384		1,563,958
Assets held for sale			8,070			8,070
Goodwill		425,782				425,782
Other intangible assets, net		79,409		419		79,828
Deposits for wireless licenses				274,084		274,084
Other assets	815	45,616	11,259	1,827	(772)	58,745
Total assets	$ 1,788,850	$ 3,981,355	$ 1,856,904	$ 396,113	$ (3,938,275)	$ 4,084,947
Liabilities and Stockholders Equity						
Accounts payable and accrued liabilities	$ 6,792	$ 274,764	$ 25,306	$ 10,231	$	$ 317,093
Current maturities of long-term debt		9,000				9,000
Intercompany payables	10,265	144,965	11,844	9,893	(176,967)	
Other current liabilities		80,265	4,579	604	(773)	84,675
Total current liabilities	17,057	508,994	41,729	20,728	(177,740)	410,768
Long-term debt		1,636,500	277,955	271,443	(509,398)	1,676,500
Deferred tax liabilities		9,057	139,278			148,335
		42,467	4,155	986		47,608

Other long-term liabilities						
Total liabilities	17,057	2,197,018	463,117	293,157	(687,138)	2,283,211
Minority interests		4,821			25,122	29,943
Stockholders equity	1,771,793	1,779,516	1,393,787	102,956	(3,276,259)	1,771,793
Total liabilities and stockholders equity	$ 1,788,850	$ 3,981,355	$ 1,856,904	$ 396,113	$ (3,938,275)	$ 4,084,947

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Condensed Consolidating Statement of Operations for the Three Months Ended September 30, 2007 (unaudited and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$	$ 306,728	$ 37,967	$ 9,813	$ (13)	$ 354,495
Equipment revenues		65,503	2,138	885	(13,365)	55,161
Other revenues			13,633		(13,633)	
Total revenues		372,231	53,738	10,698	(27,011)	409,656
Operating expenses:						
Cost of service (exclusive of items shown separately below)		(97,164)	(13,522)	(3,854)	13,633	(100,907)
Cost of equipment		(98,097)	(9,639)	(2,847)	13,365	(97,218)
Selling and marketing		(44,047)	(7,976)	(2,242)		(54,265)
General and administrative	(263)	(56,729)	(9,725)	(1,982)	13	(68,686)
Depreciation and amortization	(22)	(68,911)	(6,620)	(2,228)		(77,781)
Impairment of assets		(383)	(985)			(1,368)
Total operating expenses	(285)	(365,331)	(48,467)	(13,153)	27,011	(400,225)
Loss on sale or disposal of assets		(38)				(38)
Operating income (loss)	(285)	6,862	5,271	(2,455)		9,393
Minority interests in consolidated subsidiaries		(548)			730	182
Equity in net loss of consolidated subsidiaries	(43,014)	(19,419)			62,433	
Equity in net loss of investee		(807)				(807)
Interest income	10	28,207	132	180	(18,381)	10,148
Interest expense		(33,350)	(9,393)	(8,185)	17,592	(33,336)
Other expense, net		(4,207)				(4,207)
Loss before income taxes	(43,289)	(23,262)	(3,990)	(10,460)	62,374	(18,627)
Income tax expense		(19,752)	(4,910)			(24,662)
Net loss	$ (43,289)	$ (43,014)	$ (8,900)	$ (10,460)	$ 62,374	$ (43,289)

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Condensed Consolidating Statement of Operations for the Nine Months Ended September 30, 2007 (unaudited and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$	$ 898,392	$ 101,433	$ 23,627	$ (13)	$ 1,023,439
Equipment revenues		204,928	9,758	3,661	(40,791)	177,556
Other revenues		26	40,254		(40,280)	
Total revenues		1,103,346	151,445	27,288	(81,084)	1,200,995
Operating expenses:						
Cost of service (exclusive of items shown separately below)		(272,962)	(38,677)	(10,521)	40,254	(281,906)
Cost of equipment		(308,270)	(32,131)	(11,091)	40,791	(310,701)
Selling and marketing	(8)	(121,779)	(21,378)	(6,880)		(150,045)
General and administrative	(1,076)	(166,842)	(27,617)	(4,831)	39	(200,327)
Depreciation and amortization	(45)	(194,057)	(18,610)	(6,284)		(218,996)
Impairment of assets		(383)	(985)			(1,368)
Total operating expenses	(1,129)	(1,064,293)	(139,398)	(39,607)	81,084	(1,163,343)
Gain (loss) on sale or disposal of assets		(349)	1,251			902
Operating income (loss)	(1,129)	38,704	13,298	(12,319)		38,554
Minority interests in consolidated subsidiaries		(1,097)			3,531	2,434
Equity in net loss of consolidated subsidiaries	(56,776)	(64,222)			120,998	
Equity in net loss of investee		(807)				(807)
Interest income	30	73,961	482	759	(52,665)	22,567
Interest expense		(85,456)	(26,971)	(25,783)	51,288	(86,922)
Other expense, net		(4,832)	(12)			(4,844)
Loss before income taxes	(57,875)	(43,749)	(13,203)	(37,343)	123,152	(29,018)
Income tax expense		(13,027)	(15,830)			(28,857)
Net loss	$ (57,875)	$ (56,776)	$ (29,033)	$ (37,343)	$ 123,152	$ (57,875)

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Condensed Consolidating Statement of Operations for the Three Months Ended September 30, 2006 (unaudited, as restated and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$	$ 227,089	$ 11,846	$ 1,619	$	$ 240,554
Equipment revenues		58,807	1,124	387	(7,606)	52,712
Other revenues		156	10,137		(10,293)	
Total revenues		286,052	23,107	2,006	(17,899)	293,266
Operating expenses:						
Cost of service (exclusive of items shown separately below)		(71,216)	(9,261)	(1,235)	10,137	(71,575)
Cost of equipment		(82,266)	(8,380)	(417)	7,606	(83,457)
Selling and marketing		(33,169)	(9,290)	(489)		(42,948)
General and administrative	(1,260)	(42,152)	(5,159)	(701)	156	(49,116)
Depreciation and amortization	(23)	(50,068)	(4,590)	(1,728)		(56,409)
Impairment of assets			(4,701)			(4,701)
Total operating expenses	(1,283)	(278,871)	(41,381)	(4,570)	17,899	(308,206)
Gain on sale or disposal of assets		21,546	444			21,990
Operating income (loss)	(1,283)	28,727	(17,830)	(2,564)		7,050
Minority interests in consolidated subsidiaries		(220)			638	418
Equity in net income (loss) of consolidated subsidiaries	472	(27,507)			27,035	
Interest income	10	11,045	204	158	(5,926)	5,491
Interest expense		(15,753)	(5,926)		5,926	(15,753)
Other income, net		272				272
Loss before income taxes	(801)	(3,436)	(23,552)	(2,406)	27,673	(2,522)
Income tax (expense) benefit		3,908	(2,187)			1,721
Net income (loss)	$ (801)	$ 472	$ (25,739)	$ (2,406)	$ 27,673	$ (801)

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Condensed Consolidating Statement of Operations for the Nine Months Ended September 30, 2006 (unaudited, as restated and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$	$ 665,393	$ 18,787	$ 1,619	$	$ 685,799
Equipment revenues		173,888	4,070	387	(11,569)	166,776
Other revenues		364	29,631		(29,995)	
Total revenues		839,645	52,488	2,006	(41,564)	852,575
Operating expenses:						
Cost of service (exclusive of items shown separately below)		(201,494)	(15,942)	(1,235)	29,631	(189,040)
Cost of equipment		(216,579)	(15,403)	(417)	11,569	(220,830)
Selling and marketing		(88,974)	(18,529)	(489)		(107,992)
General and administrative	(3,381)	(126,369)	(14,695)	(701)	364	(144,782)
Depreciation and amortization	(77)	(155,042)	(6,935)	(1,728)		(163,782)
Impairment of assets			(7,912)			(7,912)
Total operating expenses	(3,458)	(788,458)	(79,416)	(4,570)	41,564	(834,338)
Gain on sale or disposal of assets		21,546	444			21,990
Operating income (loss)	(3,458)	72,733	(26,484)	(2,564)		40,227
Minority interests in consolidated subsidiaries		(429)			638	209
Equity in net income (loss) of consolidated subsidiaries	24,711	(46,014)			21,303	
Interest income	27	24,235	388	158	(9,590)	15,218
Interest expense		(31,607)	(9,590)		9,590	(31,607)
Other expense, net		(5,109)	(2)			(5,111)
Income (loss) before income taxes and cumulative effect of change in accounting principle	21,280	13,809	(35,688)	(2,406)	21,941	18,936
Income tax (expense) benefit		10,279	(8,558)			1,721
Income (loss) before cumulative effect of change	21,280	24,088	(44,246)	(2,406)	21,941	20,657

in accounting principle												
Cumulative effect of change in accounting principle				623								623
Net income (loss)	$	21,280	$	24,711	$	(44,246)	$	(2,406)	$	21,941	$	21,280

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Condensed Consolidating Statement of Cash Flows for the Nine Months Ended September 30, 2007 (unaudited and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Operating activities:						
Net cash provided by (used in) operating activities	$ (979)	$ 198,438	$ 5,339	$ (20,802)	$ 13,845	$ 195,841
Investing activities:						
Purchases of and changes in prepayments for property and equipment		(299,446)	(16,516)	(17,223)		(333,185)
Purchases of and deposits for wireless licenses and spectrum clearing costs		(890)	(3,985)	457		(4,418)
Proceeds from sale of wireless licenses and operating assets			9,500			9,500
Purchases of investments		(518,916)				(518,916)
Sales and maturities of investments		287,066				287,066
Investments in and advances to affiliates and consolidated subsidiaries	(7,847)	(4,706)			7,847	(4,706)
Purchase of membership units		(17,921)				(17,921)
Other	773	(282)	(144)	(30)		317
Net cash used in investing activities	(7,074)	(555,095)	(11,145)	(16,796)	7,847	(582,263)
Financing activities:						
Proceeds from long-term debt		370,480	15,000	6,000	(21,000)	370,480
Issuance of related party debt		(21,000)			21,000	
Repayment of long-term debt		(6,750)				(6,750)
Payment of debt issuance costs		(5,249)		(8)		(5,257)
Capital contributions, net		7,847		17,859	(21,692)	4,014
Proceeds from issuance of common stock, net	7,847					7,847

Net cash provided by financing activities	7,847	345,328	15,000	23,851	(21,692)	370,334
Net increase (decrease) in cash and cash equivalents	(206)	(11,329)	9,194	(13,747)		(16,088)
Cash and cash equivalents at beginning of period	206	316,398	12,842	43,366		372,812
Cash and cash equivalents at end of period	$	$ 305,069	$ 22,036	$ 29,619	$	$ 356,724

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Condensed Consolidating Statement of Cash Flows for the Nine Months Ended September 30, 2006 (unaudited, as restated and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Operating activities:						
Net cash provided by (used in) operating activities	$ 4,488	$ (19,641)	$ 233,253	$ 3,597	$	$ 221,697
Investing activities:						
Purchases of and changes in prepayments for property and equipment		(238,908)	(100,501)	(6,732)		(346,141)
Purchases of and deposits for wireless licenses and spectrum clearing costs			(257,128)	(50,000)		(307,128)
Proceeds from sales of wireless licenses and operating assets		27,968				27,968
Purchases of investments		(120,398)				(120,398)
Sales and maturities of investments		165,982				165,982
Investments in and advances to affiliates and consolidated subsidiaries	(725)	(32,888)			33,613	
Other	(3,443)					(3,443)
Net cash used in investing activities	(4,168)	(198,244)	(357,629)	(56,732)	33,613	(583,160)
Financing activities:						
Proceeds from long-term debt		900,000	127,150	40,750	(167,900)	900,000
Issuance of related party debt		(167,900)			167,900	
Repayment of long-term debt		(596,694)				(596,694)
Payment of debt issuance costs		(8,058)				(8,058)
Payment of fees related to forward equity sale	(1,066)					(1,066)
Capital contributions, net		725	8,885	29,770	(33,613)	5,767
Proceeds from issuance of common stock, net	725					725

Net cash provided by (used in) financing activities	(341)	128,073	136,035	70,520	(33,613)	300,674
Net increase (decrease) in cash and cash equivalents	(21)	(89,812)	11,659	17,385		(60,789)
Cash and cash equivalents at beginning of period	46	291,456	1,571			293,073
Cash and cash equivalents at end of period	$ 25	$ 201,644	$ 13,230	$ 17,385	$	$ 232,284

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Note 10. Subsequent Events

Amendment to Credit Agreement

As described in Note 6, on November 20, 2007, the Company entered into the Second Amendment to the Credit Agreement. Under the Second Amendment, the lenders waived defaults and potential defaults under the Credit Agreement arising from the Company s potential breach of representations regarding the presentation of its prior financial statements and the associated delay in filing this Quarterly Report on Form 10-Q. In addition, the Second Amendment amended the interest rates payable under the Credit Agreement. The term loan now bears interest at LIBOR plus 3.0% or the bank base rate plus 2.0%, as selected by Cricket, which represents an increase of 75 basis points to the rate applicable to term loan borrowings in effect on September 30, 2007. The Second Amendment also increased by 75 basis points the interest rate applicable to the revolving credit facility on September 30, 2007. The Second Amendment also amended the definition of a change of control to provide that the entry into an agreement leading to a change of control will no longer constitute an event of default, unless and until the change of control occurs.

The Second Amendment requires the Company to furnish its unaudited condensed consolidated financial statements for the quarter ended September 30, 2007 to the administrative agent on or before December 14, 2007. The Company is also required to furnish its amended Annual Report on Form 10-K for the year ended December 31, 2006 and revised unaudited condensed consolidated financial statements for the quarters ended March 31 and June 30, 2007 to the administrative agent on or before December 31, 2007. The Second Amendment also provides that these revised financial statements may not result in a cumulative net reduction in operating income for the period from January 1, 2005 through June 30, 2007 in excess of $35 million. If the Company fails to timely furnish such financial statements and documents to the administrative agent, this would result in an immediate default under the Credit Agreement which, unless waived by the required lenders, would permit the administrative agent to exercise its available remedies, including declaring all outstanding debt under the Credit Agreement to be immediately due and payable. An acceleration of the outstanding debt under the Credit Agreement would also trigger a default under Cricket s indenture governing its $1.1 billion of 9.375% senior notes due 2014. The Company currently expects to finalize the restatement of its prior financial statements and to file the necessary amendments to its Annual Report on Form 10-K for the year ended December 31, 2006 and its amendments to its Quarterly Reports on Form 10-Q for the first two quarters of 2007 on or before December 31, 2007.

In connection with the execution of the Second Amendment, the Company paid a fee equal to 25 basis points on the aggregate principal amount of the commitments and loans of each lender that executed the Second Amendment on or before 5:00 p.m. on November 19, 2007 in addition to legal fees, which represented an aggregate payment of $2.7 million.

Notice from The NASDAQ Stock Market

On November 14, 2007, the Company received a letter from The NASDAQ Stock Market indicating that it was not in compliance with NASDAQ Marketplace Rule 4310(c)(14) since it had not yet filed its Quarterly Report on Form 10-Q for the quarter ended September 30, 2007. As a result of its non-compliance in filing its Quarterly Report, the Company was notified that its common stock was subject to delisting in accordance with standard NASDAQ procedures. The Company requested a hearing before a NASDAQ Listing Qualifications Panel to review the determination, which automatically stayed any suspension of trading on The NASDAQ Stock Market in the Company s stock pending a decision by the panel. Upon its filing of this Quarterly Report on Form 10-Q, the Company believes it will again be compliant with NASDAQ Marketplace Rule 4310(c)(14).

