LEAP WIRELESS INTERNATIONAL INC
Form 424B3
November 10, 2008
Table of Contents

Filed Pursuant to Rule 424(b)(3)

Registration Statement No. 333-126246

Prospectus Supplement No. 6

to Prospectus dated May 22, 2008

11,755,806 Shares

LEAP WIRELESS INTERNATIONAL, INC.

Common Stock

We are supplementing the prospectus dated May 22, 2008, covering up to 11,755,806 shares of our common stock, par value $0.0001 per share, which may be offered for sale from time to time by the selling stockholders named in the prospectus. This prospectus supplement contains our Current Report on Form 8-K dated November 5, 2008, which was filed with the Securities and Exchange Commission on November 5, 2008, and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which was filed with the Securities and Exchange Commission on November 7, 2008.

This prospectus supplement supplements information contained in the prospectus dated May 22, 2008. This prospectus supplement should be read in conjunction with the prospectus dated May 22, 2008, which is to be delivered with this prospectus supplement. This prospectus supplement is qualified by reference to the prospectus, except to the extent that the information in this prospectus supplement updates or supersedes the information contained in the prospectus dated May 22, 2008, including any supplements and amendments thereto.

This prospectus supplement is not complete without, and may not be delivered or utilized except in connection with, the prospectus dated May 22, 2008, including any amendment or supplement thereto.

INVESTING IN OUR SHARES OF COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE RISK FACTORS BEGINNING ON PAGE 5 OF THE PROSPECTUS DATED MAY 22, 2008.

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

The date of this Prospectus Supplement is November 10, 2008.

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 5, 2008

LEAP WIRELESS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-29752**	**33-0811062**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

10307 Pacific Center Court

San Diego, California 92121

(Address of Principal Executive Offices)

(858) 882-6000

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Table of Contents

Item 2.02 Results of Operations and Financial Condition.

On November 5, 2008, Leap Wireless International, Inc., or Leap, issued a press release announcing its financial results for the three and nine months ended September 30, 2008. A copy of the press release is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

In accordance with General Instruction B.2. of Form 8-K, the information in this Item 2.02, including Exhibit 99.1, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Press Release dated November 5, 2008.

Table of Contents

SIGNATURES

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

	LEAP WIRELESS INTERNATIONAL, INC.
Date: November 5, 2008	By: /s/ Robert J. Irving, Jr.
	Name: Robert J. Irving, Jr.
	Title: Senior Vice President and General Counsel

3

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated November 5, 2008.

Table of Contents

Exhibit 99.1

Leap Reports Results for Third Quarter 2008

Leap Reports 156,000 Net Customer Additions and a 54 Percent Year-Over-Year

Increase in Existing Business Adjusted OIBDA

SAN DIEGO (BUSINESS WIRE) November 5, 2008 Leap Wireless International, Inc. (NASDAQ:LEAP), a leading provider of innovative and value-driven wireless communications services, today reported financial and operational results for the quarter ended September 30, 2008. The Company reported approximately 156,000 net customer additions in the third quarter of 2008. Churn for the quarter was 4.2 percent, an improvement from 5.2 percent in the prior year period. The Company reported adjusted operating income before depreciation and amortization (OIBDA) of $97.5 million, up $1.8 million from the comparable period of the prior year. Adjusted OIBDA growth remained relatively flat year-over-year due primarily to $49.4 million of initial operating losses incurred in connection with the Company s new market launch activity and the expansion of its mobile broadband service. For the quarter, Existing Business Adjusted OIBDA was $146.9 million, an increase of nearly $51 million from the prior year period. This increase reflects an approximately 400,000 year-over-year increase in end-of-period customers in existing markets and the resulting benefits of scale. The Company s operating income for the quarter was $2.4 million, compared to $9.4 million for the third quarter of 2007.

Our results reflect the strength of our business and its ability to attract and service new customers and perform well during times of economic uncertainty, said Doug Hutcheson, Leap s president and chief executive officer. Given our focus on achieving deeper penetration in our markets, the early successes of our mobile broadband service, and the attractive initial results of our Auction 66 market launches, we believe that the Company is well positioned as the value leader in the markets we serve with the right products in the right place at the right time. Our success in operating and further expanding our business, together with our strong liquidity position and commitment to operate our business in a thoughtful and disciplined manner, give us confidence that we can continue to move successfully through uncertain economic times.

Table of Contents

Key Financial Results and Operating Metrics (1) (2)

(Unaudited; in millions, except for percentages, customer data and operating metrics)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2008	2007	Change	2008	2007	Change
Service revenues	$ 434.5	$ 354.5	22.6%	$ 1,250.6	$ 1,023.4	22.2%
Total revenues	$ 496.7	$ 409.7	21.2%	$ 1,439.9	$ 1,201.0	19.9%
Operating income	$ 2.4	$ 9.4	(74.5)%	$ 42.9	$ 38.6	11.1%
Adjusted OIBDA	$ 97.5	$ 95.7	1.9%	$ 322.9	$ 279.7	15.4%
Adjusted OIBDA as a percentage of service revenues	22%	27%	(18.5)%	26%	27%	(3.7)%
Existing Business Adjusted OIBDA(3)	$ 146.9	$ 95.7	53.5%	$ 436.3	$ 279.7	56.0%
Net loss	$ (48.8)	$ (43.3)	(12.7)%	$ (93.0)	$ (57.9)	(60.6)%
Loss per share	$ (0.72)	$ (0.64)	(12.5)%	$ (1.37)	$ (0.86)	(59.3)%
Gross customer additions	593,619	450,954	31.6%	1,686,143	1,478,443	14%
Net customer additions	155,779	36,484	327.0%	557,012	481,621	15.7%
End of period customers	3,460,140	2,711,447	27.6%	3,460,140	2,711,447	27.6%
Weighted-average customers	3,371,932	2,654,555	27.0%	3,163,480	2,544,872	24.3%
Churn	4.2%	5.2%		3.9%	4.4%	
End of period covered POPS	61.7			61.7		
Average revenue per user (ARPU)	$ 42.95	$ 44.51	(3.5)%	$ 43.92	$ 44.68	(1.7)%
Cash costs per user (CCU)	$ 21.50	$ 21.24	1.2%	$ 21.41	$ 20.78	3.0%
Cost per gross addition (CPGA)	$ 201	$ 199	1.0%	$ 189	$ 181	4.4%
Cash purchases of property and equipment	$ 190.0	$ 105.8	79.6%	$ 528.3	$ 345.2	53.0%
Unrestricted cash, cash equivalents and short-term investments	$ 826.3	$ 655.7	26.0%	$ 826.3	$ 655.7	26.0%

(1) The foregoing results and operating metrics reflect the operations of Cricket markets for the periods indicated and markets in South Carolina and Georgia acquired from Hargray Wireless in April 2008, except for net customer additions and churn for the three and nine months ended September 30, 2008 which exclude the Hargray Wireless markets. The Company completed the upgrade of the Hargray Wireless networks and introduced Cricket service in these markets in October 2008 and our results for net customer additions and churn will include customers in the former Hargray Wireless markets beginning in the fourth quarter of 2008.

(2) For a reconciliation of non-GAAP financial measures, please refer to the section entitled Definition of Terms and Reconciliation of Non-GAAP Financial Measures included at the end of this release. Information relating to population and potential customers (POPs) is based on population estimates provided by Claritas Inc. for the relevant year.

(3) The terms Existing Business and Existing Markets in this release refer to the Company s markets in operation as of December 31, 2007, excluding the effects of the Company s mobile broadband initiative.

Discussion of Financial and Operational Results for the Quarter

Net customer additions included approximately 24,000 net customer additions for voice services in existing markets, approximately 92,000 net customer additions for voice services in new markets launched in 2008 and approximately 40,000 net customer additions associated with mobile broadband service.

Customer churn for the third quarter was 4.2 percent, an improvement from 5.2 percent in the comparable period of the prior year. This decrease in churn year-over-year reflects an increase in customer tenure in markets launched prior to 2008. Churn in the Company s existing markets was 4.3 percent. Looking ahead, the Company expects new expansion markets to follow tenure-related churn patterns similar to the markets launched in 2006 and 2007. The Company s third quarter churn performance also reflects an increase in both customer deactivations and reactivations during the quarter, similar to what was experienced in the second quarter of 2008.

Service revenues increased to $435 million, a 23 percent increase over the comparable period of the prior year and a 4 percent increase over the second quarter of 2008. These increases resulted from a 27 percent year-over-year increase in weighted-average customers due to growth in the Company s existing business, success of new market launches and customer acceptance of the Company s mobile broadband product offering, offset by changes in ARPU.

Table of Contents

Third quarter ARPU declined 3.5 percent over the prior year quarter to $42.95, reflecting expected seasonal trends in customer activity in our core business and the success of the continued expansion of our new broadband initiative. Third quarter APRU was also impacted by increased customer deactivations and higher reactivations in the quarter, and the impact of slightly lower-than-expected customer uptake of the Company s higher value rate plans and optional add-on products in the quarter. We expect that fourth quarter 2008 ARPU will reflect seasonal trends in our existing markets, increased uptake of our optional add-on products and the maturing of our new markets.

Adjusted OIBDA for the third quarter includes $16.9 million in negative OIBDA associated with the expanded launch and ongoing operations of the Company s broadband product; $31.3 million of negative OIBDA associated with new markets and certain initial launch costs associated with the up to 36 million additional POPs the Company plans to launch by the middle of 2009 (including costs associated with the 8 million POPs launched in the second quarter; and $1.2 million associated with write-off of certain business development activities.

Third quarter 2008 operating income of $2.4 million decreased by $7.0 million over the comparable period of the prior year, reflecting the impact of additional depreciation expense and the investments the Company is making to support its new initiatives.

Net loss for the third quarter was $48.8 million, or $0.72 per share, compared to a net loss of $43.3 million, or $0.64 per share, for the comparable period of the prior year. The loss of $0.72 per share for the quarter included approximately $0.73 per share of initial operating losses associated with the Company s new initiatives.

Capital expenditures during the third quarter of 2008 were $190.0 million, including expenditures associated with the build-out of new markets and capitalized interest.

During the third quarter, the positive impact of the Company s customer growth initiatives was masked by the effects of Hurricane Ike and related weather systems, said Walter Berger, Leap s executive vice president and chief financial officer. Prior to Hurricane Ike s impacting customer activity in September, we experienced attractive results early in the third quarter, and we are experiencing strong subscriber growth early in the fourth quarter as well. Adjusted OIBDA margin increased 10 percentage points year-over-year, reflecting the benefits of scale as we expand our customer base. During the third quarter we also absorbed approximately $5 million of expenses in connection with legal fees associated with the settlement of litigation, Hurricane Ike, and certain business development activities. Third quarter results also reflect the Company s planned continuation of its new initiative spending to support the launch of up to 36 million total new covered POPs by the middle of 2009 and associated subscriber growth.

Other Key Operational Highlights

Continued launch of Cricket Wireless Internet Service to additional markets, bringing the total number of covered POPs to approximately 32 million as of September 30, 2008, an increase of 38 percent since the end of the second quarter of 2008. Cricket Wireless Internet Service provides high-speed mobile broadband service for a low, flat rate with no long-term commitments or credit checks.

Successful launch of the new Samsung Messager, a tri-band device that contains an array of compelling features including a full QWERTY keyboard, built-in MP3 player and digital camera.

Timely and active response to Hurricane Ike and related weather systems, with Cricket crews responding immediately to the storms with pre-positioned recovery assets, securing additional resources from multiple locations and deploying technical teams to restore service in areas of the four states that sustained damage or experienced continued loss of power - Texas, Ohio, Kentucky and Pennsylvania. The Company believes the storm impacted approximately 11.5 million covered POPs.

Introductory launch of Cricket PAYGo , a 24/7 unlimited prepaid wireless service, in approximately 1,600 locations, including major national retailers in Cricket markets across the nation. Cricket PAYGo is a daily pay-as-you-go service designed for customers who prefer the flexibility and control offered by traditional pre-paid services but who are seeking greater value for their dollar.

Entry into a nationwide roaming agreement, spectrum exchange agreement, litigation settlement and cross-licensing agreement with MetroPCS Communications, Inc. The new roaming agreement, which has an initial term of 10 years, covers all of the companies existing and future markets, which the parties expect could ultimately encompass virtually all of the top 200 markets in the nation.

We believe that the cash generated by our business, together with our third quarter cash and short-term investment position of $826 million, provides us with the financial resources necessary to operate our business and pursue our planned expansion activities. Further, the Company has no significant scheduled repayments of principal on its debt obligations until September of 2012, continued Berger. In addition, we have the flexibility to defer or substantially reduce our investments in business expansion efforts, if necessary, due to changes in general economic conditions. Given our attractive financial position, we believe that we are well-situated to continue investing in our business expansion initiatives and to consider any strategic opportunities that may arise. We intend to follow a disciplined and thoughtful approach that balances continued investment with management of our overall capital resources.

Table of Contents

Updated Business Outlook

The Company updated its previously announced business expansion outlook to reflect the following:

Customer penetration for voice services in the Company s existing markets in aggregate is expected to reach between 8 percent and 9 percent by the end of 2010. This forecast does not include the expected positive contribution of the Company s mobile broadband initiative.

Annual capital expenditures to support the on-going growth and development of the Company s markets in commercial operation for one year or more are expected to be in the mid-teens as a percentage of service revenue. This estimate may be affected by capital expenditures for footprint enhancement in existing markets. The Company may provide additional updates as it finalizes plans to develop additional sites.

The Company and Denali License have identified up to 50 million POPs (as measured on a cumulative basis beginning January 2008) that the companies may cover with Cricket service by the end of 2010. The Company and Denali License expect to cover up to approximately 36 million of these additional POPs by the middle of 2009. The Company currently expects to finalize its plans with respect to the launch of the approximately 14 million remaining additional POPs in the middle of 2009. The Company currently intends to fund the costs required to build-out and launch the new markets associated with these 14 million additional POPs with cash generated from operations, and the pace and timing of the build-out and launch plans will depend upon the performance of the business and the amount of cash generated by the Company s operations.

Aggregate capital expenditures for the build-out of new markets through their first full year of operation following commercial launch are anticipated to be approximately $25 per covered POP, excluding capitalized interest.

Aggregate cumulative investment in OIBDA loss in the Company s newly launched markets through adjusted OIBDA break-even for these markets, including corporate and regional overhead allocations, is expected to be approximately $6 per covered POP. The OIBDA loss for a typical new market through adjusted OIBDA break-even in that market is expected to be approximately $7 per covered POP. The Company s new markets are generally expected to reach adjusted OIBDA break-even within four quarters of commercial operation.

Total adjusted OIBDA is expected to grow at a compound annual growth rate of between 35 percent and 45 percent from 2007 through 2010. This forecast does not include the effects of the Company s mobile broadband initiative. This initiative is still developing; however, the Company believes that the compound annual growth rate of adjusted OIBDA from 2007 through 2010 would be higher if the effects of the mobile broadband initiative were included.

With the continued expansion of the Company s mobile broadband initiative, the Company expects to cover approximately 63 million total POPs with broadband service by the end of 2008 and the Company expects to cover approximately 88 million total POPs with broadband service by the middle of 2009. The Company also expects to have between 130,000 and 150,000 mobile broadband customers by the end of 2008. Mobile broadband penetration after the first year of operation following commercial launch of the service in a given market is expected to be approximately 0.5 percent.

Aggregate cumulative investment in OIBDA loss for the mobile broadband initiative through adjusted OIBDA break-even, including corporate and regional overhead allocations is expected to be approximately $0.50 per covered POP or less. The Company expects that peak OIBDA burn on a market-by-market basis will be higher.

The Company s mobile broadband initiative in launched markets is generally expected to reach adjusted OIBDA break-even within three full quarters of commercial operation. The cumulative OIBDA loss for mobile broadband excludes approximately $6 million per quarter, though the end of 2008, of EvDO-related fixed costs that the Company expects to incur. The cumulative OIBDA loss for mobile broadband also excludes up to approximately $12 million per quarter, by year-end 2009, of EvDO-related fixed costs that the Company expects to incur as a result of increased subscribers. The Company expects that the negative OIBDA from the mobile broadband initiative will peak in the second half of 2008 and that the mobile broadband initiative will contribute positive adjusted OIBDA in the second half of 2009.

Table of Contents

Conference Call Information

As previously announced, Leap management will host a conference call with live webcast at 5:00 p.m. EST / 2:00 p.m. PST today to discuss these results. Other forward-looking and material information may also be discussed during this call.

To listen live via telephone, dial 1-866-831-6291 (domestic) or 1-617-213-8860 (international) and enter passcode number 95011255. If listening via telephone, the accompanying presentation slides may be accessed by visiting http://investor.leapwireless.com. Listeners should navigate to the webcast and choose the Live Phone option to view the slides in conjunction with the live conference call. Individuals dialing into the live call are encouraged to call in 15 minutes prior to the start time in order to register and be placed into the call.

To listen live via webcast and view accompanying presentation slides, visit http://investor.leapwireless.com. Please choose the webcast option to view the slides in conjunction with the webcast.

An online replay and downloadable MP3 of the event will be available on the Company s website shortly after the live call and will be accessible for a limited period of time. A telephonic replay will be available two hours after the call s completion and can be accessed by dialing 1-888-286-8010 (domestic) or 1-617-801-6888 (international) and entering passcode number 78428117.

About Leap

Leap provides innovative, high-value wireless services to a fast-growing, young and ethnically diverse customer base. With the value of unlimited wireless services as the foundation of its business, Leap pioneered its Cricket service. The Company and its joint ventures now operate in 29 states and hold licenses in 35 of the top 50 U.S. markets. Through its affordable, flat-rate service plans, Cricket offers customers a choice of unlimited voice, text, data and mobile Web services. Headquartered in San Diego, Calif., Leap is traded on the NASDAQ Global Select Market under the ticker symbol LEAP. For more information, please visit www.leapwireless.com.