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Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations.***

As used in this report, unless the context suggests otherwise, the terms we, our, ours, and us refer to Leap Wireless International, Inc., or Leap, and its subsidiaries, including Cricket Communications, Inc., or Cricket, and Alaska Native Broadband 1 License, LLC, or ANB 1 License. Leap, Cricket and ANB 1 License and their subsidiaries are sometimes collectively referred to herein as the Company. Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2007 population estimates provided by Claritas Inc.

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission, or SEC, on March 1, 2007. Following the filing of this Quarterly Report on Form 10-Q, we plan to amend our Annual Report on Form 10-K for the year ended December 31, 2006 to include the corresponding restated financial information.

Cautionary Statement Regarding Forward-Looking Statements

Except for the historical information contained herein, this report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management s current forecast of certain aspects of our 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, exp similar expressions in this report. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

our ability to attract and retain customers in an extremely competitive marketplace;

changes in economic conditions, including interest rates, consumer credit conditions, unemployment and other macro-economic factors that could adversely affect the market for wireless services;

the impact of competitors initiatives;

our ability to successfully implement product offerings and execute effectively on our planned coverage expansion, launches of markets we acquired in the Federal Communications Commission s, or FCC s, auction for Advanced Wireless Services, or Auction #66, market trials and introductions of higher-speed data services and other strategic activities;

our ability to obtain roaming services from other carriers at cost-effective rates;

delays in our market expansion plans, including delays resulting from any difficulties in funding such expansion through cash from operations, our revolving credit facility or additional capital, delays in the availability of network equipment and handsets for the AWS spectrum we acquired in Auction #66, or delays by existing U.S. government and other private sector wireless operations in clearing the AWS spectrum, some of which users are permitted to continue using the spectrum for several years;

our ability to attract, motivate and retain an experienced workforce;

our ability to comply with the covenants in our senior secured credit facilities, indenture and any future credit agreement, indenture or similar instrument;

failure of our network or information technology systems to perform according to expectations; and

other factors detailed in Part II Item 1A. Risk Factors below.

All forward-looking statements in this report should be considered in the context of these risk factors. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances

discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, users of this report are cautioned not to place undue reliance on the forward-looking statements.

Overview

Restatement of Previously Reported 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 year ended December 31, 2006 and condensed consolidated financial statements for the three and nine months ended September 30, 2006. See Note 2 to the condensed consolidated financial statements in Part I Item 1. Financial Statements of this report for additional information.

Company Overview

We are a wireless communications carrier that offers digital wireless service in the U.S. under the Cricket® and Jump™ Mobile brands. Our Cricket service offers customers unlimited wireless service for a flat monthly rate without requiring a fixed-term contract or credit check. Our Jump Mobile service offers customers a per-minute prepaid wireless service.

Cricket and Jump Mobile services are offered by Cricket, a wholly owned subsidiary of Leap, and by ANB 1 License, an indirect wholly owned subsidiary of Cricket. Alaska Native Broadband 1, LLC (ANB 1) and its wholly owned subsidiary, ANB 1 License, became wholly owned subsidiaries of Cricket in March 2007 following Alaska Native Broadband, LLC s exercise of its option to sell its entire 25% controlling interest in ANB 1 to Cricket for $4.7 million. Cricket and Jump Mobile services are also offered in Oregon by LCW Wireless Operations, LLC, or LCW Operations, a designated entity under FCC regulations. Cricket owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless, LLC, or LCW Wireless. Cricket also owns an 82.5% non-controlling interest in Denali Spectrum, LLC, or Denali, which purchased a wireless license in the Great Lakes area in Auction #66 as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC, or Denali License.

At September 30, 2007, Cricket and Jump Mobile services were offered in 23 states and had approximately 2,711,000 customers. As of September 30, 2007, we, LCW Wireless License, LLC (a wholly owned subsidiary of LCW Operations) and Denali License owned wireless licenses covering an aggregate of 184.3 million POPs (adjusted to eliminate duplication from overlapping licenses). The combined network footprint in our operating markets is anticipated to cover approximately 54 million POPs by the end of 2007, which includes new markets launched in 2007 and incremental POPs attributed to ongoing footprint expansion. The licenses we and Denali License purchased in Auction #66, together with the existing licenses we own, provide 20MHz of coverage and the opportunity to offer enhanced data services in almost all markets in which we currently operate or are building out, assuming Denali License were to make available to us certain of its spectrum.

In addition to the approximately 54 million POPs we anticipate covering by the end of 2007 with our combined network footprint, we estimate that we and Denali License hold licenses in markets that cover up to approximately 85 million additional POPs that are suitable for Cricket service. We and Denali License have already begun the build-out of the Auction #66 markets and expect to cover up to an additional 12 to 28 million POPs by the end of 2008, bringing total covered POPs to between 66 and 82 million by the end of 2008. We and Denali License may also develop some of the licenses covering these additional POPs through partnerships with others.

The AWS spectrum that was auctioned in Auction #66 currently is used by U.S. federal government and/or incumbent commercial licensees. Several federal government agencies have cleared or announced plans to promptly clear spectrum covered by licenses we purchased in Auction #66. Other agencies, however, have not yet finalized plans to relocate their use to alternative spectrum. To the extent that there is any delay by these users in finalizing their plans to clear spectrum covered by licenses we purchased in Auction #66, such delay could impact the pace at which we launch these markets.

We continue to seek additional opportunities to enhance our current market clusters and expand into new geographic markets by participating in FCC spectrum auctions, including the upcoming FCC auctions of 700 MHz band licenses (Auctions #73 and #76), acquiring spectrum and related assets from third parties, and/or participating in new partnerships or joint ventures. We also expect to continue to look for opportunities to optimize the value of our spectrum portfolio. Because some of the licenses that we and Denali License hold include large regional areas covering both rural and metropolitan communities, we and Denali License may sell some of this spectrum and pursue the deployment of alternative products or services in portions of this spectrum.

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our $200 million revolving credit facility, which was undrawn as of September 30, 2007. We may also generate liquidity through capital market transactions or the sale of assets that are not material to or are not required for the ongoing operation of our business. See Liquidity and Capital Resources below.

Among the most significant factors affecting our financial condition and performance from period to period are our new market expansions and growth in customers, the impacts of such activities on our revenues and operating expenses. Throughout 2006 and 2007, we and our joint ventures continued expanding existing market footprints and expanded into 20 new markets, increasing the number of potential customers covered by our networks from approximately 27.7 million covered POPs as of December 31, 2005, to approximately 48 million covered POPs as of December 31, 2006, to approximately 54 million expected covered POPs as of December 31, 2007. This network expansion, together with organic customer growth in our existing markets, has resulted in substantial additions of new customers, as our total end of period customers increased from 1.67 million customers as of December 31, 2005, to 2.23 million customers as of December 31, 2006, to 2.71 million customers as of September 30, 2007. In addition, our total revenues have increased from $957.8 million for fiscal 2005, to $1.17 billion for fiscal 2006, to $1.20 billion for the nine months ended September 30, 2007. In 2006 and 2007, we also introduced several higher-priced, higher-value service plans which have helped increase average service revenue per user per month over time, as customer acceptance of the higher-priced plans has been favorable.

As our business activities have expanded, our operating expenses have also grown, including increases in cost of service reflecting: the increase in customers and the broader variety of products and services provided to such customers; increased depreciation expense related to our expanded networks; and increased selling and marketing expenses and general and administrative expenses generally attributable to new market launches, selling and marketing to a broader potential customer base, and expenses required to support the administration of our growing business. In particular, total operating expenses increased from $901.4 million for fiscal 2005, to $1.17 billion for fiscal 2006, to $1.16 billion for the nine months ended September 30, 2007. We also incurred substantial additional indebtedness to finance the costs of our business expansion and acquisitions of additional wireless licenses in 2006 and 2007. As a result, our interest expense has increased from $30.1 million for fiscal 2005, to $61.3 million for fiscal 2006, to $86.9 million for the nine months ended September 30, 2007. Also, during the third quarter of 2007, we changed our tax accounting method for amortizing wireless licenses, contributing substantially to our income tax expense of $28.9 million for the nine months ended September 30, 2007, compared to an income tax benefit of $1.7 million for the nine months ended September 30, 2006.

Primarily as a result of the factors described above, our net income of $30.7 million for fiscal 2005 decreased to a net loss of $24.4 million for fiscal 2006. Our net loss increased to $57.9 million for the nine months ended September 30, 2007.

We expect that we will continue to build out and launch new markets and pursue other strategic expansion activities for the next several years. We intend to be disciplined as we pursue these expansion efforts and to remain focused on our position as a low-cost leader in wireless telecommunications. We expect to achieve increased revenues and incur

higher operating expenses as our existing business grows and as we build out and after we launch service in new markets. Large-scale construction projects for the build-out of our new markets will require significant capital expenditures and may suffer cost overruns. Any such significant capital expenditures or increased operating expenses would decrease earnings, operating income before depreciation and amortization, or OIBDA, and free cash flow for the periods in which we incur such costs. However, we are willing to incur such expenditures because we expect our expansion activities will be beneficial to our business and create additional value for our stockholders.

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Results of Operations

Operating Items

The following tables summarize operating data for our consolidated operations for the three and nine months ended September 30, 2007 and 2006 (in thousands, except percentages):

	Three Months Ended September 30,					
	2007	% of 2007 Service Revenues	2006 (As Restated)	% of 2006 Service Revenues	Change from Prior Year Dollars	Change from Prior Year Percent
Revenues:						
Service revenues	$ 354,495		$ 240,554		$ 113,941	47.4%
Equipment revenues	55,161		52,712		2,449	4.6%
Total revenues	409,656		293,266		116,390	39.7%
Operating expenses:						
Cost of service	100,907	28.5%	71,575	29.8%	29,332	41.0%
Cost of equipment	97,218	27.4%	83,457	34.7%	13,761	16.5%
Selling and marketing	54,265	15.3%	42,948	17.9%	11,317	26.4%
General and administrative	68,686	19.4%	49,116	20.4%	19,570	39.8%
Depreciation and amortization	77,781	21.9%	56,409	23.4%	21,372	37.9%
Impairment of assets	1,368	0.4%	4,701	2.0%	(3,333)	(70.9)%
Total operating expenses	400,225	112.9%	308,206	128.1%	92,019	29.9%
Gain (loss) on sale of wireless licenses and disposal of operating assets	(38)	0.0%	21,990	9.1%	(22,028)	(100.2)%
Operating income	$ 9,393	2.6%	$ 7,050	2.9%	$ 2,343	33.2%

	Nine Months Ended September 30,					
	2007	% of 2007 Service Revenues	2006 (As Restated)	% of 2006 Service Revenues	Change from Prior Year Dollars	Change from Prior Year Percent
Revenues:						

Service revenues	$ 1,023,439		$ 685,799		$ 337,640	49.2%
Equipment revenues	177,556		166,776		10,780	6.5%
Total revenues	1,200,995		852,575		348,420	40.9%
Operating expenses:						
Cost of service	281,906	27.5%	189,040	27.6%	92,866	49.1%
Cost of equipment	310,701	30.4%	220,830	32.2%	89,871	40.7%
Selling and marketing	150,045	14.7%	107,992	15.7%	42,053	38.9%
General and administrative	200,327	19.6%	144,782	21.1%	55,545	38.4%
Depreciation and amortization	218,996	21.4%	163,782	23.9%	55,214	33.7%
Impairment of assets	1,368	0.1%	7,912	1.2%	(6,544)	(82.7)%
Total operating expenses	1,163,343	113.7%	834,338	121.7%	329,005	39.4%
Gain on sale of wireless licenses and disposal of operating assets	902	0.1%	21,990	3.2%	(21,088)	(95.9)%
Operating income	$ 38,554	3.8%	$ 40,227	5.9%	$ (1,673)	(4.2)%

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The following tables summarize customer activity for the three and nine months ended September 30, 2007 and 2006:

For the Three Months Ended September 30:	2007	2006	Change Amount	Change Percent
Gross customer additions	450,954	405,178	45,776	11.3%
Net customer additions	36,484	161,688	(125,204)	(77.4)%
Weighted-average number of customers	2,654,555	1,870,204	784,351	41.9%
As of September 30:				
Total customers	2,711,447	1,967,369	744,078	37.8%

For the Nine Months Ended September 30:	2007	2006	Change Amount	Change Percent
Gross customer additions	1,478,443	936,581	541,862	57.9%
Net customer additions	481,621	329,780	151,841	46.0%
Weighted-average number of customers	2,544,872	1,792,928	751,944	41.9%

Three and Nine Months Ended September 30, 2007 Compared to Three and Nine Months Ended September 30, 2006

Service Revenues

Service revenues increased $113.9 million, or 47.4%, for the three months ended September 30, 2007 compared to the corresponding period of the prior year. This increase resulted from a 41.9% increase in average total customers due to new market launches and existing market customer growth and a 3.8% increase in average monthly revenues per customer. The increase in average monthly revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Service revenues increased $337.6 million, or 49.2%, for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. This increase resulted from a 41.9% increase in average total customers due to new market launches and existing market customer growth and a 5.1% increase in average monthly revenues per customer. The increase in average monthly revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Equipment Revenues

Equipment revenues increased $2.4 million, or 4.6%, for the three months ended September 30, 2007 compared to the corresponding period of the prior year. An increase of 13.5% in handset sales volume was largely offset by increases in promotional incentives for customers and an increased shift in handset sales to our exclusive indirect distribution channel, to which handsets are sold at lower prices.

Equipment revenues increased $10.8 million, or 6.5%, for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. An increase of 53.3% in handset sales volume was largely offset by increases in promotional incentives for customers and an increased shift in handset sales to our exclusive indirect distribution channel, to which handsets are sold at lower prices.

Cost of Service

Cost of service increased $29.3 million, or 41.0%, for the three months ended September 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service decreased to 28.5% from 29.8% in the prior year period. Variable product costs increased by 2.8% of service revenues due to increased customer usage of our value-added services. Network infrastructure costs declined by 4.1% of service revenues primarily due to benefits of scale. In particular, there was a 1.9% decrease in labor and related costs as a percentage of service revenues due to the increase in service revenues and consequent benefits of scale.

Cost of service increased $92.9 million, or 49.1%, for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service decreased to 27.5%

from 27.6% in the prior year period. Variable product costs increased by 2.1% as a percentage of service revenues due to increased customer usage of our value-added services. Network infrastructure costs decreased by 2.2% of service revenues due primarily to a 1.3% decrease in labor and related costs as a percentage of service revenues due to the increase in service revenues and consequent benefits of scale.

Cost of Equipment

Cost of equipment increased $13.8 million, or 16.5%, for the three months ended September 30, 2007 compared to the corresponding period of the prior year. This increase was primarily attributable to a 13.5% increase in handset sales volume.

Cost of equipment increased $89.9 million, or 40.7%, for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. This increase was primarily attributable to a 53.3% increase in handset sales volume.

Selling and Marketing Expenses

Selling and marketing expenses increased $11.3 million, or 26.4%, for the three months ended September 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 15.3% from 17.9% in the prior year period. This percentage decrease was due to a 1.8% decrease in media and advertising costs as a percentage of service revenues reflecting the large new market launches in the prior year period, including in the Austin and Louisville areas, and the advertising costs associated with those launches. This decrease was also attributable to a 0.7% net decrease in store and staffing costs as a percentage of service revenues due to the increase in service revenues and consequent benefits of scale.

Selling and marketing expenses increased $42.1 million, or 38.9%, for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 14.7% from 15.7% in the prior year period. This percentage decrease was primarily attributable to a 0.6% net decrease in store and staffing costs as a percentage of service revenues due to the increase in service revenues and consequent benefits of scale and a 0.5% decrease in media and advertising costs as a percentage of service revenues reflecting the large new market launches in the prior year.

General and Administrative Expenses

General and administrative expenses increased $19.6 million, or 39.8%, for the three months ended September 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 19.4% from 20.4% in the prior year period. This percentage decrease was primarily attributable to a 1.9% decrease in employee related costs as a percentage of service revenues due to the increase in service revenues and consequent benefits of scale. This decrease was partially offset by a 1.3% increase in fees for professional services as a percentage of service revenues incurred in connection with the unsolicited merger proposal received from MetroPCS Communications, Inc., or MetroPCS, in September 2007 and other strategic merger and acquisition activities.

General and administrative expenses increased $55.5 million, or 38.4%, for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 19.6% from 21.1% in the prior year period. This percentage decrease was primarily attributable to a 1.2% decrease in employee related costs as a percentage of service revenues due to the increase in service revenues and consequent benefits of scale. This decrease was partially offset by a 0.4% increase in fees for professional services as a percentage of service revenues incurred in connection with the unsolicited merger proposal received from MetroPCS in September 2007 and other strategic merger and acquisition activities.

Depreciation and Amortization

Depreciation and amortization expense increased $21.4 million, or 37.9%, for the three months ended September 30, 2007 compared to the corresponding period of the prior year. The increase in the dollar amount of

depreciation and amortization expense was due primarily to the build-out and launch of our new markets and the improvement and expansion of our existing markets. Such expenses decreased as a percentage of service revenues compared to the corresponding period of the prior year.

Depreciation and amortization expense increased $55.2 million, or 33.7%, for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. The increase in the dollar amount of depreciation and amortization expense was due primarily to the build-out and launch of our new markets and the improvement and expansion of our existing markets. Such expenses decreased as a percentage of service revenues compared to the corresponding period of the prior year.

Non-Operating Items

The following tables summarize non-operating data for our consolidated operations for the three and nine months ended September 30, 2007 and 2006 (in thousands):

	Three Months Ended September 30,		
	2007	**2006 (As Restated)**	**Change**
Minority interests in consolidated subsidiaries	$ 182	$ 418	$ (236)
Equity in net loss of investee	(807)		(807)
Interest income	10,148	5,491	4,657
Interest expense	(33,336)	(15,753)	(17,583)
Other income (expense), net	(4,207)	272	(4,479)
Income tax (expense) benefit	(24,662)	1,721	(26,383)

	Nine Months Ended September 30,		
	2007	**2006 (As Restated)**	**Change**
Minority interests in consolidated subsidiaries	$ 2,434	$ 209	$ 2,225
Equity in net loss of investee	(807)		(807)
Interest income	22,567	15,218	7,349
Interest expense	(86,922)	(31,607)	(55,315)
Other expense, net	(4,844)	(5,111)	267
Income tax (expense) benefit	(28,857)	1,721	(30,578)

Three and Nine Months Ended September 30, 2007 Compared to Three and Nine Months Ended September 30, 2006

Minority Interests in Consolidated Subsidiaries

Minority interests in consolidated subsidiaries primarily reflects the share of net earnings or losses allocated to the other members of certain consolidated entities, as well as accretion expense associated with certain members put options.

Equity in Net Loss of Investee

Equity in net loss of investee reflects our share of losses in a regional wireless service provider in which we previously made an investment.

Interest Income

Interest income increased $4.7 million for the three months ended September 30, 2007 compared to the corresponding period of the prior year. This increase was primarily due to an increase in our short-term investments made with the proceeds received from our issuance of $350 million of unsecured senior notes in June 2007.

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Interest income increased $7.3 million for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. This increase was primarily due to an increase in our short-term investments made with the proceeds received from our issuance of $350 million of unsecured senior notes in June 2007.

Interest Expense

Interest expense increased $17.6 million for the three months ended September 30, 2007 compared to the corresponding period of the prior year. The increase in interest expense resulted primarily from our issuance of $750 million of unsecured senior notes in October 2006 and from our issuance of $350 million of unsecured senior notes in June 2007. We capitalized $11.5 million of interest during the three months ended September 30, 2007 compared to $3.4 million during the corresponding period of the prior year. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of new markets. The amount of such capitalized interest depends on the carrying values of the licenses and property and equipment involved in those markets and the duration of the build-out. We expect capitalized interest to continue to be significant during the build-out of our planned new markets during the remainder of 2007 and beyond. See Liquidity and Capital Resources below.

Interest expense increased $55.3 million for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. The increase in interest expense resulted primarily from an increase of approximately $307 million to the amount of the term loan under our amended and restated senior secured credit agreement made in the second quarter of 2006. Further, the increase in interest expense resulted from our issuance of $750 million of unsecured senior notes in October 2006 and from our issuance of $350 million of unsecured senior notes in June 2007. We capitalized $33.3 million of interest during the nine months ended September 30, 2007 compared to $12.3 million during the corresponding period of the prior year. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of new markets. The amount of such capitalized interest depends on the carrying values of the licenses and property and equipment involved in those markets and the duration of the build-out. We expect capitalized interest to continue to be significant during the build-out of our planned new markets during the remainder of 2007 and beyond.

Other Income (Expense), Net

Other income (expense), net of other income, increased $4.5 million for the three months ended September 30, 2007 compared to the corresponding period of the prior year. During the third quarter of 2007, we recorded a $4.4 million impairment charge to reduce the carrying value of certain investments in asset-backed commercial paper.

Other expense, net of other income, decreased $0.3 million for the nine months ended September 30, 2007 compared to the corresponding period of the prior year. During the third quarter of 2007, we recorded a $4.4 million impairment charge to reduce the carrying value of certain investments in asset-backed commercial paper. During the second quarter of 2006, we wrote off $5.6 million of unamortized debt issuance costs related to our previous credit facility.

Income Tax Expense

Our provisions for income taxes during the interim reporting periods in 2005 and 2006 were based on estimates of the annual effective tax rate for the full fiscal year. The annual effective tax rate computation includes a forecast of our estimated ordinary income (loss), which is our annual income (loss) from continuing operations before tax, excluding unusual or infrequently occurring (or discrete) items. Significant management judgment is required in projecting our ordinary income (loss) and our current projection for 2007 is close to break even. Our projected ordinary income tax expense for the full year 2007, which excludes the effect of unusual or infrequently occurring (or discrete) items, consists primarily of the deferred tax effect of the amortization of wireless licenses and tax goodwill for income tax

purposes. Because our projected 2007 income tax expense is a relatively fixed amount, a small change in the ordinary income (loss) projection can produce a significant variance in the effective tax rate and therefore it is difficult to make a reliable estimate of the annual effective tax rate. As a result and in accordance with paragraph 82 of FASB Interpretation No. 18, Accounting for Income Taxes in Interim Periods an interpretation

of APB Opinion No. 28, we have computed our provision for income taxes for the three and nine months ended September 30, 2007 based on the actual effective tax rate by applying the actual effective tax rate to the year-to-date income.

During the three and nine months ended September 30, 2007, we recorded income tax expense of $24.7 million and $28.9 million, respectively, compared to an income tax benefit of $1.7 million for the three and nine months ended September 30, 2006.

We changed our tax accounting method for amortizing wireless licenses during the quarter ended September 30, 2007. Under the prior method, we began amortizing wireless licenses for tax purposes on the date a license was placed into service. Under the new tax accounting method, we generally begin amortizing wireless licenses for tax purposes on the date the wireless license is acquired. The new tax accounting method generally allows us to amortize wireless licenses for tax purposes at an earlier date and allows us to accelerate our tax deductions. At the same time, the new method increases our income tax expense due to the deferred tax effect of accelerating amortization on wireless licenses. We have applied the new method as if it had been in effect for all of our prior tax periods, and the resulting cumulative increase to income tax expense of $19.3 million through June 30, 2007 was recorded during the three months ended September 30, 2007. The new method also increased our tax expense by $4.8 million for the three months ended September 30, 2007. This tax accounting method change also affects the characterization of certain income tax gains and losses on the sale of non-operating wireless licenses. Under the prior method, gains or losses on the sale of non-operating licenses were characterized as capital gains or losses; however, under the new method, gains or losses on the sale of non-operating licenses for which we had commenced tax amortization prior to the sale are characterized as ordinary gains or losses. As a result of this change, $64.7 million of net income tax losses previously reported as capital loss carryforwards have been recharacterized as net operating loss carryforwards. These net operating loss carryforwards can be used to offset future taxable income and reduce the amount of cash required to settle future tax liabilities.

We recorded a $2.9 million income tax benefit during the three months ended September 30, 2007 related to a net reduction in our effective state income tax rate. We carry a net deferred tax liability that results from the valuation allowance recorded against a majority of our deferred tax assets. A reduction to our effective state income tax rate during the three months ended September 30, 2007 resulted in a reduction to our net deferred tax liability and a corresponding increase to our income tax benefit. The decrease in our effective state income tax rate is primarily attributable to expansion of our operating footprint into lower taxing states. We recorded an additional $2.5 million income tax benefit during the nine months ended September 30, 2007 due to a Texas Margins Tax (TMT) credit, which has been recorded as a deferred tax asset. We estimate that our future TMT liability will be based on our gross revenues in Texas, rather than our apportioned taxable income. Therefore, it is more likely than not that our TMT credit will be recovered and, accordingly, we have not established a valuation allowance against this asset.

We expect that we will recognize income tax expense for the full year 2007 despite the fact that we have recorded a full valuation allowance on our deferred tax assets. This is because of the deferred tax effect of the amortization of wireless licenses and tax basis goodwill for income tax purposes. We do not expect to release any fresh-start related valuation allowance from 2007 ordinary income.

We record deferred tax assets and liabilities arising from differing treatments of items for tax and accounting purposes. Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss carryforwards, capital loss carryforwards and income tax credits. We then periodically assess the likelihood that our deferred tax assets will be recovered from future taxable income. This assessment requires significant judgment. To the extent we believe it is more likely than not that our deferred tax assets will not be recovered, we must establish a valuation allowance. As part of this periodic assessment, we have weighed the positive and negative factors with respect to this determination and, at this time, except with respect to the realization of the TMT credit discussed

above, we do not believe there is sufficient positive evidence and sustained operating earnings to support a conclusion that it is more likely than not that all or a portion of our deferred tax assets will be realized. At September 30, 2007, we have cumulative pre-tax income since our emergence from bankruptcy in August 2004. Accordingly, we will continue to closely monitor the positive and negative factors to determine whether our valuation allowance should be released. At such time that we determine that it is more likely than not

that all or a portion of the deferred tax assets are realizable, the release of up to $218.5 million of valuation allowance established in fresh-start reporting will be recorded as a reduction of goodwill rather than as a reduction of income tax expense.

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 accounting principles in the condensed consolidated balance sheets, condensed consolidated statements of operations or condensed consolidated statements 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 do not recognize service revenue until payment has been received and services have been provided to the customer. In addition, customers are generally disconnected from service approximately 30 days after failing to pay a monthly bill. Therefore, because our calculation of weighted-average number of customers includes customers who have not paid their last bill and have yet to disconnect service, ARPU may appear lower during periods in which we have significant disconnect activity. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

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

wireless communications providers. Other companies may calculate this measure differently.

CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions

unrelated to initial customer acquisition (which includes the gain or loss on 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 who disconnect from our service divided by the weighted-average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. In addition, customers are generally disconnected from service approximately 30 days after failing to pay a monthly bill. Beginning during the quarter ended June 30, 2007, pay-in-advance customers who ask to terminate their service are disconnected when their paid service period ends, whereas previously these customers were generally disconnected on the date of their request to terminate service. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

The following table shows metric information for the three months ended September 30, 2007 and 2006:

	Three Months Ended September 30,	
	2007	**2006 (As Restated)**
ARPU	$ 44.51	$ 42.87
CPGA	$ 199	$ 176
CCU	$ 21.23	$ 21.04
Churn	5.2%	4.3%

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.

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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):

	Three Months Ended September 30,	
	2007	**2006 (As Restated)**
Selling and marketing expense	$ 54,265	$ 42,948
Less share-based compensation expense included in selling and marketing expense	(843)	(637)
Plus cost of equipment	97,218	83,457
Less equipment revenue	(55,161)	(52,712)
Less net loss on equipment transactions unrelated to initial customer acquisition	(5,715)	(1,804)
Total costs used in the calculation of CPGA	$ 89,764	$ 71,252
Gross customer additions	450,954	405,178
CPGA	$ 199	$ 176

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):

	Three Months Ended September 30,	
	2007	**2006 (As Restated)**
Cost of service	$ 100,907	$ 71,575
Plus general and administrative expense	68,686	49,116
Less share-based compensation expense included in cost of service and general and administrative expense	(6,231)	(4,426)
Plus net loss on equipment transactions unrelated to initial customer acquisition	5,715	1,804
Total costs used in the calculation of CCU	$ 169,077	$ 118,069
Weighted-average number of customers	2,654,555	1,870,204
CCU	$ 21.23	$ 21.04

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations and cash available under our $200 million revolving credit facility, which was undrawn at September 30, 2007. We had a total of $656 million in unrestricted cash, cash equivalents and short-term investments at September 30, 2007. We generated $195.8 million of net cash from operating activities during the nine months ended September 30, 2007, and we expect that cash from operations will continue to be a significant and increasing source of liquidity as our markets mature and our business continues to grow. We may also generate liquidity through capital markets transactions or by selling assets that are not material to or are not required for our ongoing business operations. We believe that these sources of liquidity are sufficient to meet the operating and capital requirements for our current business operations and for the expansion of our business through the build-out of new markets and other activities described below.

Looking forward, we may raise significant capital to finance business expansion activities. This additional funding could consist of debt and/or equity financing from the public and/or private capital markets. The amount,

nature and timing of any financing will depend on our operating performance and other circumstances, our then-current commitments and obligations, the amount, nature and timing of our capital requirements and overall market conditions. If we require additional capital to fund or accelerate the pace of any of our business expansion efforts or other strategic activities and were unable to obtain such capital (whether through capital markets financings or otherwise) on terms that we found acceptable, we would likely reduce our investments in expansion activities or slow the pace of expansion activities as necessary to match our capital requirements to our available liquidity.

Our business expansion efforts include our plans to launch additional markets with spectrum licenses that we and Denali License acquired in Auction #66, which will require the expenditure of significant funds to complete the associated construction and fund the initial operating costs. Aggregate capital expenditures for new market builds through their first full year of operation are currently anticipated to be approximately $26.00 per covered POP, excluding capitalized interest. We and Denali License have already begun the build-out of some of our Auction #66 markets and, as part of our market expansion plans, could cover 28 to 50 million additional POPs by 2010. To the extent that there is any delay by U.S. federal government incumbent licensees in finalizing their plans to clear spectrum covered by licenses we purchased in Auction #66, such delay could impact the pace at which we launch these markets. If we determine to launch more than 28 million covered POPs by the end of 2010, or if we determine to accelerate the launch of those POPs, we would likely need to raise additional debt and/or equity capital to help finance this further expansion or accelerated launch schedule. The amount and timing of any capital requirements will depend upon the pace of our planned market expansion.