Notes Regarding Non-GAAP Financial Measures

Information presented in this press release and in the attached financial tables includes financial information prepared in accordance with generally accepted accounting principles in the U.S., or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure, within the meaning of Item 10 of Regulation S-K promulgated by the Securities and Exchange Commission (SEC), is a numerical measure of a company s financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, which are included in the most directly comparable measure calculated and presented in accordance with GAAP in the consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, which are excluded from the most directly comparable measure so calculated and presented. As described more fully in the notes to the attached financial tables, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. Adjusted OIBDA, Existing Business Adjusted OIBDA, CPGA, and CCU are non-GAAP financial measures. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Reconciliations of non-GAAP financial measures used in this release to the most directly comparable GAAP financial measures can be found in the section entitled Definition of Terms and Reconciliation of Non-GAAP Financial Measures included toward the end of this release.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management s current expectations based on currently available operating, financial and competitive information, but are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated in or implied by the forward-looking statements. Our forward-looking statements include our discussions in Updated Business Outlook for fiscal year 2008 and future years, our plans to offer our services to additional covered POPs and our expectations regarding future growth, spending, results of operations and customer penetration, and are generally identified with words such as believe, expect, intend, plan, could, may and similar expressions. Risks, uncertainties and assumptions that could affect our forward-looking statements 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 rates, energy costs and other macro-economic factors that could adversely affect demand for the services we provide;

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 FCC s auction for Advanced Wireless Services, or Auction #66, expansion of our mobile broadband product offering and other strategic activities;

- our ability to obtain roaming services from other carriers at cost-effective rates;
- our ability to maintain effective internal control over financial reporting;
- delays in our market expansion plans, including delays resulting from any difficulties in funding such expansion through our existing cash, cash generated from operations, or additional capital, 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, indentures 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 the section entitled Risk Factors included in our periodic reports filed with the SEC, including our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which we expect to file shortly with the SEC, and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.

All forward-looking statements included in this news release should be considered in the context of these risks. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors and prospective investors are cautioned not to place undue reliance on our forward-looking statements.

Leap is a U.S. registered trademark and the Leap logo is a trademark of Leap. Cricket, Jump, the Cricket K and Flex Bucket are U.S. registered trademarks of Cricket. In addition, the following are trademarks or service marks of Cricket: BridgePay, Cricket By Week, Cricket Choice, Cricket Connect, Cricket Nation, Cricket PAYGo and Cricket Wireless Internet Service. All other trademarks are the property of their respective owners.

Note: A webcast of Leap s conference call and accompanying presentation slides will be available at 5:00 p.m. EST today at http://investor.leapwireless.com.

Table of Contents

LEAP WIRELESS INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS [1]

(In thousands, except share amounts)

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Cash and cash equivalents	$ 541,804	$ 433,337
Short-term investments	284,511	179,233
Restricted cash, cash equivalents and short-term investments	4,870	15,550
Inventories	106,684	65,208
Other current assets	65,989	38,099
Total current assets	1,003,858	731,427
Property and equipment, net	1,661,540	1,316,657
Wireless licenses	1,836,622	1,866,353
Assets held for sale	45,569	
Goodwill	429,968	425,782
Other intangible assets, net	31,378	46,102
Other assets	81,331	46,677
Total assets	$ 5,090,266	$ 4,432,998
Liabilities and Stockholders Equity		
Accounts payable and accrued liabilities	$ 303,936	$ 225,735
Current maturities of long-term debt	12,500	10,500
Other current liabilities	178,163	114,808
Total current liabilities	494,599	351,043
Long-term debt	2,569,587	2,033,902
Deferred tax liabilities	210,949	182,835
Other long-term liabilities	93,777	90,172
Total liabilities	3,368,912	2,657,952
Minority interests	54,632	50,724
Stockholders equity:		
Preferred stock authorized 10,000,000 shares, $.0001 par value; no shares issued and outstanding		
Common stock authorized 160,000,000 shares, $.0001 par value; 69,400,816 and 68,674,435 shares issued and outstanding at September 30, 2008 and December 31 2007, respectively	7	7
Additional paid-in capital	1,840,986	1,808,689
Accumulated deficit	(168,700)	(75,699)
Accumulated other comprehensive loss	(5,571)	(8,675)
Total stockholders equity	1,666,722	1,724,322
Total liabilities and stockholders equity	$ 5,090,266	$ 4,432,998

Table of Contents

LEAP WIRELESS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS [(1)]

(Unaudited and in thousands, except per share data)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenues:				
Service revenues	$ 434,523	$ 354,495	$ 1,250,595	$ 1,023,439
Equipment revenues	62,174	55,161	189,344	177,556
Total revenues	496,697	409,656	1,439,939	1,200,995
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(129,708)	(100,907)	(359,735)	(281,906)
Cost of equipment	(113,057)	(97,218)	(332,405)	(310,701)
Selling and marketing	(77,407)	(54,265)	(209,783)	(150,045)
General and administrative	(87,522)	(68,686)	(240,662)	(200,327)
Depreciation and amortization	(86,033)	(77,781)	(254,839)	(218,996)
Impairment of assets	(177)	(1,368)	(177)	(1,368)
Total operating expenses	(493,904)	(400,225)	(1,397,601)	(1,163,343)
Gain (loss) on sale or disposal of assets	(402)	(38)	559	902
Operating income	2,391	9,393	42,897	38,554
Minority interests in consolidated subsidiaries	(1,266)	182	(3,954)	2,434
Equity in net income (loss) of investee	230	(807)	(1,127)	(807)
Interest income	4,072	10,148	11,439	22,567
Interest expense	(45,352)	(33,336)	(109,110)	(86,922)
Other income (expense), net	1,161	(4,207)	(3,182)	(4,844)
Loss before income taxes	(38,764)	(18,627)	(63,037)	(29,018)
Income tax expense	(10,024)	(24,662)	(29,964)	(28,857)
Net loss	$ (48,788)	$ (43,289)	$ (93,001)	$ (57,875)
Loss per share:				
Basic	$ (0.72)	$ (0.64)	$ (1.37)	$ (0.86)
Diluted	$ (0.72)	$ (0.64)	$ (1.37)	$ (0.86)
Shares used in per share calculations:				
Basic	68,071	67,194	67,999	67,064
Diluted	68,071	67,194	67,999	67,064

Table of Contents

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [1]

(Unaudited and in thousands)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Operating activities:		
Net cash provided by operating activities	$ 271,269	$ 195,841
Investing activities:		
Acquisition of business, net of cash acquired	(31,201)	
Purchases of property and equipment	(528,333)	(345,195)
Change in prepayments for purchases of property and equipment	(4,867)	12,010
Purchases of and deposits for wireless licenses and spectrum clearing costs	(74,698)	(4,418)
Return of deposit for wireless licenses	70,000	
Proceeds from sale of wireless licenses and operating assets		9,500
Purchases of investments	(446,590)	(518,916)
Sales and maturities of investments	341,239	287,066
Purchase of minority interest		(4,706)
Purchase of membership units	(1,033)	(17,921)
Changes in restricted cash, cash equivalents and short-term investments, net	(1,980)	317
Net cash used in investing activities	(677,463)	(582,263)
Financing activities:		
Proceeds from long-term debt	535,750	370,480
Principal payments on capital lease obligations	(12,900)	
Repayment of long-term debt	(7,750)	(6,750)
Payment of debt issuance costs	(7,507)	(5,257)
Minority interest contributions		4,014
Proceeds from issuance of common stock, net	7,068	7,847
Net cash provided by financing activities	514,661	370,334
Net increase (decrease) in cash and cash equivalents	108,467	(16,088)
Cash and cash equivalents at beginning of period	433,337	372,812
Cash and cash equivalents at end of period	$ 541,804	$ 356,724
Supplementary disclosure of cash flow information:		
Cash paid for interest	$ 107,924	$ 89,992
Cash paid for income taxes	$ 1,916	$ 365

Table of Contents

Explanatory Notes to Financial Statements

(1) The consolidated financial statements and the tables of results and operating and financial metrics included at the beginning of this release include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of LCW Wireless, LLC and Denali Spectrum, LLC and their wholly owned subsidiaries. The Company consolidates its interests in LCW Wireless, LLC and Denali Spectrum, LLC in accordance with Financial Accounting Standards Board Interpretation No. 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.