In addition to launching new markets, we also may elect to expand our existing market footprint. We may also pursue other strategic activities to build our business, which could include (without limitation) the further deployment of our higher-speed data service offering, the acquisition of additional spectrum through FCC auctions or private transactions, or entering into partnerships with others to help launch additional markets. If we pursued any of these activities at a significant level, we would need to raise additional funding or re-direct capital otherwise available for the build-out of new markets.

We also currently plan to participate as a bidder in Auctions #73 and #76, which may also require that we raise additional capital. The first of these auctions is scheduled to commence on January 24, 2008. We intend to focus in these auctions on those areas that we believe present attractive growth prospects for our service offerings, based on an analysis of demographic, economic and other factors, and we intend to be financially disciplined with respect to prices we are willing to pay for any such licenses. We cannot assure you, however, that our bidding strategy will be successful in the auctions or that spectrum in the auctions that meets our internally developed criteria will be available to us at acceptable prices.

Our total outstanding indebtedness under our senior secured credit agreement was $889 million as of September 30, 2007. In addition, we had $200 million available for borrowing under our undrawn revolving credit facility. Outstanding term loan borrowings under the senior secured credit agreement must be repaid in 22 quarterly payments of $2.25 million each (which commenced on March 31, 2007) followed by four quarterly payments of $211.5 million (which commence on September 30, 2012). Commencing on November 20, 2007, the term loan under our senior secured credit agreement bears interest at LIBOR plus 3.0% or the bank base rate plus 2.0%, as selected by us. In addition to our senior secured credit agreement, we also had $1,100 million in unsecured senior notes due 2014 outstanding as of September 30, 2007. Our $1,100 million in unsecured senior notes have no principal amortization and mature in October 2014. Of the $1,100 million of unsecured senior notes, $750 million principal amount of senior notes bears interest at 9.375% per annum and $350 million principal amount of senior notes (which were issued at a 106% premium) bears interest at an effective rate of 9.1% per annum.

Our senior secured credit agreement and the indenture governing our $1,100 million in unsecured senior notes contain covenants that restrict the ability of Leap, Cricket and the subsidiary guarantors to take certain actions, including

incurring additional indebtedness. In addition, under certain circumstances we are required to use some or all of the proceeds we receive from incurring additional indebtedness to pay down outstanding borrowings under our senior secured credit agreement. The senior secured credit agreement also contains financial covenants with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. Although the restatements of our

historical consolidated financial statements described elsewhere in this report resulted in defaults under our senior secured credit agreement that were subsequently waived by the required lenders, the restatements did not affect our compliance with our financial covenants, and we were in compliance with these covenants as of September 30, 2007.

Although our significant outstanding indebtedness results in certain risks to our business that could materially affect our financial condition and performance, we believe that these risks are manageable and that we are taking appropriate actions to monitor and address them. For example, in connection with our financial planning process and capital raising activities, we seek to maintain an appropriate balance between our debt and equity capitalization and we review our business plans and forecasts to monitor our ability to service our debt and to comply with the financial covenants and debt incurrence and other covenants in our senior secured credit agreement and unsecured senior notes indenture. In addition, as the new markets that we have launched over the past few years continue to develop and our existing markets mature, we expect that increased cash flows from such new and existing markets will result in improvements in our leverage ratio and other ratios underlying our financial covenants. Our $1,100 million of unsecured senior notes bear interest at a fixed rate and we have entered into interest rate swap agreements covering $355 million of outstanding debt under our term loan, which help to mitigate our exposure to interest rate fluctuations. Due to the fixed rate on our $1,100 million in unsecured senior notes and our interest rate swaps, approximately 72% of our total indebtedness accrues interest at a fixed rate. In light of the actions described above, our expected cash flows from operations, and our ability to reduce our investments in expansion activities or slow the pace of our expansion activities as necessary to match our capital requirements to our available liquidity, management believes that it has the ability to effectively manage our levels of indebtedness and address the risks to our business and financial condition related to our indebtedness.

Cash Flows

Net cash provided by operating activities was $195.8 million during the nine months ended September 30, 2007 compared to $221.7 million during the nine months ended September 30, 2006. This decrease was primarily attributable to higher depreciation and other non-cash operating items, which more than offset the decrease in pre-tax income during the third quarter of 2007.

Net cash used in investing activities was $582.3 million during the nine months ended September 30, 2007, which included the effects of the following transactions:

During January 2007, we completed the sale of three wireless licenses that we were not using to offer commercial service for an aggregate sales price of $9.5 million.

During March 2007, Cricket acquired the remaining 25% of the membership interests in ANB 1 for $4.7 million, following Alaska Native Broadband, LLC s exercise of its option to sell its entire 25% controlling interest in ANB 1 to Cricket.

During June and August 2007, we purchased approximately 20% of the outstanding membership units of a regional wireless service provider for an aggregate purchase price of $17.9 million.

During the nine months ended September 30, 2007, we made investment purchases of $518.9 million from proceeds received from the issuances of our unsecured senior notes due 2014, offset by sales or maturities of investments of $287.1 million.

During the nine months ended September 30, 2007, we and our consolidated joint ventures purchased $345.2 million of property and equipment for the build-out of our new markets and the expansion and improvement of our existing markets.

Net cash provided by financing activities was $370.3 million during the nine months ended September 30, 2007, which included the effects of the following transactions:

During the nine months ended September 30, 2007, we issued an additional $350 million of unsecured senior notes due 2014 at an issue price of 106% of the principal amount, which resulted in gross proceeds of $371 million, offset by payments of $6.8 million on our $895.5 million senior secured term loan.

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During the nine months ended September 30, 2007, we issued common stock upon the exercise of stock options held by our employees and upon employee purchases of common stock under our Employee Stock Purchase Plan, resulting in aggregate net proceeds of $7.8 million.

Senior Secured Credit Facilities

Cricket Communications

The senior secured credit facility under our amended and restated senior secured credit agreement, or the Credit Agreement, consists of a six year $895.5 million term loan and an undrawn $200 million revolving credit facility.

Outstanding borrowings under the term loan must be repaid in 22 quarterly payments of $2.25 million each (which commenced on March 31, 2007) followed by four quarterly payments of $211.5 million (which commence on September 30, 2012). If the term loan is prepaid in connection with a re-pricing transaction prior to March 15, 2008, a prepayment premium in the amount of 1.0% of the principal amount prepaid will be payable by Cricket.

As of December 31, 2006, the interest rate on the term loan was the London Interbank Offered Rate (LIBOR) plus 2.75% or the bank base rate plus 1.75%, as selected by Cricket. The interest rate on the term loan was reduced in the first and second quarters of 2007: first, in connection with a March 2007 amendment to the Credit Agreement in which the interest rate was reduced by 50 basis points, and then in June 2007, when Leap s corporate family debt rating improved, causing the interest rate on the term loan to be reduced by an additional 25 basis points in accordance with the terms of the Credit Agreement. On September 4, 2007, Leap s debt rating outlook changed to developing from stable and as a result the interest rate on the term loan was increased by 25 basis points. As a result of these changes, the interest rate on the term loan was LIBOR plus 2.25% or the bank base rate plus 1.25%, as selected by Cricket, as of September 30, 2007. At September 30, 2007, the effective interest rate on the term loan was 7.3%, which included the effect of interest rate swaps, and the outstanding indebtedness was $889 million.

Outstanding borrowings under the revolving credit facility, to the extent that there are any borrowings, are due in June 2011. As of September 30, 2007, the revolving credit facility was undrawn. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. As of September 30, 2007, borrowings under the revolving credit facility accrued interest at LIBOR plus 2.25% or the bank base rate plus 1.25%, as selected by Cricket.

Subsequent to September 30, 2007, as more fully described in Note 2 to the condensed consolidated financial statements in Part I Item 1. Financial Statements of this report, we announced our intention to restate certain of our historical consolidated financial statements. On November 20, 2007, and as more fully described in Note 10 to the condensed consolidated financial statements in Part I Item 1. Financial Statements of this report, we entered into a second amendment, or the Second Amendment, to the Credit Agreement in which the lenders waived defaults and potential defaults under the Agreement arising from our potential breach of representations regarding the presentation of our prior consolidated financial statements and the associated delay in filing this Quarterly Report on Form 10-Q. In addition, the Second Amendment amended the interest rates payable under the Credit Agreement. The term loan now bears interest at LIBOR plus 3.0% or the bank base rate plus 2.0%, as selected by Cricket, which represents an increase of 75 basis points to the interest rate applicable to the term loan borrowings in effect on September 30, 2007. The Second Amendment also resulted in an increase of 75 basis points to the interest rate applicable to the revolving credit facility on September 30, 2007.

In addition to the covenants noted in Note 6 to the condensed consolidated financial statements in Part I Item 1. Financial Statements of this report, the Second Amendment requires us to furnish our unaudited condensed

consolidated financial statements for the quarter ended September 30, 2007 to the administrative agent on or before December 14, 2007. We are also required to furnish our amended Annual Report on Form 10-K for the year ended December 31, 2006, and revised unaudited condensed consolidated financial statements for the quarters ended March 31 and June 30, 2007, to the administrative agent on or before December 31, 2007. The Second Amendment also provides that these revised financial statements may not result in a cumulative net reduction in operating income for the period from January 1, 2005 through June 30, 2007 in excess of $35 million. If we fail to timely furnish such financial statements and documents to the administrative agent, this event would result in an immediate

default under the Credit Agreement which, unless waived by the required lenders, would permit the administrative agent to exercise its available remedies, including declaring all outstanding debt under the Credit Agreement to be immediately due and payable. An acceleration of the outstanding debt under the Credit Agreement would also trigger a default under Cricket s unsecured senior indenture, or the Indenture, governing its $1.1 billion of 9.375% senior notes due 2014. The Company currently expects to file the necessary amendment to its Annual Report on Form 10-K for the year ended December 31, 2006, and its amendments to its Quarterly Reports on Form 10-Q for the first two quarters of 2007, on or before December 31, 2007.

LCW Operations

LCW Operations has a senior secured credit agreement consisting of two term loans for $40 million in the aggregate. The loans bear interest at LIBOR plus the applicable margin ranging from 2.7% to 6.3%. At September 30, 2007, the effective interest rate on the term loans was 9.6%, and the outstanding indebtedness was $40 million. In January 2007, LCW Operations entered into an interest rate cap agreement which effectively caps the three month LIBOR interest rate at 7.0% with respect to $20 million of its outstanding borrowings. The obligations under the loans are guaranteed by LCW Wireless and LCW Wireless License, LLC (and are non-recourse to Leap, Cricket and their other subsidiaries). Outstanding borrowings under the term loans must be repaid in varying quarterly installments starting in June 2008, with an aggregate final payment of $24.5 million due in June 2011.

Senior Notes

In October 2006, Cricket issued $750 million of unsecured senior notes due in 2014 in a private placement to institutional buyers. During the second quarter of 2007, we offered to exchange the notes for identical notes that had been registered with the Securities and Exchange Commission, or SEC, and all notes were tendered for exchange.

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

In June 2007, Cricket issued an additional $350 million of unsecured senior notes due 2014 in a private placement to institutional buyers at an issue price of 106% of the principal amount. These notes are an additional issuance of the 9.375% unsecured senior notes due 2014 discussed above and are treated as a single class with these notes. The terms of these additional notes are identical to the existing notes, except for certain applicable transfer restrictions. The $21 million premium that we received in connection with the issuance of the notes has been recorded in long-term debt in the condensed consolidated financial statements and will be amortized as a reduction to interest expense over the term of the notes. At September 30, 2007, the effective interest rate on the $350 million of unsecured senior notes was 9.1%, which included the effect of the premium amortization.

In connection with the private placement of the additional senior notes, we entered into a registration rights agreement with the purchasers in which we agreed to file a registration statement with the SEC to permit the holders to exchange or resell the notes. We must use reasonable best efforts to file such registration statement within 150 days after the

issuance of the notes, have the registration statement declared effective within 270 days after the issuance of the notes and then consummate any exchange offer within 30 business days after the effective date of the registration statement. In the event that the registration statement is not filed or declared effective or the exchange offer is not consummated within these deadlines, the agreement provides that additional interest will accrue on the principal amount of the notes at a rate of 0.50% per annum during the 90-day period immediately following any of

these events and will increase by 0.50% per annum at the end of each subsequent 90-day period, but in no event will the penalty rate exceed 1.50% per annum. Due to the restatement of our historical consolidated financial results as described in Note 2 to the condensed consolidated financial statements in Part I Item 1. Financial Statements of this report, we were unable to file the registration statement within 150 days after issuance of the notes. We intend to file the registration statement with the SEC as soon as is reasonably practicable and, based upon our anticipated registration statement filing date and the penalty rate applicable to the anticipated registration default event, we have accrued additional interest expense of approximately $0.5 million as of September 30, 2007.

System Equipment Purchase Agreements

In June 2007, we entered into certain system equipment purchase agreements. The agreements generally have a term of three years pursuant to which we agreed to purchase and/or license wireless communications systems, products and services designed to be AWS functional at a current estimated cost to us of approximately $266 million, which commitments are subject, in part, to the necessary clearance of spectrum in the markets to be built. Under the terms of the agreements, we are entitled to certain pricing discounts, credits and incentives, which the discounts, credits and incentives are subject to our achievement of our purchase commitments, and to certain technical training for our personnel. If the purchase commitment levels per the agreements are not achieved, we may be required to refund previous credits and incentives we applied to historical purchases.

Capital Expenditures and Other Asset Acquisitions and Dispositions

Capital Expenditures

During the nine months ended September 30, 2007, we and our consolidated joint ventures made approximately $345.2 million in capital expenditures. These capital expenditures were primarily for: (i) the build-out of new markets, including related capitalized interest, (ii) expansion and improvement of our and their existing wireless networks, and (iii) expenditures for 1xEV-DO, or EvDO, technology.

We currently expect to invest between $300 million and $320 million in 2007 in capital expenditures for our existing business, the costs associated with our launched markets to date, and our EvDO network upgrade. In addition, we expect to invest between $205 million and $225 million in capital expenditures to support our planned coverage expansion, Auction #66 market development and development of new higher-speed data products. Therefore, total 2007 capital expenditures are expected to be between $505 million and $545 million, including capitalized interest.

Other Acquisitions and Dispositions

In January 2007, we completed the sale of three wireless licenses that we were not using to offer commercial service for an aggregate sales price of $9.5 million, resulting in a net gain of $1.3 million. There were no significant acquisitions or dispositions during the three months ended September 30, 2007.

In June and August 2007, we purchased approximately 20% of the outstanding membership units of a regional wireless service provider for an aggregate purchase price of $17.9 million. We use the equity method to account for our investment. Our equity in net earnings or losses are recorded two months in arrears to facilitate the timely inclusion of such equity in net earnings or losses in our condensed consolidated financial statements. During the three and nine months ended September 30, 2007, the Company s share of net losses of the entity were $0.8 million.

Short-Term Investments

As of September 30, 2007, we held approximately $159.9 million in asset-backed commercial paper some of which is backed, in part, by residential mortgages. Such asset-backed commercial paper is subject to credit risk as the obligor may be unable to repay its maturing commercial paper as it becomes due. Due to the recent downturns in the financial and credit markets, certain of our investments have been downgraded by a major rating agency and their respective fair values have declined. As a result, we recognized an other-than-temporary impairment loss of approximately $4.4 million to other income (expense), net in our condensed consolidated statements of operations

during the three months ended September 30, 2007. The impairment loss was calculated based upon quotes provided by third party financial institutions.

We believe our future risk of loss with respect to these investments is limited given the short-term duration of these commercial paper holdings, the nature of the underlying assets securing these holdings, payment preferences that would be available to us in the event of liquidation, and interest and principal payments received subsequent to September 30, 2007; however, future volatility and uncertainty in the financial markets could result in additional losses. As of September 30, 2007, we have received both interest and principal payments for all of our commercial paper investments as they have reached maturity. Further, we have taken measures to minimize our exposure to the volatility in the financial and credit markets by reducing our investments in asset-backed commercial paper and by investing in securities with shorter maturities, or securities that are backed by U.S. treasury securities or governmental agencies. As of November 30, 2007, we held approximately $56.4 million in asset-backed commercial paper backed, in part, by residential mortgages. Of this amount, approximately $40 million is expected to mature during December 2007 and January 2008.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements during the nine months ended September 30, 2007.

Recent Accounting Pronouncements

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

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

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, or SFAS 141(R), which expands the definition of a business and a business combination, requires the fair value of the purchase price of an acquisition including the issuance of equity securities to be determined on the acquisition date, requires that all assets, liabilities, contingent consideration, contingencies and in-process research and development costs of an acquired business be recorded at fair value at the acquisition date, requires that acquisition costs generally be expensed as incurred, requires that restructuring costs generally be expensed in periods subsequent to the acquisition date, and requires changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period to impact income tax expense. We will be required to adopt SFAS 141(R) on January 1, 2009. We are currently evaluating what impact SFAS 141(R) will have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51, or SFAS 160, which changes the accounting and reporting for minority interests such that minority interests will be recharacterized as noncontrolling interests and will be required to be reported as a component of equity, and requires that purchases or sales of equity interests that do not result in a change in control be accounted for as equity transactions and, upon a loss of control, requires the interest sold, as well as any interest

retained, to be recorded at fair value with any gain or loss recognized in earnings. We will be required to adopt SFAS 160 on January 1, 2009. We are currently evaluating what impact SFAS 160 will have on our consolidated financial statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk. The terms of our Credit Agreement require us to enter into interest rate swap agreements in a sufficient amount so that at least 50% of our total outstanding indebtedness for borrowed money bears interest at a fixed rate. As of September 30, 2007, approximately 72% of our indebtedness for borrowed money accrued interest at a fixed rate. The fixed rate debt consisted of $1,100 million of unsecured senior notes which bear interest at a fixed rate of 9.375% per year. In addition, $355 million of the approximately $889 million in outstanding floating rate debt under our Credit Agreement is covered by interest rate swap agreements. Prior to September 28, 2007, we had interest rate swap agreements with respect to $255 million of our debt which effectively fixed the LIBOR interest rate on $150 million of indebtedness at 7.5% and $105 million of indebtedness at 6.6% through June 2009. To increase the amount of total outstanding indebtedness for borrowed money subject to interest at a fixed rate, we entered into new interest rate swap agreements on September 28, 2007 which effectively fixed the LIBOR interest rate on $100 million of additional indebtedness at 7.3% through September 2010. In addition to the outstanding floating rate debt under our Credit Agreement, LCW Operations had $40 million in outstanding floating rate debt as of September 30, 2007, consisting of two term loans. In January 2007, LCW Operations entered into an interest rate cap agreement which effectively caps the three month LIBOR interest rate at 7.0% on $20 million of its outstanding borrowings.

As of September 30, 2007, net of the effect of these interest rate swap agreements, our outstanding floating rate indebtedness totaled approximately $574 million. The primary base interest rate is three month LIBOR plus an applicable margin. 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 interest rate swap agreements, by approximately $5.7 million.

As described in Note 6 to the condensed consolidated financial statements in Part I Item 1. Financial Statements of this report, we amended our Credit Agreement on November 20, 2007. This amendment increases the primary base interest rate for our term loan to three month LIBOR plus a margin of 3.0% beginning on November 20, 2007. As a result, we expect interest expense to increase approximately $6.7 million on an annual basis. In addition, in connection with the execution of the amendment to the senior secured credit facility, we paid a fee equal to 25 basis points on the aggregate principal amount of the commitments and loans of each lender that executed the Second Amendment on or before 5:00 p.m. on November 19, 2007, together with the legal expenses of the administrative agent, which represented an aggregate payment of $2.7 million.

Hedging Policy. Our policy is to maintain interest rate hedges to the extent that we believe them to be fiscally prudent, and as required by our credit agreements. We do not engage in any hedging activities for speculative purposes.

Item 4. *Controls and Procedures.*

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to management, including our chief executive officer, or CEO, and chief financial officer, or CFO, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only

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reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management, with participation by our CEO and CFO, has designed our disclosure controls and procedures to provide reasonable assurance of achieving desired objectives. Currently, our CEO, S. Douglas Hutcheson, is also serving as acting CFO. As required by SEC Rule 13a-15(b), in connection with filing this Quarterly Report on Form 10-Q, management conducted an evaluation, with the participation of our CEO and our CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act, as of September 30, 2007, the end of the period covered by this report. Based upon that evaluation, our CEO and CFO concluded that a material weakness existed in our internal control over financial reporting as of September 30, 2007. As a result of this material weakness, our CEO and CFO concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2007.

Management had previously concluded that the Company maintained effective internal control over financial reporting as of December 31, 2006. In connection with the restatement discussed under the heading Restatement of Previously Reported Consolidated Financial Statements in Note 2 to the consolidated financial statements, management determined that the material weakness discussed above existed as of December 31, 2006. Accordingly, management has now concluded that our internal control over financial reporting was not effective as of December 31, 2006.

In light of the material weakness referred to above, the Company performed additional analyses and procedures in order to conclude that its consolidated financial statements included in the Quarterly Report on Form 10-Q are fairly presented, in all material respects, in accordance with generally accepted accounting principles in the United States of America.

The material weakness we have identified in our internal control over financial reporting is as follows:

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

(b) Management s Remediation Initiatives

We have taken and are taking the following actions to remediate the material weakness described above:

We performed a detailed review of our billing and revenue systems, and processes for recording revenue. We are implementing stronger account reconciliations and analyses surrounding our revenue recording processes which are designed to detect any material errors in the completeness and accuracy of the underlying data.

We intend to design and implement automated enhancements to our billing and revenue systems to reduce the need for manual processes and estimates and thereby streamline the processes for ensuring revenue is recorded only when payment is received and services are provided.

We intend to further improve our user acceptance testing related to system changes by ensuring the user acceptance testing encompasses a complete population of scenarios of possible customer activity.

The Audit Committee has directed management to develop and present to the Committee a plan and timetable for the implementation of the remediation measures described above (to the extent not already implemented), and the Committee intends to monitor such implementation. We believe that the actions described above will remediate the material weakness we have identified and strengthen our control over financial reporting. As we improve our internal control over financial reporting and implement remediation measures, we may determine to supplement or modify the remediation measures described above.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our fiscal quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 4T. Controls and Procedures.

Not applicable.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in certain legal proceedings that are described in our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission, or the SEC, on March 1, 2007 and in our Quarterly Report on Form 10-Q for the three months ended June 30, 2007 filed on August 9, 2007. There have been no material developments in the status of those legal proceedings during the three months ended September 30, 2007, except as described below.

Patent Litigation

On June 14, 2006, we sued MetroPCS in the United States District Court for the Eastern District of Texas, Marshall Division, for infringement of U.S. Patent No. 6,813,497 *Method for Providing Wireless Communication Services and Network and System for Delivering Same,* issued to us. Our complaint seeks damages and an injunction against continued infringement. On August 3, 2006, MetroPCS (i) answered the complaint, (ii) raised a number of affirmative defenses, and (iii) together with certain related entities (referred to, collectively with MetroPCS, as the MetroPCS entities), counterclaimed against Leap, Cricket, numerous Cricket subsidiaries, Denali License, and current and former employees of Leap and Cricket, including our chief executive officer, S. Douglas Hutcheson. MetroPCS has since amended its complaint and Denali License has been dismissed, without prejudice, as a counterclaim defendant. The countersuit now alleges claims for breach of contract, misappropriation, conversion and disclosure of trade secrets, fraud, misappropriation of confidential information and breach of confidential relationship, relating to information provided by MetroPCS to such employees, including prior to their employment by Leap, and asks the court to award attorneys fees and damages, including punitive damages, impose an injunction enjoining us from participating in any auctions or sales of wireless spectrum, impose a constructive trust on our business and assets for the benefit of the MetroPCS entities, transfer our business and assets to MetroPCS, and declare that the MetroPCS entities have not infringed U.S. Patent No. 6,813,497 and that such patent is invalid. MetroPCS s claims allege that we and the other counterclaim defendants improperly obtained, used and disclosed trade secrets and confidential information of the MetroPCS entities and breached confidentiality agreements with the MetroPCS entities. On October 31, 2007, pursuant to a stipulation between the parties, the court administratively closed the case for a period not to exceed six months. The parties stipulated that neither will move the court to reopen the case until at least 90 days following the administrative closure. On November 1, 2007, MetroPCS formally withdrew its September 4, 2007 unsolicited merger proposal, which our board of directors had previously rejected on September 16, 2007. On September 22, 2006, Royal Street Communications, LLC, or Royal Street, an entity affiliated with MetroPCS, filed an action in the United States District Court for the Middle District of Florida, Tampa Division, seeking a declaratory judgment that our U.S. Patent No. 6,813,497 (the same patent that is the subject of our infringement action against MetroPCS) is invalid and is not being infringed by Royal Street or its PCS systems. Upon our request, the court has transferred the Royal Street case to the United States District Court for the Eastern District of Texas due to the affiliation between MetroPCS and Royal Street. We anticipate that the Royal Street case will be stayed along with the case originally filed by MetroPCS in the Eastern District of Texas. If and when the cases proceed, we intend to vigorously defend against the counterclaims filed by the MetroPCS entities and the action brought by Royal Street. Due to the complex nature of the legal and factual issues involved, however, the outcome of these matters is not presently determinable. If the MetroPCS entities were to prevail in these matters, it could have a material adverse effect on our business, financial condition and results of operations.

On August 17, 2006, we were served with a complaint filed by certain MetroPCS entities, along with another affiliate, MetroPCS California, LLC, in the Superior Court of the State of California, which names Leap, Cricket, certain of its

subsidiaries, and certain current and former employees of Leap and Cricket, including Mr. Hutcheson, as defendants. In response to demurrers by us and by the court, two of the plaintiffs amended their complaint twice, dropped the other plaintiffs and have filed a third amended complaint. In the current complaint, the plaintiffs allege statutory unfair competition, statutory misappropriation of trade secrets, breach of contract, intentional interference with contract, and intentional interference with prospective economic advantage, seek preliminary and permanent

injunction, and ask the court to award damages, including punitive damages, attorneys fees, and restitution. We have filed a demurrer to the third amended complaint. On October 25, 2007, pursuant to a stipulation between the parties, the court entered a stay of the litigation for a period of 90 days. If and when the case proceeds, we intend to vigorously defend against these claims. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable. If the MetroPCS entities were to prevail in this action, it could have a material adverse effect on our business, financial condition and results of operations.

On June 6, 2007, we were sued by Minerva Industries, Inc., or Minerva, in the United States District Court for the Eastern District of Texas, Marshall Division, for infringement of U.S. Patent No. 6,681,120 entitled *Mobile Entertainment and Communication Device.* Minerva alleges that certain handsets sold by us infringe a patent relating to mobile entertainment features, and the complaint seeks damages (including enhanced damages), an injunction and attorneys fees. The complaint also makes reference to a pending patent application relating to the asserted patent. Our deadline to respond to the complaint was extended until January 7, 2008 pursuant to stipulation between the parties. On June 7, 2007, we were sued by Barry W. Thomas, or Thomas, in the United States District Court for the Eastern District of Texas, Marshall Division, for infringement of U.S. Patent No. 4,777,354 entitled *System for Controlling the Supply of Utility Services to Consumers.* Thomas alleges that certain handsets sold by us infringe a patent relating to actuator cards for controlling the supply of a utility service, and the complaint seeks damages (including enhanced damages) and attorneys fees. We and other co-defendants have filed a motion to stay the litigation pending the determination of similar litigation in the Western District of North Carolina. We intend to vigorously defend against these matters brought by Minerva and Thomas. Due to the complex nature of the legal and factual issues involved, however, the outcome of these matters is not presently determinable. We have notified our handset suppliers of these lawsuits, the majority of whom were also sued by Minerva and Thomas in other actions, and we anticipate that we will be indemnified by such suppliers for the costs of defense and any damages arising with respect to such lawsuits.

On June 8, 2007, we were sued by Ronald A. Katz Technology Licensing, L.P., or Katz, in the United States District Court for the District of Delaware, for infringement of 19 U.S. patents, 15 of which have expired. Katz alleges that we have infringed patents relating to automated telephone systems, including customer service systems, and the complaint seeks damages (including enhanced damages), an injunction, and attorneys fees. We are currently in discussions with Katz to settle this matter. In the event that we and Katz are unable to reach a settlement, we intend to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable. If Katz were to prevail in this matter, it could have a material adverse effect on our business, financial condition and results of operations.

On October 15, 2007, we were sued by Visual Interactive Phone Concepts Inc., or Visual Interactive, in the United States District Court for the Southern District of California for infringement of U.S. Patent No. 5,724,092 entitled *Videophone Mailbox Interactive Facility System and Method of Processing Information* and U.S. Patent No. 5,606,361 entitled *Videophone Mailbox Interactive Facility System and Method of Processing Information.* Visual Interactive alleges that we infringe these patents relating to interactive videophone systems, and the complaint seeks an accounting for damages under 35 U.S.C. §284, an injunction and attorneys fees. We intend to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable.

On December 10, 2007, we were sued by Freedom Wireless, Inc., or Freedom Wireless, in the United States District Court for the Eastern District of Texas, Marshall Division for infringement of U.S. Patent No. 5,722,067 entitled *Security Cellular Telecommunications System,* U.S. Patent No. 6,157,823 entitled *Security Cellular Telecommunications System,* and U.S. Patent No. 6,236,851 entitled *Prepaid Security Cellular Telecommunications System.* Freedom Wireless alleges that its patents claim a novel cellular system that enables prepaid services subscribers to both place and receive cellular calls without dialing access codes or using modified telephones. The complaint seeks unspecified monetary damages, increased damages under 35 U.S.C. § 284 together

with interest, costs and attorneys fees, and an injunction. We intend to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable.

American Wireless Group

On December 31, 2002, several members of American Wireless Group, LLC, or 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 appealed the denial of the motion to the Mississippi Supreme Court. On November 15, 2007, the Mississippi Supreme Court denied the appeal and remanded the action to the trial court.

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

Although Leap is not a defendant in either the Whittington or AWG Lawsuits, several of the defendants have indemnification agreements with us. Leap s D&O insurers have not filed a reservation of rights letter and have been paying defense costs. Management believes that the defendants liability, if any, from the AWG and Whittington Lawsuits and any further indemnity claims of the defendants against Leap is not presently determinable.

Securities Litigation

On November 13, 2007, a shareholder derivative lawsuit was filed in California Superior Court for San Diego County against certain of our current and former directors. In its complaint, the plaintiff asserts claims for breaches of fiduciary duty, gross mismanagement, waste of corporate assets, unjust enrichment and violations of California s insider trading laws arising from Leap s restatement of its financial statements as described in Note 2 to the condensed consolidated financial statements in Part I Item 1. Financial Statements of this report, the September 2007 unsolicited merger proposal from MetroPCS and sales of Leap common stock by certain of the defendants between December 2004 and June 2007. The complaint seeks unspecified damages, equitable and/or injunctive relief and disgorgement of all profits, benefits and other compensation obtained by the defendants. Due to the complex nature of the legal and

factual issues involved, the outcome of this matter is not presently determinable.