(2) The following tables summarize operating data for the Company s consolidated operations for the three and nine months ended September 30, 2008 and 2007 (unaudited; in thousands, except percentages):

	Three Months Ended September 30,					
					Change from Prior Year	
	2008	% of 2008 Service Revenues	2007	% of 2007 Service Revenues	Dollars	Percent
Revenues:						
Service revenues	$ 434,523		$ 354,495		$ 80,028	22.6%
Equipment revenues	62,174		55,161		7,013	12.7%
Total revenues	496,697		409,656		87,041	21.2%
Operating expenses:						
Cost of service	129,708	29.9%	100,907	28.5%	28,801	28.5%
Cost of equipment	113,057	26.0%	97,218	27.4%	15,839	16.3%
Selling and marketing	77,407	17.8%	54,265	15.3%	23,142	42.6%
General and administrative	87,522	20.1%	68,686	19.4%	18,836	27.4%
Depreciation and amortization	86,033	19.8%	77,781	21.9%	8,252	10.6%
Impairment of assets	177	0.0%	1,368	0.4%	(1,191)	(87.1)%
Total operating expenses	493,904	113.7%	400,225	112.9%	93,679	23.4%
Loss on sale or disposal of assets	(402)	(0.1)%	(38)	0.0%	(364)	957.9%
Operating income	$ 2,391	0.6%	$ 9,393	2.6%	$ (7,002)	(74.5)%

	Nine Months Ended September 30,					
					Change from Prior Year	
	2008	% of 2008 Service Revenues	2007	% of 2007 Service Revenues	Dollars	Percent
Revenues:						
Service revenues	$ 1,250,595		$ 1,023,439		$ 227,156	22.2%
Equipment revenues	189,344		177,556		11,788	6.6%
Total revenues	1,439,939		1,200,995		238,944	19.9%
Operating expenses:						
Cost of service	359,735	28.8%	281,906	27.5%	77,829	27.6%
Cost of equipment	332,405	26.6%	310,701	30.4%	21,704	7.0%
Selling and marketing	209,783	16.8%	150,045	14.7%	59,738	39.8%
General and administrative	240,662	19.2%	200,327	19.6%	40,335	20.1%
Depreciation and amortization	254,839	20.4%	218,996	21.4%	35,843	16.4%
Impairment of assets	177	0.0%	1,368	0.1%	(1,191)	(87.1)%

Total operating expenses	1,397,601	111.8%	1,163,343	113.7%	234,258	20.1%
Gain on sale or disposal of assets	559	0.0%	902	0.1%	(343)	(38.0)%
Operating income	$ 42,897	3.4%	$ 38,554	3.8%	$ 4,343	11.3%

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from to

Commission File Number: 0-29752

Leap Wireless International, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**33-0811062**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**
10307 Pacific Center Court, San Diego, CA	**92121**
(Address of principal executive offices)	**(Zip Code)**

(858) 882-6000

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

The number of shares of registrant s common stock outstanding on October 31, 2008 was 69,422,166.

Table of Contents

LEAP WIRELESS INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended September 30, 2008

TABLE OF CONTENTS

Table of Contents

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Cash and cash equivalents	$ 541,804	$ 433,337
Short-term investments	284,511	179,233
Restricted cash, cash equivalents and short-term investments	4,870	15,550
Inventories	106,684	65,208
Other current assets	65,989	38,099
Total current assets	1,003,858	731,427
Property and equipment, net	1,661,540	1,316,657
Wireless licenses	1,836,622	1,866,353
Assets held for sale	45,569	
Goodwill	429,968	425,782
Other intangible assets, net	31,378	46,102
Other assets	81,331	46,677
Total assets	$ 5,090,266	$ 4,432,998
Liabilities and Stockholders Equity		
Accounts payable and accrued liabilities	$ 303,936	$ 225,735
Current maturities of long-term debt	12,500	10,500
Other current liabilities	178,163	114,808
Total current liabilities	494,599	351,043
Long-term debt	2,569,587	2,033,902
Deferred tax liabilities	210,949	182,835
Other long-term liabilities	93,777	90,172
Total liabilities	3,368,912	2,657,952
Minority interests	54,632	50,724
Commitments and contingencies (Note 8)		
Stockholders equity:		
Preferred stock authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding		
Common stock authorized 160,000,000 shares; $.0001 par value, 69,400,816 and 68,674,435 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	7	7
Additional paid-in capital	1,840,986	1,808,689
Accumulated deficit	(168,700)	(75,699)

Accumulated other comprehensive loss	(5,571)	(8,675)
Total stockholders equity	1,666,722	1,724,322
Total liabilities and stockholders equity	$ 5,090,266	$ 4,432,998

See accompanying notes to condensed consolidated financial statements.

1

Table of Contents

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited and in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
Service revenues	$ 434,523	$ 354,495	$ 1,250,595	$ 1,023,439
Equipment revenues	62,174	55,161	189,344	177,556
Total revenues	496,697	409,656	1,439,939	1,200,995
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(129,708)	(100,907)	(359,735)	(281,906)
Cost of equipment	(113,057)	(97,218)	(332,405)	(310,701)
Selling and marketing	(77,407)	(54,265)	(209,783)	(150,045)
General and administrative	(87,522)	(68,686)	(240,662)	(200,327)
Depreciation and amortization	(86,033)	(77,781)	(254,839)	(218,996)
Impairment of assets	(177)	(1,368)	(177)	(1,368)
Total operating expenses	(493,904)	(400,225)	(1,397,601)	(1,163,343)
Gain (loss) on sale or disposal of assets	(402)	(38)	559	902
Operating income	2,391	9,393	42,897	38,554
Minority interests in consolidated subsidiaries	(1,266)	182	(3,954)	2,434
Equity in net income (loss) of investee	230	(807)	(1,127)	(807)
Interest income	4,072	10,148	11,439	22,567
Interest expense	(45,352)	(33,336)	(109,110)	(86,922)
Other income (expense), net	1,161	(4,207)	(3,182)	(4,844)
Loss before income taxes	(38,764)	(18,627)	(63,037)	(29,018)
Income tax expense	(10,024)	(24,662)	(29,964)	(28,857)
Net loss	$ (48,788)	$ (43,289)	$ (93,001)	$ (57,875)
Loss per share:				
Basic	$ (0.72)	$ (0.64)	$ (1.37)	$ (0.86)
Diluted	$ (0.72)	$ (0.64)	$ (1.37)	$ (0.86)
Shares used in per share calculations:				
Basic	68,071	67,194	67,999	67,064
Diluted	68,071	67,194	67,999	67,064

See accompanying notes to condensed consolidated financial statements.

Table of Contents

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited and in thousands)

	Nine Months Ended September 30, 2008	2007
Operating activities:		
Net cash provided by operating activities	$ 271,269	$ 195,841
Investing activities:		
Acquisition of business, net of cash acquired	(31,201)	
Purchases of property and equipment	(528,333)	(345,195)
Change in prepayments for purchases of property and equipment	(4,867)	12,010
Purchases of and deposits for wireless licenses and spectrum clearing costs	(74,698)	(4,418)
Return of deposit for wireless licenses	70,000	
Proceeds from sale of wireless licenses and operating assets		9,500
Purchases of investments	(446,590)	(518,916)
Sales and maturities of investments	341,239	287,066
Purchase of minority interest		(4,706)
Purchase of membership units	(1,033)	(17,921)
Changes in restricted cash, cash equivalents and short-term investments, net	(1,980)	317
Net cash used in investing activities	(677,463)	(582,263)
Financing activities:		
Proceeds from long-term debt	535,750	370,480
Principal payments on capital lease obligations	(12,900)	
Repayment of long-term debt	(7,750)	(6,750)
Payment of debt issuance costs	(7,507)	(5,257)
Minority interest contributions		4,014
Proceeds from issuance of common stock, net	7,068	7,847
Net cash provided by financing activities	514,661	370,334
Net increase (decrease) in cash and cash equivalents	108,467	(16,088)
Cash and cash equivalents at beginning of period	433,337	372,812
Cash and cash equivalents at end of period	$ 541,804	$ 356,724
Supplementary disclosure of cash flow information:		
Cash paid for interest	$ 107,924	$ 89,992
Cash paid for income taxes	$ 1,916	$ 365

See accompanying notes to condensed consolidated financial statements.

3

Table of Contents

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. The Company

Leap Wireless International, Inc. (Leap), a Delaware corporation, together with its subsidiaries, is a wireless communications carrier that offers digital wireless service in the United States of America under the Cricket® brand. Cricket service offers customers unlimited wireless service for a flat monthly rate without requiring a fixed-term contract or a credit check. Leap conducts operations through its subsidiaries and has no independent operations or sources of income other than through dividends, if any, from its subsidiaries. Cricket service is offered by Cricket Communications, Inc. (Cricket), a wholly owned subsidiary of Leap, and is also offered in Oregon by LCW Wireless Operations, LLC (LCW Operations), a wholly owned subsidiary of LCW Wireless, LLC (LCW Wireless) and a designated entity under Federal Communications Commission (FCC) regulations. Cricket owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless. Cricket also owns an 82.5% non-controlling interest in Denali Spectrum, LLC (Denali), which purchased a wireless license in the FCC s auction for Advanced Wireless Services (AWS) licenses (Auction #66), covering the upper mid-west portion of the United States, as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC (Denali License). Leap, Cricket and their subsidiaries, including LCW Wireless and Denali, are collectively referred to herein as the Company.

The Company operates in a single operating segment as a wireless communications carrier that offers digital wireless service in the United States of America.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared 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 Company s results for the periods presented, with such adjustments consisting only of normal recurring adjustments. Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from management s estimates and 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 Financial Accounting Standards Board (FASB) Interpretation No. (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. In general, new and reactivating customers are required to pay for their service in advance and 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, (EITF 00-21) the sale of a handset along with a month of wireless service constitutes a multiple element arrangement. Under EITF 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 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. The costs of handsets and accessories sold are recorded in cost of equipment. 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). 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 and deferred equipment revenue until they are sold to, and service is activated by, customers.

Through a third-party provider, the Company s customers may elect to participate in an extended handset warranty/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, and 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 since collectibility of such amounts is not reasonably assured. Deferred revenue consists primarily of cash received from customers in advance of their service period and deferred equipment revenue related to handsets and accessories sold to third-party dealers.

Costs and Expenses

The Company s costs and expenses include:

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

Table of Contents

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 or 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 salary 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 and other securities such as prime-rated short-term commercial paper. The Company has not experienced any significant losses on its cash and cash equivalents.

Short-Term Investments

Short-term investments generally 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 and obligations of the U.S. government.

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. See Note 5 for a discussion regarding the Company s impairment losses recognized on its short-term investments.

Fair Value of Financial Instruments

In January 2008, with respect to valuing its financial assets and liabilities, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157), which defines fair value for accounting purposes, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements. Fair value is defined as an exit price, which is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. The degree of judgment utilized in measuring the fair value of assets and liabilities generally correlates to the level of pricing observability. Financial assets and liabilities with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and require less judgment in measuring fair value. Conversely, financial assets and liabilities that are rarely traded or not quoted have less pricing observability and are generally measured at fair value using valuation models that require more judgment. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency of the asset, liability or market and the nature of the asset or liability. The Company has categorized its financial assets and liabilities measured at fair value into a three-level hierarchy in accordance with SFAS 157. See Note 5 for a further discussion regarding the Company s measurement of financial assets and liabilities at fair value.

Table of Contents

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 improvements	7
Towers	15
Antennae	5
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 other asset is placed in service, at which time the asset is 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, 2008, the Company capitalized interest of $12.5 million and $38.6 million, respectively, to property and equipment. 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.

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, 2008 and December 31, 2007, there was no property or equipment classified as assets held for sale.

Wireless Licenses

The Company and LCW Wireless operate broadband Personal Communications Services (PCS) and AWS networks under PCS and AWS 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 its participation in Auction #66 in December 2006, Denali License acquired an AWS wireless license. 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 its subsidiaries and joint ventures 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 or its consolidated joint ventures PCS and AWS licenses. On a quarterly basis, the Company evaluates the remaining useful life of its indefinite-lived wireless licenses to determine whether events and circumstances, such as any legal, regulatory, contractual, competitive, economic or other factors, continue to support an indefinite useful life. If a wireless license is subsequently determined to have a finite useful life, the Company tests the wireless license for impairment in accordance with SFAS No. 142, Goodwill and Other Intangible Assets, (SFAS 142) and the wireless license would then be amortized prospectively over its estimated remaining useful life. In addition to its quarterly evaluation of the indefinite useful lives of its wireless licenses, the Company also tests its wireless licenses for impairment in accordance with SFAS 142 on an annual basis. As of September 30, 2008 and December 31, 2007, the carrying value of the Company s and its consolidated joint ventures wireless licenses was $1.8 billion and $1.9 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, 2008, wireless licenses with a carrying value of $45.6 million were classified as assets held for sale, as more fully described in Note 7. As of December 31, 2007, there were no wireless licenses classified as assets held for sale.

Portions of the AWS spectrum that the Company and Denali License purchased in Auction #66 are currently 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. The Company s and Denali License s spectrum clearing costs are capitalized to wireless licenses as incurred. During the three and nine months ended September 30, 2008, the Company and Denali License incurred approximately $2.0 million and $4.7 million, respectively, in spectrum clearing costs. During the three and nine months ended September 30, 2007, the Company and Denali License incurred approximately $1.7 million and $2.2 million, respectively, in spectrum clearing costs.

Derivative Instruments and Hedging Activities

The Company has entered into interest rate swap agreements with respect to $355 million of its debt. These interest rate swap agreements effectively fix the London Interbank Offered Rate (LIBOR) interest rate on $150 million of indebtedness at 8.3% and $105 million of indebtedness at 7.3% through June 2009 and $100 million of indebtedness at 8.0% through September 2010. The swap agreements were in a liability position as of September 30, 2008 and December 31, 2007 and had a fair value of $6.1 million and $7.2 million, respectively. The Company enters into these derivative contracts to manage its exposure to interest rate changes by achieving a desired proportion of fixed rate versus variable rate debt. In an interest rate swap, the Company agrees to exchange with a counterparty the difference between a variable interest rate and either a fixed or another variable interest rate, multiplied by a notional principal amount. The Company does not use derivative instruments for trading or other speculative purposes.

The Company records all derivatives in other assets or other liabilities on its condensed consolidated balance sheets at their fair values. If the derivative is designated as a cash flow hedge and the hedging relationship qualifies for hedge accounting, the effective portion of the change in fair value of the derivative is recorded in other comprehensive income (loss) and is recorded as interest expense when the hedged debt affects interest expense. The ineffective portion of the change in fair value of the derivative qualifying for hedge accounting and changes in the fair values of derivative instruments not qualifying for hedge accounting are recognized in interest expense in the period of the change.

At inception of the hedge and quarterly thereafter, the Company performs a quantitative and qualitative assessment to determine whether changes in the fair values or cash flows of the derivatives are deemed highly effective in offsetting changes in the fair values or cash flows of the hedged items. If at any time subsequent to the inception of the hedge, the correlation assessment indicates that the derivative is no longer highly effective as a hedge, the Company discontinues hedge accounting and recognizes all subsequent derivative gains and losses in results of operations.

As a result of the amendment to the Company s senior secured credit agreement (Credit Agreement) in June 2008, which among other things introduced a LIBOR floor of 3.0% per annum, as more fully described in Note 6, the Company de-designated its existing interest rate swap agreements as cash flow hedges and discontinued its hedge accounting for these interest rate swaps during the second quarter of 2008. The loss accumulated in other comprehensive income (loss) on the date the Company discontinued its hedge accounting is amortized to interest expense, using the swaplet method, over the remaining term of the respective interest rate swap agreements. In addition, changes in the fair value of these interest rate swaps are recorded as a component of interest expense. During the three and nine months ended September 30, 2008, the Company recognized interest expense of $2.0 million and $1.3 million, respectively, related to these items.

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 account 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 an impairment charge of $0.2 million during the three and nine months ended September 30, 2008 and an impairment charge of $1.0 million during the three and nine months ended September 30, 2007 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. The fair value of the Company s net assets is primarily based on its market capitalization. If the fair value is determined to be less than book value, a second step is performed to measure the amount of the impairment, if any. As of September 30, 2008, 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 about the Company s business prospects. Changes in these judgments may have a significant effect on the estimated fair values of the Company s indefinite-lived intangible assets.

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 is adjusted to recognize the Company s share of net earnings or losses of the investee. During the three months ended September 30, 2008, the Company s share of its equity method investee earnings was $0.2 million. During the nine months ended September 30, 2008, the Company s share of its equity method investee losses was $1.1 million. At each of the three and nine months ended September 30, 2007, the Company s share of its equity method investee losses was $0.8 million.

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 the consolidated statements of operations.

Concentrations

The Company generally relies on one key vendor for billing services, one key vendor for handset logistics, one key vendor for its mobile broadband device, one key vendor for a majority of its voice and data communications transport services and a limited number of vendors for payment processing services. 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, financial condition, results of operations and business could be materially 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, 2008 and 2007 was allocated to the condensed consolidated statements of operations as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Cost of service	$ 628	$ 535	$ 2,145	$ 1,680
Selling and marketing expenses	871	843	3,406	2,404
General and administrative expenses	6,967	5,696	19,951	17,628
Share-based compensation expense	$ 8,466	$ 7,074	$ 25,502	$ 21,712
Share-based compensation expense per share:				
Basic	$ 0.12	$ 0.11	$ 0.38	$ 0.32
Diluted	$ 0.12	$ 0.11	$ 0.38	$ 0.32

Income Taxes

The computation of the Company s 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 (discrete) items. Significant management judgment is required in projecting the Company s ordinary income (loss). The Company s projected ordinary income tax expense for the full year 2008, which excludes the effect of 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 2008 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, Accounting for Income Taxes in Interim Periods an interpretation of APB Opinion No. 28 (FIN 18), the Company has computed its provision for income taxes for the three and nine months ended September 30, 2008 and 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 three and nine months ended September 30, 2008, the Company weighed the positive and negative factors with respect to this determination and, at this time, does not believe there is sufficient positive evidence and sustained operating earnings to support a conclusion that it is more likely than not that all or a portion of its deferred tax assets will be realized, except with respect to the realization of a $2.5 million Texas Margins Tax credit. The Company will continue to closely monitor the positive and negative factors to determine whether its valuation allowance should be released. Deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures cannot be considered a source of taxable income to support the realization of deferred tax assets because these deferred tax liabilities will not reverse until some indefinite future period.

At such time as the Company determines that it is more likely than not that all or a portion of the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to American Institute of Certified Public Accountants Statement of Position No. 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code (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 if the valuation allowance decrease occurs prior to January 1, 2009, the effective date for the Company s adoption of SFAS No. 141 (revised 2007), Business Combinations (SFAS 141(R)). SFAS 141(R) provides that any reduction in the valuation allowance established in fresh-start reporting be accounted for as a reduction to income tax expense.