We, certain of our current and former officers and directors, and our independent registered public accounting firm, PricewaterhouseCoopers, LLP, have been named as defendants in multiple securities class action lawsuits filed in the United States District Court for the Southern District of California on behalf of investors who purchased Leap common stock between May 16, 2004 and November 9, 2007. The class action lawsuits, which will be

consolidated, allege that the defendants violated the Securities Exchange Act of 1934 by making false and misleading statements about our business and financial results and seek unspecified damages. We intend to vigorously defend against these lawsuits. Due to the complex nature of the legal and factual issues involved, however, the outcome of these matters is not presently determinable.

Other

In addition to the matters described above, we are often involved in certain other claims, arising in the ordinary course of business, seeking monetary damages and other relief, none of which matters, based upon current information, is currently expected to have a material adverse effect on our business, financial condition and results of operations.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described under Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the three months ended June 30, 2007 filed with the SEC on August 9, 2007, other than changes to:

the Risk Factor below entitled Our Business Could Be Adversely Affected By General Economic Conditions and Financial and Lending Market Fluctuations, which has been included to reflect economic risks that could affect our business;

the Risk Factor entitled We May Be Unable to Obtain the Roaming Services We Need From Other Carriers to Remain Competitive, which has updated to reflect additional risks related to a recent order and report issued by the FCC;

the Risk Factor entitled We Have Filed Short-Form Applications To Bid In Auctions #73 and #76, Which May Restrict Certain Business and Commercial Arrangements That We May Enter Into, which has been added to describe risks related to our potential participation in Auctions #73 and #76;

the Risk Factor entitled We Have Restated Our Prior Consolidated Financial Statements, Which May Lead to Additional Risks and Uncertainties, Including Shareholder Litigation, which has been added to describe certain risks related to the restatement of our financial statements;

the Risk Factor entitled Our Business and Stock Price May Be Adversely Affected If Our Internal Controls Are Not Effective, which has been updated to reflect additional risks related to the restatement of our financial statements;

the Risk Factor entitled We Expect to Incur Substantial Costs in Connection with the Build-Out of Our New Markets, and Any Delays or Cost Increases in the Build-Out of Our New Markets Could Adversely Affect Our Business, which has been updated to reflect additional risks related to spectrum clearing;

the Risk Factor entitled Covenants in Our Existing Indenture and Credit Agreement and Other Credit Agreements or Indentures That We May Enter Into in the Future May Limit Our Ability to Operate Our Business, which has been updated to reflect risks related to the waiver we received from our lenders;

the Risk Factor entitled The Loss of Key Personnel and Difficulty Attracting and Retaining Qualified Personnel Could Harm Our Business, which has been updated to reflect the appointment of S. Douglas Hutcheson as our acting chief financial officer;

the Risk Factor entitled System Failures Could Result in Higher Churn, Reduced Revenue and Increased Costs, and Could Harm Our Reputation, which has been updated to reflect risks related to our billing system;

the Risk Factor entitled We May Not Be Successful in Protecting and Enforcing Our Intellectual Property Rights, which has been updated to reflect the current status of certain litigation in which we are involved;

the Risk Factor entitled We and Our Suppliers May Be Subject to Claims of Infringement Regarding Telecommunications Technologies That Are Protected By Patents and Other Intellectual Property Rights,

which has been updated to reflect additional risks related to potential infringement claims that could be made against our suppliers as well as recent patent lawsuits which have been filed against us; and

the Risk Factor entitled We May Elect To Raise Additional Equity Capital Which May Dilute Existing Stockholders, which has been added to reflect additional risks regarding our potentially raising equity financing.

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 $43.3 million and $57.9 million for the three and nine months ended September 30, 2007, respectively, $14.6 million for the six months ended June 30, 2007, $24.2 million for the quarter ended March 31, 2007, $24.4 million for the year ended December 31, 2006, $6.1 million and $43.1 million (excluding reorganization items, net) for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively, $597.4 million for the year ended December 31, 2003 and $664.8 million for the year ended December 31, 2002. Although we had net income of $9.6 million for the three months ended June 30, 2007 and $30.7 million for the year ended December 31, 2005, we may not generate profits in the future on a consistent basis, or at all. Our strategic objectives depend, in part, on our ability to build out and launch networks associated with newly acquired FCC licenses, including the licenses that we and Denali License acquired in Auction #66, and we will experience higher operating expenses as we build out and after we launch our service in these new markets. 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 pace of new market launches, and varying national economic conditions. Our current business plans assume that we will increase our customer base over time, providing us with increased economies of scale. If we are unable to attract and retain a growing customer base, our current business plans and financial outlook may be harmed.

If We Experience High Rates of Customer Turnover, Our Ability to Remain Profitable Will Decrease.

Because we do not require customers to sign fixed-term contracts or pass a credit check, our service is available to a broader customer base than that served by many other wireless providers. As a result, some of our customers may be more likely to terminate service due to an inability to pay than the average industry customer, particularly during economic downturns or during periods of high gasoline prices. Our turnover could also increase if recent disruptions in the sub prime mortgage market affect the ability of our customers to pay for their service. In addition, our rate of customer turnover may be affected by other factors, including the size of our calling areas, network performance and reliability issues, our handset or service offerings (including the ability of customers to cost-effectively roam onto other wireless networks), customer care concerns, phone number portability, higher deactivation rates among less-tenured customers we gained as a result of our new market launches, and other competitive factors. We have also experienced an increasing trend of current customers upgrading their handset by buying a new phone, activating a new line of service, and letting their existing service lapse, which trend has resulted in a higher churn rate as these customers are counted as having disconnected service but have actually been retained. Our strategies to address customer turnover may not be successful. A high rate of customer turnover would reduce revenues and increase the total marketing expenditures required to attract the minimum number of replacement customers required to sustain our

business plan which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

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

In November 2004, we acquired a 75% non-controlling interest in ANB 1, whose wholly owned subsidiary, ANB 1 License, was awarded certain licenses in Auction #58. In March 2007, we acquired the remaining 25% interest in ANB 1. In July 2006, we acquired a 72% non-controlling interest in LCW Wireless, which was awarded a wireless license for the Portland, Oregon market in Auction #58 and to which we contributed, among other things, two wireless licenses in Eugene and Salem, Oregon and related operating assets. In December 2006, we completed the replacement of certain network equipment of a subsidiary of LCW Wireless and, as a result, we now own a 73.3% non-controlling membership interest in LCW Wireless. In July 2006, we acquired an 82.5% non-controlling interest in Denali, an entity which participated in Auction #66. ANB 1 License, LCW Wireless and Denali acquired their wireless licenses as very small business designated entities under FCC regulations. Our participation in these joint ventures is structured as a non-controlling interest in order to comply with FCC rules and regulations. We have agreements with our joint venture partners in LCW Wireless and Denali, and we plan to have similar agreements in connection with any future joint venture arrangements we may enter into, which are intended to allow us to actively participate to a limited extent in the development of the business through the joint venture. However, these agreements do not provide us with control over the business strategy, financial goals, build-out plans or other operational aspects of any such joint venture. The FCC s rules restrict our ability to acquire controlling interests in such entities during the period that such entities must maintain their eligibility as a designated entity, as defined by the FCC. The entities or persons that control the joint ventures may have interests and goals that are inconsistent or different from ours which could result in the joint venture taking actions that negatively impact our business or financial condition. In addition, if any of the other members of a joint venture files for bankruptcy or otherwise fails to perform its obligations or does not manage the joint venture effectively, we may lose our equity investment in, and any present or future opportunity to acquire the assets (including wireless licenses) of, such entity.

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

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

The telecommunications industry is very competitive. In general, we compete with national facilities-based wireless providers and their prepaid affiliates or brands, local and regional carriers, non-facilities based mobile virtual network operators, voice-over-internet-protocol, or VoIP, service providers and traditional landline service providers.

Many of these competitors often have greater name and brand recognition, access to greater amounts of capital and established relationships with a larger base of current and potential customers. Because of their size and bargaining power, our larger competitors may be able to purchase equipment, supplies and services at lower prices than we can. Prior to the launch of a large market in 2006, disruptions by a competitor interfered with our indirect dealer relationships, reducing the number of dealers offering Cricket service during the initial weeks of launch. In addition, some of our competitors are able to offer their customers roaming services at lower rates. As consolidation in the

industry creates even larger competitors, any purchasing advantages our competitors have, as well as their bargaining power as wholesale providers of roaming services, may increase. For example, in connection with the offering of our nationwide roaming service, we have encountered problems with certain large wireless carriers in negotiating terms for roaming arrangements that we believe are reasonable, and we believe that consolidation has contributed significantly to such carriers control over the terms and conditions of wholesale roaming services.

These competitors may also offer potential customers more features and options in their service plans than those currently provided by Cricket, as well as new technologies and/or alternative delivery plans.

Some of our competitors offer rate plans substantially similar to Cricket s service plans or products that customers may perceive to be similar to Cricket s service plans in markets in which we offer wireless service. For example, Sprint Nextel now offers a flat-rate unlimited service offering under its Boost Unlimited brand, which is very similar to the Cricket service. Sprint Nextel has expanded its Boost Unlimited service offering into certain markets in which we provide service and could further expand service into other markets in which we provide service or in which we plan to expand, and this service offering may present additional strong competition in markets in which our offerings overlap. The competitive pressures of the wireless telecommunications market have also caused other carriers to offer service plans with large bundles of minutes of use at low prices which are competing with the predictable and unlimited Cricket calling plans. Some competitors also offer prepaid wireless plans that are being advertised heavily to demographic segments in our current markets and in markets in which we may expand that are strongly represented in Cricket s customer base. For example, T-Mobile has introduced a FlexPay plan which permits customers to purchase pre-paid minutes. These competitive offerings could adversely affect our ability to maintain our pricing and increase or maintain our market penetration and may have a material adverse effect on our financial results.

We may also face additional competition from new entrants in the wireless marketplace, many of whom may have significantly more resources than we do. The FCC is pursuing policies designed to increase the number of wireless licenses and spectrum available for the provision of wireless voice and data services 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. The FCC has also in recent years allowed satellite operator to free up portions of their spectrum for ancillary terrestrial use. In addition, the auction and licensing of new spectrum, including the spectrum to be auctioned by the FCC in its January 2008 auction of additional 700 MHz band spectrum licenses, may result in new competitors and/or allow existing competitors to acquire additional spectrum, which could allow them to offer services that we may not technologically or cost effectively be able to offer with the licenses we hold or to which we have access.

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

Our Business Could Be Adversely Affected By General Economic Conditions and Financial and Lending Market Fluctuations.

Our business could be adversely affected in a number of ways by general economic conditions as well as by fluctuations in the financial and lending markets. Because we do not require customers to sign fixed-term contracts or pass a credit check, our service is available to a broader customer base than that served by many other wireless providers. As a result, during general economic downturns or periods of high gasoline prices, we may have greater difficulty in gaining new customers within this base for our services and some of our current customers may be more likely to terminate service due to an inability to pay than the average industry customer. In addition, we maintain investments in commercial paper and other short-term investments and any volatility or uncertainty in the financial markets could result in losses from a decline in the value of those investments. Looking forward, we may raise significant capital to finance business expansion activities and our ability to raise debt or equity capital in the public or private markets could be impaired by various factors, such as a severe disruption of those markets or negative views about the prospects for our business. If we required additional capital to fund or accelerate the pace of any of our business expansion efforts or other strategic activities and were unable to obtain such capital (whether through capital markets financings or otherwise) on terms that we found acceptable, we would likely reduce our investments in expansion activities or slow the pace of expansion activities as necessary to match our capital requirements to our

available liquidity. Any of these risks could impair our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our financial results.

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

We believe that our customers prefer that we offer roaming services that allow them to make calls automatically when they are outside of their Cricket service area. Many of our competitors have regional or national networks which enable them to offer automatic roaming services to their subscribers at a lower cost than we can offer. We do not have a national network, and we must pay fees to other carriers who provide roaming services to us. We currently have roaming agreements with several other carriers which allow our customers to roam on those carriers networks. However, these roaming agreements generally cover voice but not data services and some of these agreements may be terminated on relatively short notice. In addition, we believe that the rates charged to us by some of these carriers are higher than the rates they charge to certain other roaming partners.

The FCC recently adopted a report and order clarifying that commercial mobile radio service providers are required to provide automatic roaming for voice services on just, reasonable and non-discriminatory terms. The FCC order, however, does not address roaming for data services nor does it provide or mandate any specific mechanism for determining the reasonableness of roaming rates for voice services, and so our ability to obtain roaming services from other carriers at attractive rates remains uncertain. In addition, the FCC order indicates that a host carrier is not required to provide roaming services to another carrier in areas in which that other carrier holds wireless licenses or usage rights that could be used to provide wireless services. Because we and Denali License hold a significant number of spectrum licenses for markets in which service has not yet been launched, we believe that this in-market roaming restriction could significantly and adversely affect our ability to receive roaming services in areas where we hold licenses. We and other wireless carriers have filed a petition with the FCC, asking that it reconsider this in-market exception to its roaming order. However, we can provide no assurances as to whether the FCC will reconsider this exception or the timeframe in which it might do so.

In light of the current FCC order, we cannot provide assurances that we will be able to continue to provide roaming services for our customers across the nation or that we will be able to provide such services on a cost-effective basis. We may be unable to enter into or maintain roaming arrangements for voice services at reasonable rates, including in areas in which we hold wireless licenses or have usage rights but have not yet constructed wireless facilities, and we may be unable to secure roaming arrangements for our data services. Our inability to obtain these roaming services on a cost-effective basis may limit our ability to compete effectively for wireless customers, which may increase our churn and decrease our revenues, which could materially adversely affect our business, financial condition and results of operations.

We Have Filed Short-Form Applications To Bid in Auctions #73 and #76, Which May Restrict Certain Business and Commercial Arrangements That We May Enter Into.

We have filed short-form applications to bid in the FCC s auctions of 700 MHz band licenses (Auction #73 and #76), the first of which is scheduled to commence on January 24, 2008. Denali Spectrum License, LLC, an entity in which we have a non-controlling indirect interest, also filed applications to participate in these auctions. Our participation in these auctions may require that we raise additional capital through a combination of additional debt and/or equity financing. We cannot assure you that we will be able to obtain any such additional financing on commercially reasonable terms or at all. We intend to focus in the auctions on those areas that we believe present attractive growth prospects for our service offering based on an analysis of demographic, economic and other factors and intend to be financially disciplined with respect to prices we are willing to pay for any such licenses. We cannot, however, assure you that our bidding strategy will be successful in the auctions or that spectrum in the auctions that meets our internally developed criteria will be available to us at acceptable prices.

In addition, because we have filed short-form applications, applicable FCC rules restrict us from engaging in certain business communications that we may desire to enter into with other auction applicants or their affiliates. For

example, the FCC has indicated that discussions with other carriers regarding roaming agreements, the partitioning of markets or the disaggregation of spectrum, or the acquisition of licenses or licensees, may implicate the anti-collusion rules if both parties to the discussions are competing applicants in the auctions and, in the course of the discussions, the parties exchange information pertaining to or affecting their bids, bidding strategy or the post-auction market structure. These anti-collusion restrictions may affect the normal conduct of our business by

inhibiting discussions and the conclusion of beneficial transactions with other carriers during the auction process, which could last three to six months, or more.