In January 2007, the Company adopted the provisions of FIN 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). At the date of adoption, during 2007 and during the three and nine months ended September 30, 2008, 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, during 2007 and during the three and nine months ended September 30, 2008. All of the Company s tax years from 1998 to 2007 remain open to examination by federal and state taxing authorities.

Table of Contents

Comprehensive Loss

Comprehensive loss consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net loss	$ (48,788)	$ (43,289)	$ (93,001)	$ (57,875)
Other comprehensive loss:				
Net unrealized holding gains (losses) on investments, net of tax	(123)	27	683	15
Unrealized losses on interest rate swaps		(4,809)	(1,470)	(5,873)
Comprehensive loss	$ (48,911)	$ (48,071)	$ (93,788)	$ (63,733)

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

	September 30, 2008	December 31, 2007
Net unrealized holding losses on investments, net of tax	$ (774)	$ (1,457)
Unrealized losses on interest rate swaps, net of swaplet amortization of $3,891 and $0 at September 30, 2008 and December 31, 2007, respectively	(4,797)	(7,218)
Accumulated other comprehensive loss	$ (5,571)	$ (8,675)

Recent Accounting Pronouncements

In December 2007, the FASB issued 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 and 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. In addition, SFAS 141(R) 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 certain 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; however, since the Company has significant deferred tax assets recorded through fresh-start reporting for which full valuation allowances were recorded as of its emergence from bankruptcy, this standard could materially affect the Company s results of operations if changes in the valuation allowances occur once it adopts the standard.

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. In addition, SFAS 160 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, 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.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161), which is intended to help investors better understand how derivative instruments and hedging activities affect an entity s financial position, financial performance and cash flows through enhanced disclosure requirements. The enhanced disclosures include, for example, a tabular summary of the fair values of

Table of Contents

derivative instruments and their gains and losses, disclosure of derivative features that are credit-risk-related to provide more information regarding an entity s liquidity and cross-referencing within footnotes to make it easier to locate important information about derivative instruments. The Company will be required to adopt SFAS 161 on January 1, 2009. The Company is currently evaluating what impact SFAS 161 will have on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162), which identifies the sources of accounting principles and the framework for selecting principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States (GAAP). SFAS 162 emphasizes that an organization s management and not its auditors has the responsibility to follow GAAP and categorizes sources of accounting principles that are generally accepted in descending order of authority. The Company will be required to adopt SFAS 162 within 60 days after the Securities and Exchange Commission s (SEC) approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. SFAS 162 will not have an impact on the Company s consolidated financial statements.

Note 3. Supplementary Balance Sheet Information (in thousands):

	September 30, 2008	December 31, 2007
Other current assets:		
Accounts receivable, net(1)	$ 38,168	$ 21,158
Prepaid expenses	27,275	16,076
Other	546	865
	$ 65,989	$ 38,099
Property and equipment, net(2):		
Network equipment	$ 1,793,917	$ 1,421,648
Computer equipment and other	229,074	184,224
Construction-in-progress	476,946	341,742
	2,499,937	1,947,614
Accumulated depreciation	(838,397)	(630,957)
	$ 1,661,540	$ 1,316,657
Accounts payable and accrued liabilities:		
Trade accounts payable	$ 173,842	$ 109,781
Accrued payroll and related benefits	49,163	41,048
Other accrued liabilities	80,931	74,906
	$ 303,936	$ 225,735
Other current liabilities:		
Deferred service revenue(3)	$ 54,359	$ 45,387
Deferred equipment revenue(4)	16,979	14,615
Accrued sales, telecommunications, property and other taxes payable	36,415	20,903
Accrued interest	54,251	18,508
Other	16,159	15,395
	$ 178,163	$ 114,808

(1) Accounts receivable consists primarily of amounts billed to third-party dealers for handsets and accessories and, as of September 30, 2008, included approximately $11.3 million of amounts reimbursable to the Company in connection with certain spectrum clearing activities.

Table of Contents

(2) As of September 30, 2008 and December 31, 2007, approximately $52.9 million and $49.5 million, respectively, of gross assets were held by the Company under capital lease arrangements. Accumulated amortization relating to these assets totaled $16.1 million and $5.6 million as of September 30, 2008 and December 31, 2007, respectively.

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

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

Note 4. 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 and the if-converted method, where applicable. Dilutive common share equivalents are comprised of stock options, restricted stock awards, employee stock purchase rights, warrants and convertible senior notes.

The Company incurred losses for the three and nine months ended September 30, 2008 and for the three and nine months ended September 30, 2007; therefore, 8.8 million common share equivalents were excluded in computing diluted earnings (loss) per share for each of the three and nine months ended September 30, 2008, and 4.7 million common share equivalents were excluded in computing diluted earnings (loss) per share for each of the three and nine months ended September 30, 2007.

Note 5. Fair Value of Financial Instruments

The Company has categorized its financial assets and liabilities measured at fair value into a three-level hierarchy in accordance with SFAS 157. Financial assets and liabilities measured at fair value using quoted prices in active markets for identical assets or liabilities are generally categorized as Level 1 assets and liabilities; financial assets and liabilities measured at fair value using observable market-based inputs or unobservable inputs that are corroborated by market data for similar assets or liabilities are generally categorized as Level 2 assets and liabilities; and financial assets and liabilities measured at fair value using unobservable inputs that cannot be corroborated by market data are generally categorized as Level 3 assets and liabilities. The lowest level input that is significant to the fair value measurement of a financial asset or liability is used to categorize that asset or liability, as determined in the judgment of management. Financial assets and liabilities presented at fair value in the Company s condensed consolidated balance sheets are generally categorized as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities. The Company did not have Level 1 assets or liabilities as of September 30, 2008.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company s Level 2 assets and liabilities as of September 30, 2008 included its cash equivalents, its short-term investments in obligations of the U.S. government, a majority of its short-term investments in commercial paper and its interest rate swaps.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Such assets and liabilities may have values determined using pricing models, discounted cash flow methodologies, or similar techniques, and include instruments for which the determination of fair value requires significant management judgment or estimation. The Company s Level 3 asset as of September 30, 2008 comprised its short-term investment in asset-backed commercial paper.

The following table sets forth by level within the fair value hierarchy the Company s financial assets and liabilities that were recorded at fair value as of September 30, 2008. As required by SFAS 157, financial assets

Table of Contents

and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Thus, financial assets and liabilities categorized as Level 3 may be measured at fair value using inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Management s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and liabilities and their placement within the fair value hierarchy levels.

	At Fair Value as of September 30, 2008			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Cash equivalents	$	$ 267,081	$	$ 267,081
Short-term investments		279,411	5,100	284,511
Total	$	$ 546,492	$ 5,100	$ 551,592
Liabilities:				
Interest rate swaps	$	$ 6,114	$	$ 6,114
Total	$	$ 6,114	$	$ 6,114

The following table provides a summary of the changes in the fair value of the Company s Level 3 assets (in thousands).

Beginning balance, December 31, 2007	$ 16,200
Total losses (realized/unrealized):	
Included in earnings	$ (3,763)
Included in other comprehensive loss	
Purchases, issuances and settlements	(7,337)
Transfers in (out) of Level 3	
Ending balance, September 30, 2008	$ 5,100

The realized losses included in earnings in the table above are presented in other income (expense), net in the condensed consolidated statements of operations and relate to both an investment still held by the Company and an investment no longer held by the Company as of September 30, 2008.

Cash Equivalents and Short-Term Investments

The fair value of the Company s cash equivalents, short-term investments in obligations of the U.S. government and a majority of its short-term investments in commercial paper is determined using observable market-based inputs for similar assets, which primarily include yield curves and time to maturity factors. Such investments are therefore considered to be Level 2 items. The fair value of the Company s investment in asset-backed commercial paper is determined using primarily unobservable inputs that cannot be corroborated by market data, which primarily include ABX and monoline indices and a valuation model that considers a liquidity factor that is subjective in nature, and therefore such investment is considered to be a Level 3 item.

Through its non-controlled consolidated subsidiary Denali, the Company holds an investment in asset-backed commercial paper for which the fair value was determined using the Level 3 inputs described above. This investment was purchased as a highly rated investment grade security. This security, which is collateralized, in part, by residential mortgages, has declined in value since December 31, 2007. As a result of declines in this remaining investment in asset-backed commercial paper and declines in an investment liquidated in the third quarter of 2008, during the nine months ended September 30, 2008, the Company recognized an other-than-temporary impairment loss of approximately $3.8 million. Future volatility and uncertainty in the financial markets could result in additional losses.

15

Table of Contents

Interest Rate Swaps

As more fully described in Note 2, the Company s interest rate swaps effectively fix the LIBOR interest rate (subject to the LIBOR floor of 3.0% per annum, as more fully described in Note 6) on a portion of its floating rate debt. The fair value of the Company s interest rate swaps is primarily determined using LIBOR spreads, which are significant observable inputs that can be corroborated, and therefore such swaps are considered to be Level 2 items. SFAS 157 states that the fair value measurement of a liability must reflect the nonperformance risk of the entity. Therefore, the impact of the Company s creditworthiness has been considered in the fair value measurement of the interest rate swaps.

Long-Term Debt

The Company continues to report its long-term debt obligations at amortized cost; however, for disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. The fair value of the Company s outstanding long-term debt is determined using quoted prices in active markets and was $2,375.2 million as of September 30, 2008. The carrying values of LCW Operations term loans approximate their fair values due to the floating rates of interest on such loans.

Note 6. Long-Term Debt

Long-term debt as of September 30, 2008 and December 31, 2007 was comprised of the following (in thousands):

	September 30, 2008	December 31, 2007
Term loans under senior secured credit facilities	$ 918,750	$ 926,500
Unamortized deferred lender fees	(4,795)	(1,898)
Senior notes	1,400,000	1,100,000
Unamortized premium on $350 million senior notes due 2014	18,132	19,800
Convertible senior notes	250,000	
	2,582,087	2,044,402
Current maturities of long-term debt	(12,500)	(10,500)
	$ 2,569,587	$ 2,033,902

Senior Secured Credit Facilities

Cricket Communications

The senior secured credit facility under the Company s Credit Agreement consists of a six-year $895.5 million term loan and a $200 million revolving credit facility. As of September 30, 2008, the outstanding indebtedness under the term loan was $879.8 million. 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).

In June 2008, the Company amended the Credit Agreement, among other things, to:

- increase the size of the permitted unsecured debt basket under the Credit Agreement from $1.2 billion to $1.65 billion plus $1.00 for every $1.00 of cash proceeds from the issuance of new common equity by Leap, up to $200 million in the aggregate;

- increase the add-back to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) for operating losses in new markets from $75 million to $100 million, and extend the period in which such add-back applies until December 31, 2011. For purposes of calculating the

Table of Contents

consolidated fixed charge coverage ratio under the Credit Agreement, an additional $125 million in new market operating losses can be added back to consolidated EBITDA through December 31, 2009;

exclude up to $125 million of capital expenditures made in connection with the expansion of network coverage, capability and capacity in markets in existence as of December 31, 2007 from the consolidated fixed charge coverage ratio calculation through December 31, 2009;

increase the baskets under the Credit Agreement for capital lease and purchase money security interests from $150 million to $250 million;

increase the baskets under the Credit Agreement for letters of credit from $15 million to $30 million;

exclude qualified preferred stock from the definition of indebtedness under the Credit Agreement and make certain other amendments to facilitate the issuance by Leap of qualified preferred stock;

establish that, if Cricket enters into an incremental facility for term loans or a revolving credit facility with an effective interest rate or weighted average yield (taking into account factors such as any interest rate floor, call protection, original issue discount and lender fees) that is higher than the then-existing interest rate for the existing term loans or revolving credit facility, as applicable, under the Credit Agreement, then the interest rate for the existing term loans or revolving credit facility, as applicable, shall be increased to match the effective interest rate or weighted average yield of such incremental facility;

cap any new incremental facilities under the Credit Agreement at $400 million in the aggregate;

increase the applicable rate spread on the term loans and revolving credit facility under the Credit Agreement by 50 basis points, and set a floor on the LIBOR under the Credit Agreement of 3.0% per annum; and

include a prepayment (or repayment) premium on the term loans of 2.0% on any principal amount prepaid (or repaid) prior to the first anniversary of the date of the amendment and 1.0% on any principal amount prepaid (or repaid) on or after the first anniversary but prior to the second anniversary of the date of amendment (other than prepayments in respect of extraordinary receipts).

In connection with the execution of the Credit Agreement amendment, the Company paid a fee equal to 50 basis points on the aggregate principal amount of the commitments and loans of each lender that executed the amendment.

Under the Credit Agreement, as amended, the term loan bears interest at LIBOR plus 3.50% (subject to the LIBOR floor of 3.0% per annum) or the bank base rate plus 2.50%, as selected by Cricket. These interest rates represent an increase of 50 basis points from the rates applicable to the term loan immediately prior to the amendment.

At September 30, 2008, the effective interest rate on the term loan was 7.7%, including the effect of interest rate swaps, as more fully described in Note 2. 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 outstanding indebtedness for borrowed money bears interest at a fixed rate. The Company was in compliance with this requirement as of September 30, 2008.

Outstanding borrowings under the revolving credit facility, to the extent that there are any borrowings, are due in June 2011. As of September 30, 2008, the revolving credit facility was undrawn; however, approximately $4.1 million of letters of credit were issued under the Credit Agreement and were considered as usage of the revolving credit facility, as more fully described in Note 8. 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, 2008, borrowings under the revolving credit facility would have accrued interest at LIBOR plus 3.25% (subject to the LIBOR floor of 3.0% per annum), or the bank base rate plus 2.25%, as selected by Cricket.

Table of Contents

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 real property owned by 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 or requested, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage 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 Denali, LCW Wireless and other joint ventures. The Company was in compliance with these covenants as of September 30, 2008.

The Credit Agreement also prohibits the occurrence of a change of control, which includes the acquisition of beneficial ownership of 35% or more of Leap s equity securities, a change in a majority of the members of Leap s board of directors that is not approved by the board and the occurrence of a change of control under any of the Company s other credit instruments.

Affiliates of Highland Capital Management, L.P. (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.

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, 2008, the effective interest rate on the term loans was 7.5%, and the outstanding indebtedness was $39.0 million. LCW Operations has 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 through October 2011. 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, which commenced 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 EBITDA, gross additions of subscribers, minimum cash and cash equivalents and maximum capital expenditures, among other things. LCW Operations was in compliance with these covenants as of September 30, 2008.

Table of Contents

Senior Notes

Senior Notes Due 2014

In 2006, Cricket issued $750 million of 9.375% unsecured senior notes due 2014 in a private placement to institutional buyers, which were exchanged in 2007 for identical notes that had been registered with the SEC. In June 2007, Cricket issued an additional $350 million of 9.375% unsecured senior notes due 2014 in a private placement to institutional buyers at an issue price of 106% of the principal amount, which were exchanged in June 2008 for identical notes that had been registered with the SEC. These notes are all treated as a single class and have identical terms. The $21 million premium the Company received in connection with the issuance of the second tranche of 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, 2008, the effective interest rate on the $350 million of senior notes was 8.7%, which includes the effect of the premium amortization and excludes the effect of the additional interest that has been accrued in connection with the delay in the exchange of the notes, as more fully described below.

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, if any, thereon to the redemption date. 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 any, thereon to the redemption date.

If a change of control occurs (which includes the acquisition of beneficial ownership of 35% or more of Leap s equity securities, a sale of all or substantially all of the assets of Leap and its restricted subsidiaries and a change in a majority of the members of Leap s board of directors that is not approved by the board), 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, if any, thereon to the repurchase date.

In connection with the private placement of the $350 million of additional senior notes, the Company entered into a registration rights agreement with the initial purchasers of the notes 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 was required to 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 was not filed or declared effective or the exchange offer was not consummated within these deadlines, the agreement provided that additional interest would accrue on the principal amount of the notes at a rate of 0.50% per annum during the 90-day period immediately following the first to occur of these events and would increase by 0.50% per annum at the end of each subsequent 90-day period until all such defaults were cured, but in no event would the penalty rate exceed 1.50% per annum. There were no other alternative settlement methods and, other than the 1.50% per annum maximum penalty rate, the agreement contained no limit on the maximum potential amount of penalty interest that could be paid in the event the Company did not meet these requirements. Due to the Company s restatement of its historical consolidated financial results during the fourth quarter of 2007, the Company was unable to file the registration statement within 150 days after issuance of the notes. The Company filed the registration statement on March 28, 2008, which was declared effective on May 19, 2008, and consummated the exchange offer on June 20, 2008. Due to the delay in filing the registration statement and having it declared effective, the Company paid approximately $1.3 million of additional interest on May 1, 2008 and paid approximately $0.3 million of the remaining additional interest on November 3, 2008.

Convertible Senior Notes Due 2014

In June 2008, Leap issued $250 million of unsecured convertible senior notes due 2014 in a private placement to institutional buyers. The notes bear interest at the rate of 4.50% per year, payable semi-annually in cash in arrears commencing in January 2009. The notes are Leap s general unsecured obligations and rank equally in right of payment with all of Leap s existing and future senior unsecured indebtedness and senior in right of payment to all indebtedness that is contractually subordinated to the notes. The notes are structurally subordinated to the existing and future claims of Leap s subsidiaries creditors, including under the Credit Agreement and the senior notes described above and below. The notes are effectively junior to all of Leap s existing and future secured obligations, including those under the Credit Agreement, to the extent of the value of the assets securing such obligations.