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

As discussed in Note 2 to our condensed consolidated financial statements included in Part I Item 1. Financial Statements of this report, we have restated our consolidated financial statements as of and for the years ended December 31, 2006 and 2005 (including interim periods therein), for the period from August 1, 2004 to December 31, 2004 and for the period from January 1, 2004 to July 31, 2004. In addition, we have restated the condensed consolidated financial statements included in each of our Quarterly Reports on Form 10-Q as of and for the quarterly periods ended June 30, 2007 and March 31, 2007. The determination to restate these consolidated financial statements and quarterly condensed consolidated financial statements was made by the Company s Audit Committee upon management s recommendation following the identification of errors related to (i) the timing of recognition of certain service revenues prior to or subsequent to the period in which they were earned, (ii) the recognition of service revenues for certain customers that voluntarily disconnected service, (iii) the classification of certain components of service revenues, equipment revenues and operating expenses and (iv) the determination of a tax valuation allowance during the second quarter of 2007.

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

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

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to conduct a comprehensive evaluation of their internal control over financial reporting. To comply with this statute, we are required to document and test our internal control over financial reporting; our management is required to assess and issue a report concerning our internal control over financial reporting; and our independent registered public accounting firm is required to attest to and report on management s assessment and the effectiveness of internal control over financial reporting.

As described in Part I Item 4. Controls and Procedures of this report, our CEO concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2007. The material weakness we have identified in our internal control over financial reporting related to the design of controls over the preparation and review of the account reconciliations and analysis of revenues, cost of revenue and deferred revenues, and ineffective testing of changes made to our revenue and billing systems in connection with the introduction or modification of service offerings.

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

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

Although we believe we are taking appropriate actions to remediate the control deficiencies we have identified and to strengthen our control internal over financial reporting, we cannot assure you that we will not discover other material weaknesses in the future. The existence of one or more material weaknesses could result in errors in our financial statements, and substantial costs and resources may be required to rectify these or other internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of Leap s common stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed.

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

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

We Expect to Incur Substantial Costs in Connection With the Build-Out of Our New Markets, and Any Delays or Cost Increases in the Build-Out of Our New Markets Could Adversely Affect Our Business.

Our ability to achieve our strategic objectives will depend in part on the successful, timely and cost-effective build-out of the networks associated with newly acquired FCC licenses, including the licenses that we and Denali License acquired in Auction #66 and any licenses that we may acquire in Auctions #73 or #76 or from third parties. Large-scale construction projects such as the build-out of our new markets will require significant capital expenditures and may suffer cost-overruns. In addition, we will experience higher operating expenses as we build out and after we launch our service in new markets. Any significant capital expenditures or increased operating expenses, including in connection with the build-out and launch of markets for the licenses that we and Denali License acquired in Auction #66, would negatively impact our earnings and free cash flow for those periods in which we incur such capital expenditures or increased operating expenses. If we are unable to fund the build-out of these new markets with cash generated from operations or that is otherwise available to us under our $200 million revolving credit facility, we may be required to raise additional equity capital or incur further indebtedness, which we cannot guarantee would be available to us on acceptable terms, or at all. 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.

The spectrum that was auctioned in Auction #66 currently is used by U.S. federal government and/or incumbent commercial licensees. FCC rules require winning bidders to avoid interfering with these existing users or to clear the incumbent users from the spectrum through specified relocation procedures. We considered the estimated cost and time frame required to clear the spectrum for which we and Denali License were declared the winning bidders in the auction. However, the actual cost of clearing the spectrum may exceed our estimated costs. Several federal government agencies have cleared or announced plans to promptly clear spectrum covered by licenses we purchased in Auction #66. Other agencies, however, have not yet finalized plans to relocate their use to alternative spectrum. If these agencies do not relocate to alternative spectrum within the next several months, their continued use of the spectrum covered by licenses we purchased in Auction #66 could delay launch of certain markets, and as a result, could adversely affect our competitive position and results of operations.

Although our vendors have announced their intention to manufacture and supply network equipment and handsets that operate in the AWS spectrum bands, network equipment and handsets that support AWS are not presently available. If network equipment and handsets for the AWS spectrum are not made available on a timely

basis in the future by our suppliers, our proposed build-outs and launches of new Auction #66 markets could be delayed, which would negatively impact our earnings and cash flows. Any significant increase in our expected capital expenditures in connection with the build-out and launch of Auction #66 licenses could negatively impact our earnings and free cash flow for those periods in which we incur such capital expenditures.

Any failure to complete the build-out of our new markets on budget or on time could delay the implementation of our clustering and strategic expansion strategies, and could have a material adverse effect on our results of operations and financial condition.

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

We have experienced substantial growth in a relatively short period of time, and we expect to continue to experience growth in the future in our existing and new markets. The management of such growth will require, among other things, continued development of our financial and management controls and management information systems, stringent control of costs and handset inventories, diligent management of our network infrastructure and its growth, increased spending associated with marketing activities and acquisition of new customers, the ability to attract and retain qualified management personnel and the training of new personnel. In addition, continued growth will eventually require the expansion of our billing, customer care and sales systems and platforms, which will require additional capital expenditures and may divert the time and attention of management personnel who oversee any such expansion. Furthermore, the implementation of any such systems or platforms, including the transition to such systems or platforms from our existing infrastructure, could result in unpredictable technological or other difficulties. Failure to successfully manage our expected growth and development, to enhance our processes and management systems or to timely and adequately resolve any such difficulties could have a material adverse effect on our business, financial condition and results of operations.

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

We have now and will continue to have a significant amount of indebtedness. As of September 30, 2007, our total outstanding indebtedness under the senior secured credit agreement was $889 million, and we also had a $200 million undrawn revolving credit facility (which forms part of our senior secured credit facility). Indebtedness under our senior secured credit facility bears interest at a variable rate, but we have entered into interest rate swap agreements with respect to $355 million of our indebtedness. We have also issued $1,100 million in unsecured senior notes due 2014. In addition, looking forward we may raise significant capital to finance business expansion activities, which could consist of debt financing from the public and/or private capital markets.

Our significant indebtedness could have material 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
- expose us to higher interest expense in the event of increases in interest rates because indebtedness under our senior secured credit facility bears interest at a variable rate.

Any of these risks could impair our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our financial results.

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

We may incur significant additional indebtedness in the future over time, as market conditions permit, to enable us to take advantage of business expansion activities. The terms of our senior unsecured indenture permit us, subject to specified limitations, to incur additional indebtedness, including secured indebtedness. In addition, our senior secured credit agreement permits us to incur additional indebtedness under various financial ratio tests.

If new indebtedness is added to our current levels of indebtedness, the related risks that we now face could intensify. Furthermore, the subsequent build-out of the networks covered by the licenses we acquired in Auction #66 may significantly reduce our free cash flow, increasing the risk that we may not be able to service our indebtedness.

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

Our ability to make payments on our indebtedness will depend upon our future operating performance and on our ability to generate cash flow in the future, which are 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.

We May Be Unable to Refinance Our Indebtedness.

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

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

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

- incur additional indebtedness;
- create liens or other encumbrances;
- place limitations on distributions from restricted subsidiaries;
- pay dividends, make investments, prepay subordinated indebtedness or make other restricted payments;

issue or sell capital stock of restricted subsidiaries;

issue guarantees;

sell or otherwise dispose of all or substantially all of our assets;

enter into transactions with affiliates; and

make acquisitions or merge or consolidate with another entity.

Under the senior secured credit agreement, we must also comply with, among other things, financial covenants with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. The restrictions in our credit agreement could limit our ability to make borrowings, obtain debt financing, repurchase stock, refinance or pay principal or interest on our outstanding indebtedness, complete acquisitions for cash or debt or react to changes in our operating environment. Any credit agreement or indenture that we may enter into in the future may have similar restrictions.

Our restatement of our historical consolidated financial results as described in Note 2 to the financial statements included in Part I Item 1. Financial Statements of this report and the associated delay in filing this Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 resulted in defaults and potential defaults under our senior secured credit agreement, or Credit Agreement. On November 20, 2007, the required lenders under the Credit Agreement granted a waiver of the defaults and potential defaults. In connection with the waiver granted by the lenders under the Credit Agreement on November 20, 2007, we entered into a second amendment to our Credit Agreement as described in Note 10 to the financial statements included in Part I Item 1. Financial Statements of this report. The second amendment requires us to furnish our unaudited condensed consolidated financial statements for the quarter ended September 30, 2007 to the administrative agent on or before December 14, 2007. We are also required to furnish our amended Annual Report on Form 10-K for the year ended December 31, 2006 and revised unaudited condensed consolidated financial statements for the quarters ended March 31 and June 30, 2007 to the administrative agent on or before December 31, 2007. The second amendment also provides that these revised financial statements may not result in a cumulative net reduction in operating income for the period from January 1, 2005 through June 30, 2007 in excess of $35 million.

If we fail to timely furnish such financial statements and documents to the administrative agent, this would result in an immediate default under the Credit Agreement which, unless waived by the required lenders, would permit the administrative agent to exercise its available remedies, including declaring all outstanding debt under the Credit Agreement to be immediately due and payable. An acceleration of the outstanding debt under the Credit Agreement would also trigger a default under Cricket s indenture governing its $1.1 billion of 9.375% senior notes due 2014. We currently expect to file the necessary amendment to our Annual Report on Form 10-K for the year ended December 31, 2006, and to our amended Quarterly Reports on Form 10-Q for the first two quarters of 2007, on or before December 31, 2007; however, such actions cannot be assured.

Rises in Interest Rates Could Adversely Affect Our Financial Condition.

An increase in prevailing interest rates would have an immediate effect on the interest rates charged on our variable rate debt, which rise and fall upon changes in interest rates. As of September 30, 2007, approximately 28% of our debt was variable rate debt, after considering the effect of our interest rate swap agreements. If prevailing interest rates or other factors result in higher interest rates on our variable rate debt, the increased interest expense would adversely affect our cash flow and our ability to service our debt.

A Majority of our Assets Consists of Goodwill and Other Tangible Assets.

As of September 30, 2007, 53.3% of our assets consisted of goodwill and other intangibles, including wireless licenses and deposits for wireless licenses. The value of our assets, and in particular, our intangible assets, will depend on market conditions, the availability of buyers and similar factors. By their nature, our intangible assets may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in their liquidation. For example, prior FCC approval is required in order for us to sell, or for any remedies to be exercised by our lenders with respect to, our wireless licenses, and obtaining such approval could result in significant delays and

reduce the proceeds obtained from the sale or other disposition of our wireless licenses.

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

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. In the future, competitors may seek to provide competing wireless telecommunications service through the use of developing technologies such as Wi-Fi, WiMax, and Voice over Internet Protocol, or VoIP. The cost of implementing or competing against future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep up with these changes.

For example, we have expended substantial amount of capital to upgrade our network with EvDO technology to offer advanced data services. However, if such upgrades, technologies or services do not become commercially acceptable, our revenues and competitive position could be materially and adversely affected. We cannot assure you that there will be widespread demand for advanced data services or that this demand will develop at a level that will allow us to earn a reasonable return on our investment.

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

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

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

We have experienced higher than normal employee turnover in the past, in part because of our bankruptcy, including turnover of individuals at the most senior management levels. In addition, our business is managed by a small number of key executive officers, including our CEO, S. Douglas Hutcheson. During the quarter ended September 30, 2007, Amin Khalifa resigned as our executive vice president and CFO and the Board of Directors appointed Mr. Hutcheson to serve as acting CFO until we find a successor to Mr. Khalifa. We may have difficulty attracting and retaining key personnel in future periods, particularly if we were to experience poor operating or financial performance. The loss of key individuals in the future may have a material adverse impact on our ability to effectively manage and operate our business.

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

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

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

have overheated. Malfunctions have caused at least one major handset manufacturer to recall certain batteries used in its handsets, including batteries in a handset sold by Cricket and other wireless providers.

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

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

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

We depend heavily on suppliers and contractors with specialized expertise in order for us to efficiently operate our business. In the past, our suppliers, contractors and third-party retailers have not always performed at the levels we expect or at the levels required by their contracts. If key suppliers, contractors or third-party retailers fail to comply with their contracts, fail to meet our performance expectations or refuse or are unable to supply us in the future, our business could be severely disrupted. Generally, there are multiple sources for the types of products we purchase. However, some suppliers, including software suppliers, are the exclusive sources of their specific products. Because of the costs and time lags that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could have a material adverse affect on our business, results of operations and financial condition.

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

Our technical infrastructure (including our network infrastructure and ancillary functions supporting our network such as service activation, 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 network service interruptions. In addition, we are in the process of upgrading some of our internal network systems, and we cannot assure you that we will not experience delays or interruptions while we transition our data and existing systems onto our new systems. Any failure in or interruption of systems that we or third parties maintain to support ancillary functions, such as billing, customer care and financial reporting, could materially impact our ability to timely and accurately record, process and report information important to our business. If any of the above events were to occur, we could experience higher churn, reduced revenues and increased costs, any of which could harm our reputation and have a material adverse effect on our business.

To accommodate expected growth in our business, management has been planning to replace our customer billing and activation system, which we outsource, with a new system. The vendor who provides billing services to us has a contract to provide us services through 2010. The vendor has developed a new billing product and has introduced that product in a limited number of markets operated by another wireless carrier. The vendor was working to adapt the new billing product for our use, but the vendor s continued development efforts are now uncertain because the vendor has announced that it intends to exit the billing business. We believe that the vendor is exploring alternative exit

strategies, including selling its business to a third party. If the vendor or its successor does not provide us with an improved billing system in the future, we might choose to terminate our contract for convenience and purchase billing services from a different vendor if we believed it was necessary to do so to meet the requirements of our business. In such an event, we may owe substantial termination fees.

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We May Not Be Successful in Protecting and Enforcing Our Intellectual Property Rights.

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

We cannot assure you that our pending, or any future, patent applications will be granted, that any existing or future patents will not be challenged, invalidated or circumvented, that any existing or future patents will be enforceable, or that the rights granted under any patent that may issue will provide competitive advantages to us. For example, on June 14, 2006, we sued MetroPCS in the United States District Court for the Eastern District of Texas, Marshall Division, for infringement of U.S. Patent No. 6,813,497 *Method for Providing Wireless Communication Services and Network and System for Delivering Same,* issued to us. Our complaint seeks damages and an injunction against continued infringement. On August 3, 2006, MetroPCS (i) answered the complaint, (ii) raised a number of affirmative defenses, and (iii) together with certain related entities (referred to, collectively with MetroPCS, as the MetroPCS entities), counterclaimed against Leap, Cricket, numerous Cricket subsidiaries, Denali License, and current and former employees of Leap and Cricket, including our CEO, Mr. Hutcheson. MetroPCS has since amended its complaint and Denali License has been dismissed, without prejudice, as a counterclaim defendant. The countersuit now alleges claims for breach of contract, misappropriation, conversion and disclosure of trade secrets, fraud, misappropriation of confidential information and breach of confidential relationship, relating to information provided by MetroPCS to such employees, including prior to their employment by Leap, and asks the court to award attorneys fees and damages, including punitive damages, impose an injunction enjoining us from participating in any auctions or sales of wireless spectrum, impose a constructive trust on our business and assets for the benefit of the MetroPCS entities, transfer our business and assets to MetroPCS and declare that the MetroPCS entities have not infringed U.S. Patent No. 6,813,497 and that such patent is invalid. MetroPCS s claims allege that we and the other counterclaim defendants improperly obtained, used and disclosed trade secrets and confidential information of the MetroPCS entities and breached confidentiality agreements with the MetroPCS entities. On October 31, 2007, pursuant to a stipulation between the parties, the court administratively closed the case for a period not to exceed six months. The parties stipulated that neither will move the court to reopen the case until at least 90 days following the administrative closure. On November 1, 2007, MetroPCS formally withdrew its September 4, 2007 unsolicited merger proposal, which our board of directors had previously rejected on September 16, 2007. On September 22, 2006, Royal Street, an entity affiliated with MetroPCS, filed an action in the United States District Court for the Middle District of Florida, Tampa Division, seeking a declaratory judgment that Cricket s U.S. Patent No. 6,813,497 (the same patent that is the subject of our infringement action against MetroPCS) is invalid and is not being infringed by Royal Street or its PCS systems. Upon our request, the court has transferred the Royal Street case to the United States District Court for the Eastern District of Texas due to the affiliation between MetroPCS and Royal Street. We anticipate that the Royal Street Case will be stayed along with the case originally filed by MetroPCS in the Eastern District of Texas.

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

Finally, on August 17, 2006, MetroPCS and certain related entities, along with another affiliate, MetroPCS, California, LLC, served Leap, Cricket, certain affiliates and certain current and former employees of Leap and Cricket, including Mr. Hutcheson, with a complaint filed in Superior Court in Stanislaus County, California. In response to demurrers by us and by the court, two of the plaintiffs amended their complaint twice, dropped the other

plaintiffs and have filed a third amended complaint. In the current complaint, the plaintiffs allege statutory unfair competition, statutory misappropriation of trade secrets, breach of contract, intentional interference with contract, and intentional interference with prospective economic advantage, seek a preliminary and permanent injunction, and ask the court to award damages, including punitive damages, attorneys fees, and restitution. We have filed a demurrer to the third amended complaint. On October 25, 2007, pursuant to a stipulation between the parties, the court entered a stay of the litigation for a period of 90 days.

If and when the cases proceed, we intend to vigorously defend against these matters brought by the Metro PCS entities. Due to the complex nature of the legal and factual issues involved, however, the outcome of these matters is not presently determinable. If the MetroPCS entities were to prevail in any of these matters, it could have a material adverse effect on our business, financial condition and results of operations.

In addition to these outstanding matters, 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. Our inability to secure trademark or service mark protection with respect to our brands could have a material adverse effect on our business, financial condition and results of operations.

We and Our Suppliers 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 or our suppliers from time to time based on our or their general business operations, the equipment, software or services that we or they use or provide, or the specific operation of our wireless networks. We generally have indemnification agreements with the manufacturers, licensors and suppliers who provide us with the equipment, software and technology that we use in our business to protect us against possible infringement claims, but we cannot guarantee that we will be fully protected against all losses associated with infringement claims. Our suppliers may be subject to infringement claims that could prevent or make it more expensive for them to supply us with the products and services we require to run our business. For example, we purchase certain CDMA handsets that incorporate EV-DO chipsets manufactured by Qualcomm Incorporated, or Qualcomm, which are subject to an order issued by the United States International Trade Commission, or ITC, banning the importation of new CDMA handset models that incorporate these EV-DO chipsets on the grounds that these chipsets infringe on a patent issued by Broadcom Corporation. The Court of Appeals for the Federal Circuit recently granted a stay of the order, pending Qualcomm s appeal of the decision of the ITC. Moreover, we may be subject to claims that products, software and services provided by different vendors which we combine to offer our services may infringe the rights of third parties, and we may not have any indemnification from our vendors for these claims. Whether or not an infringement claim against us or a supplier 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), requiring us to redesign our business operations or systems to avoid claims of infringement or requiring us to purchase products and services at higher prices or from different suppliers.

On June 6, 2007, we were sued by Minerva in the United States District Court for the Eastern District of Texas, Marshall Division, for infringement of U.S. Patent No. 6,681,120 entitled *Mobile Entertainment and Communication Device*. Minerva alleges that certain handsets sold by us infringe a patent relating to mobile entertainment features, and the complaint seeks damages (including enhanced damages), an injunction and attorneys fees. The complaint also makes reference to a pending patent application relating to the asserted patent. Our deadline to respond to the complaint was extended until January 7, 2008 pursuant to stipulation between the parties. On June 7, 2007, we were sued by Thomas in the United States District Court for the Eastern District of Texas, Marshall Division, for

infringement of U.S. Patent No. 4,777,354 entitled *System for Controlling the Supply of Utility Services to Consumers*. Thomas alleges that certain handsets sold by us infringe a patent relating to actuator cards for controlling the supply of a utility service, and the complaint seeks damages (including enhanced damages) and attorneys fees. We and other co-defendants have filed a motion to stay the litigation pending determination of similar litigation in the Western District of North Carolina. We intend to vigorously defend against these matters brought by Minerva and Thomas. Due to the complex nature of the legal and factual issues involved, however, the

outcome of these matters is not presently determinable. We have notified our handset suppliers of these lawsuits, the majority of whom were also sued by Minerva and Thomas in other actions, and we anticipate that we will be indemnified by such suppliers for the costs of defense and any damages arising with respect to such lawsuits.

In addition, on June 8, 2007, we were sued by Katz in the United States District Court for the District of Delaware, for infringement of 19 U.S. patents, 15 of which have expired. Katz alleges that we have infringed patents relating to automated telephone systems, including customer service systems, and the complaint seeks damages (including enhanced damages), an injunction, and attorneys fees. We are currently in discussions with Katz to settle this matter. In the event that we and Katz are unable to reach a settlement, we intend to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable. If Katz were to prevail in this matter, it could have a material adverse effect on our business, financial condition and results of operations.

On October 15, 2007, we were sued by Visual Interactive Phone Concepts, Inc. in the United States District Court for the Southern District of California for infringement of U.S. Patent No. 5,724,092 entitled *Videophone Mailbox Interactive Facility System and Method of Processing Information* and U.S. Patent No. 5,606,361 entitled *Videophone Mailbox Interactive Facility System and Method of Processing Information.* Visual Interactive alleges that we infringe these patents relating to interactive videophone systems, and the complaint seeks an accounting for damages under 35 U.S.C. § 284, an injunction and attorneys fees. We intend to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable.

On December 10, 2007, we were sued by Freedom Wireless, Inc. in the United States District Court for the Eastern District of Texas, Marshall Division for infringement of U.S. Patent No. 5,722,067 entitled *Security Cellular Telecommunications System,* U.S. Patent No. 6,157,823 entitled *Security Cellular Telecommunications System,* and U.S. Patent No. 6,236,851 entitled *Prepaid Security Cellular Telecommunications System.* Freedom Wireless alleges that its patents claim a novel cellular system that enables prepaid services subscribers to both place and receive cellular calls without dialing access codes or using modified telephones. The complaint seeks unspecified monetary damages, increased damages under 35 U.S.C. § 284 together with interest, costs and attorneys fees, and an injunction. We intend to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this matter is not presently determinable.

Finally, a wireless provider has contacted us and asserted that Cricket s practice of providing service to customers with phones that were originally purchased for use on that provider s network violates copyright laws and interferes with that provider s contracts with its customers. Based on our preliminary review, we do not believe that Cricket s actions violate copyright laws or otherwise violate the other provider s rights. We do not currently expect that the eventual resolution of these matters will materially adversely affect our business, but we cannot provide assurance regarding the effect of any such future resolution.

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

The FCC regulates the licensing, construction, modification, operation, ownership, sale and interconnection of wireless communications systems, as do some state and local regulatory agencies. We cannot assure you that the FCC or any state or local agencies having jurisdiction over our business will not adopt regulations or take other enforcement or other actions that would adversely affect our business, impose new costs or require changes in current or planned operations. For example, the FCC recently released an order implementing certain recommendations of an independent panel reviewing the impact of Hurricane Katrina on communications networks, which requires that wireless carriers provide emergency back-up power sources for their equipment and facilities, including up to 24 hours of emergency power for mobile switch offices and up to eight hours for cell site locations. As a result, in

order for us to comply with the new requirements, we may need to purchase additional equipment, obtain additional state and local permits, authorizations and approvals or incur additional operating expenses, and such costs could be material. In addition, state regulatory agencies are increasingly focused on the quality of service and support that wireless carriers provide to their customers and several agencies have proposed or enacted new and potentially burdensome regulations in this area.

In addition, we cannot assure you that the Communications Act of 1934, as amended, or the Communications Act, from which the FCC obtains its authority, will not be further amended in a manner that could be adverse to us. The FCC recently implemented rule changes and sought comment on further rule changes focused on addressing alleged abuses of its designated entity program, which gives certain categories of small businesses preferential treatment in FCC spectrum auctions based on size. In that proceeding, the FCC has re-affirmed its goals of ensuring that only legitimate small businesses benefit from the program, and that such small businesses are not controlled or manipulated by larger wireless carriers or other investors that do not meet the small business qualification tests. We cannot predict the degree to which rule changes or increased regulatory scrutiny that may follow from this proceeding will affect our current or future business ventures or our participation in future FCC spectrum auctions.

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

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

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

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

Because we offer unlimited calling services for a fixed fee, our customers average minutes of use per month is substantially above the U.S. wireless customer average. We intend to meet this demand by utilizing spectrally efficient technologies. Despite our recent spectrum purchases, there may come a point where we need to acquire additional spectrum in order to maintain an acceptable grade of service or provide new services to meet increasing customer demands. We also intend to acquire additional spectrum in order to enter new strategic markets. However, we cannot assure you that we will be able to acquire additional spectrum at auction or in the after-market at a reasonable cost or that additional spectrum would be made available by the FCC on a timely basis. If such additional spectrum is not available to us when required or at a reasonable cost, our results of operations could be adversely affected.

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

Our existing wireless licenses are subject to renewal upon the expiration of the 10-year or 15-year period for which they are granted, which renewal period commenced for some of our PCS wireless licenses in 2006. The FCC will award a renewal expectancy to a wireless licensee that timely files a renewal application, has provided substantial service during its past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The FCC has routinely renewed wireless licenses in the past. However, the

Communications Act provides that licenses may be revoked for cause and license renewal applications denied if the FCC determines that a renewal would not serve the public interest. FCC rules provide that applications competing with a license renewal application may be considered in comparative hearings, and establish the qualifications for competing applications and the standards to be applied in hearings. We cannot assure you that the FCC will renew our wireless licenses upon their expiration.

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

At September 30, 2007, the carrying value of our wireless licenses and those of Denali License was approximately $1.9 billion. During the nine months ended September 30, 2007 and the years ended December 31, 2006 and 2005, we recorded impairment charges of $1.0 million, $7.9 million and $12.0 million, respectively.

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

- consolidation in the wireless industry allows or requires carriers to sell significant portions of their wireless spectrum holdings;
- a sudden large sale of spectrum by one or more wireless providers occurs; or
- market prices decline as a result of the sale prices in FCC auctions.

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

We assess potential impairments to our indefinite-lived intangible assets, including wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. We conduct our annual tests for impairment of our wireless licenses during the third quarter of each year. Estimates of the fair value of our wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions. A significant impairment loss could have a material adverse effect on our operating income and on the carrying value of our wireless licenses on our balance sheet.

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

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

We May Incur Higher Than Anticipated Intercarrier Compensation Costs.

When our customers use our service to call customers of other carriers, we are required under the current intercarrier compensation scheme to pay the carrier that serves the called party. Similarly, when a customer of another carrier calls one of our customers, that carrier is required to pay us. While in most cases we have been successful in negotiating agreements with other carriers that impose reasonable reciprocal compensation arrangements, some carriers have claimed a right to unilaterally impose what we believe to be unreasonably high charges on us. The FCC is actively considering possible regulatory approaches to address this situation but we cannot assure

you that the FCC rulings will be beneficial to us. An adverse ruling or FCC inaction could result in carriers successfully collecting higher intercarrier fees from us, which could adversely affect our business.

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

If We Experience High Rates of Credit Card, Subscription or Dealer Fraud, Our Ability to Generate Cash Flow Will Decrease.

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

Risks Related to Ownership of Our Common Stock

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

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

- variations in our operating results or those of our competitors;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- entry of new competitors into our markets;
- significant developments with respect to our intellectual property or related litigation;
- the announcements and bidding of auctions for new spectrum;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow Leap common stock; and
- market conditions in our industry and the economy as a whole.

We May Elect To Raise Additional Equity Capital Which May Dilute Existing Stockholders.

We may raise significant capital to finance business expansion activities, which could consist of debt and/or equity financing from the public and/or private capital markets. To the extent that we elect to raise equity capital, this financing may not be available in sufficient amounts or on terms acceptable to us and may be dilutive to existing

stockholders. In addition, these sales could reduce the trading price of Leap s common stock and impede our ability to raise future capital. If we required additional financing in the capital markets to take advantage of business expansion activities or to accelerate our pace of new market launches and could not obtain such financing on terms we found acceptable, we would likely reduce our investment in expansion activities or slow the pace of expansion activities to match our capital requirements to our available liquidity.

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

As of December 7, 2007, 68,207,914 shares of Leap common stock were issued and outstanding. Our resale shelf registration statement, as amended, registers for resale 16,460,077 shares, or approximately 24.1%, of Leap s outstanding common stock. We are unable to predict the potential effect that sales into the market of any material

portion of such shares may have on the then prevailing market price of Leap s common stock. If any of Leap s stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap s common stock. These sales also could impede our ability to raise future capital.

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

As of December 7, 2007, 68,207,914 shares of Leap common stock were issued and outstanding, and 7,907,598 additional shares of Leap common stock were reserved for issuance, including 6,554,719 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, as amended, 752,879 shares reserved for issuance under Leap s Employee Stock Purchase Plan, and 600,000 shares reserved for issuance upon exercise of outstanding warrants.

In addition, Leap has reserved five percent of its outstanding shares, which represented 3,410,396 shares of common stock as of December 7, 2007, 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, the purchase price for CSM s equity interest is calculated on a pro rata basis using either the appraised value of LCW Wireless or a multiple of Leap s enterprise value divided by its adjusted 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. 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 the Credit Agreement do not permit Cricket to satisfy any substantial portion of its put obligations to CSM in cash. If Cricket elects to satisfy its put obligations to CSM with Leap common stock, the obligations of the parties are conditioned upon the block of Leap common stock issuable to CSM not constituting more than five percent of Leap s outstanding common stock at the time of issuance. Dilution of the outstanding number of shares of Leap s common stock could adversely affect prevailing market prices for Leap s common stock.

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

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

Our directors and entities affiliated with them beneficially owned in the aggregate approximately 17.3% of Leap common stock as of December 7, 2007. These stockholders have the ability to exert substantial influence over all matters requiring approval by our stockholders. These stockholders will be able to influence the election and removal of directors and any merger, consolidation or sale of all or substantially all of Leap s assets and other matters. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination.

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

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the trading price of Leap 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;

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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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Index to Exhibits:

Exhibit Number	Description of Exhibit
10.17*	Resignation Agreement, dated September 6, 2007, by and between Leap Wireless International, Inc., Cricket Communications, Inc. and Amin Khalifa.
31*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** This certification is being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of Leap Wireless International, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: December 14, 2007
LEAP WIRELESS INTERNATIONAL, INC.

By: /s/ S. Douglas Hutcheson

S. Douglas Hutcheson
Chief Executive Officer, President
and Acting Chief Financial Officer

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