Holders may convert their notes into shares of Leap common stock at any time on or prior to the third scheduled trading day prior to the maturity date of the notes, July 15, 2014. If, at the time of conversion, the applicable stock price of Leap s common stock is less than or equal to approximately $93.21 per share, the notes will be convertible into 10.7290 shares of Leap common stock per $1,000 principal amount of the notes (referred to as the base conversion rate), subject to adjustment upon the occurrence of certain events. If, at the time of conversion, the applicable stock price of Leap s common stock exceeds approximately $93.21 per share, the conversion rate will be determined pursuant to a formula based on the base conversion rate and an incremental share factor of 8.3150 shares per $1,000 principal amount of the notes, subject to adjustment.

Leap may be required to repurchase all outstanding notes in cash at a repurchase price of 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, thereon to the repurchase date if (1) any person acquires beneficial ownership, directly or indirectly, of shares of Leap s capital stock that would entitle the person to exercise 50% or more of the total voting power of all of Leap s capital stock entitled to vote in the election of directors, (2) Leap (i) merges or consolidates with or into any other person, another person merges with or into Leap, or Leap conveys, sells, transfers or leases all or substantially all of its assets to another person or (ii) engages in any recapitalization, reclassification or other transaction in which all or substantially all of Leap s common stock is exchanged for or converted into cash, securities or other property, in each case subject to limitations and excluding in the case of (1) and (2) any merger or consolidation where at least 90% of the consideration consists of shares of common stock traded on NYSE, ASE or NASDAQ, (3) a majority of the members of Leap s board of directors ceases to consist of individuals who were directors on the date of original issuance of the notes or whose election or nomination for election was previously approved by the board of directors, (4) Leap is liquidated or dissolved or holders of common stock approve any plan or proposal for its liquidation or dissolution or (5) shares of Leap s common stock are not listed for trading on any of the New York Stock Exchange, the NASDAQ Global Market or the NASDAQ Global Select Market (or any of their respective successors). Leap may not redeem the notes at its option.

In connection with the private placement of the convertible senior notes, the Company entered into a registration rights agreement with the initial purchasers of the notes in which the Company agreed, under certain circumstances, to use commercially reasonable efforts to cause a shelf registration statement covering the resale of the notes and the common stock issuable upon conversion of the notes to be declared effective by the SEC and to pay additional interest if such registration obligations are not performed. In the event that the Company does not comply with such obligations, the agreement provides that additional interest will accrue on the principal amount of the notes at a rate of 0.25% per annum during the 90-day period immediately following a registration default and will increase to 0.50% per annum beginning on the 91st day of the registration default until all such defaults have been cured. There are no other alternative settlement methods and, other than the 0.50% per annum maximum penalty rate, the agreement contains no limit on the maximum potential amount of penalty interest that could be paid in the event the Company does not meet these requirements. However, the Company s obligation to file, have declared effective or maintain the effectiveness of a shelf registration statement (and pay additional interest) is suspended to the extent and during the periods that the notes are eligible to be transferred without registration under the Securities Act of 1933, as amended (the Securities Act) by a person who is not an affiliate of the Company (and has not been an affiliate for the 90 days preceding such transfer) pursuant to Rule 144 under the Securities Act without any volume or manner of sale restrictions. The Company did not issue any of the convertible senior notes to any of its affiliates. As a result, the Company currently expects that prior to the time by which the Company would be required to file and have declared effective a shelf registration statement covering the resale of the convertible senior notes that the notes will be eligible to be transferred without registration pursuant to Rule 144 without any volume or manner of sale restrictions. Accordingly, the Company does not believe that the payment of additional interest is probable, and therefore no related liability has been recorded in the condensed consolidated financial statements.

Senior Notes Due 2015

In June 2008, Cricket issued $300 million of 10.0% unsecured senior notes due 2015 in a private placement to institutional buyers. The notes bear interest at the rate of 10.0% per year, payable semi-annually in cash in arrears commencing in January 2009. 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 July 15, 2011, Cricket may redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 110.0% 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 July 15, 2012, 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, if any, thereon to the redemption date. 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 July 15, 2012 plus (2) all remaining required interest payments due on such notes through July 15, 2012 (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 July 15, 2012, at a redemption price of 105.0% and 102.5% of the principal amount thereof if redeemed during the twelve months ending July 15, 2013 and 2014, respectively, or at 100% of the principal amount if redeemed during the twelve months ending July 15, 2015, plus accrued and unpaid interest, if any, thereon to the redemption date.

If a change of control occurs (which includes the acquisition of beneficial ownership of 35% or more of Leap s equity securities, a sale of all or substantially all of the assets of Leap and its restricted subsidiaries and a change in a majority of the members of Leap s board of directors that is not approved by the board), 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, if any, thereon to the repurchase date.

In connection with the private placement of these senior notes, the Company entered into a registration rights agreement with the initial purchasers of the notes in which the Company agreed, under certain circumstances, to use its reasonable best efforts to offer registered notes in exchange for the notes or to cause a shelf registration statement covering the resale of the notes to be declared effective by the SEC and to pay additional interest if such registration obligations are not performed. In the event that the Company does not comply with such obligations, 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 a registration default and will increase by 0.50% per annum at the end of each subsequent 90-day period until all such defaults are cured, 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 penalty interest that could be paid in the event the Company does not meet these requirements. However, the Company s obligation to file, have declared effective or maintain the effectiveness of a registration statement for an exchange offer or a shelf registration statement (and pay additional interest) is only triggered to the extent that the notes are not eligible to be transferred without registration under the Securities Act by a person who is not an affiliate of the Company (and has not been an affiliate for the 90 days preceding such transfer) pursuant to Rule 144 under the Securities Act without any volume or manner of sale restrictions. The Company did not issue any of the senior notes to any of its affiliates. As a result, the Company currently expects that prior to the time by which the Company would be required to file and have declared effective a registration statement for an exchange offer or a shelf registration statement covering the senior notes that the notes will be eligible to be transferred without registration pursuant to Rule 144 without any volume or manner of sale restrictions. Accordingly, the Company does not believe that the payment of additional interest is probable, and therefore no related liability has been recorded in the condensed consolidated financial statements.

Note 7. Significant Acquisitions and Dispositions

In April 2008, the Company completed the purchase of Hargray Communications Group s wireless subsidiary, Hargray Wireless, LLC (Hargray Wireless), for $31.2 million, including acquisition-related costs of $0.6 million. Hargray Wireless owns a 15 MHz wireless license covering approximately 0.8 million potential customers and operated a wireless business in Georgia and South Carolina, which complements the Company s existing market in Charleston, South Carolina. In April 2008, Hargray Wireless became a guarantor under the Credit Agreement and the indenture governing Cricket s senior notes due 2014. Hargray Wireless is also a guarantor under the indenture governing Cricket s senior notes due 2015. In October 2008, the Company launched Cricket service in Hargray Wireless Georgia and South Carolina markets.

Table of Contents

The Company has not presented pro forma financial information reflecting the effects of the business combination because such effects are not material. The acquisition was accounted for under the purchase method of accounting whereby the net tangible and intangible assets acquired and liabilities assumed were recorded at their fair values at the date of acquisition. The allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values was as follows (in thousands):

	Value
Total purchase price	$ 31,201
Finite-lived intangible assets acquired	$ 7,347
Indefinite-lived intangible assets acquired	10,042
Goodwill	4,186
Other net assets acquired (excluding cash acquired)	9,626
Total net assets acquired	$ 31,201

The purchase price exceeds the fair market value of the net identifiable tangible and intangible assets acquired due to the Company s expectation of strategic and financial benefits associated with a larger customer base and expanded network coverage area.

Finite-lived intangible assets include amounts recognized for the fair value of customer relationships. The customer relationships are amortized on an accelerated basis over a useful life of up to four years. Indefinite-lived intangible assets include amounts recognized for the fair value of a wireless license. Consistent with the Company s policy regarding the useful lives of its wireless licenses, the wireless license acquired has an indefinite useful life.

In addition, in May 2008, the Company completed its exchange of certain disaggregated spectrum with Sprint Nextel. An aggregate of 20 MHz of disaggregated spectrum under certain of the Company s existing PCS licenses in Tennessee, Georgia and Arkansas was exchanged for an aggregate of 30 MHz of disaggregated and partitioned spectrum in New Jersey and Mississippi owned by Sprint Nextel. The fair value of the assets exchanged was approximately $8.1 million, and the Company recognized a non-monetary gain of approximately $1.3 million upon the closing of the transaction.

As more fully described in Note 8, on September 26, 2008, the Company and MetroPCS Communications, Inc. (MetroPCS) agreed to exchange certain wireless spectrum. Under the spectrum exchange agreement, the Company would acquire an additional 10 MHz of spectrum in San Diego, Fresno, Seattle and certain other Washington and Oregon markets, and MetroPCS would acquire an additional 10 MHz of spectrum in Dallas-Ft. Worth, Shreveport-Bossier City, Lakeland-Winter Haven, Florida and certain other northern Texas markets. Completion of the spectrum exchange is subject to customary closing conditions, including the consent of the FCC. The carrying values of the wireless licenses to be transferred to MetroPCS under the spectrum exchange agreement of $45.6 million have been classified in assets held for sale in the condensed consolidated balance sheet as of September 30, 2008.

Note 8. Commitments and Contingencies

Patent Litigation

MetroPCS

On June 14, 2006, the Company 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 entitled Method for Providing Wireless Communication Services and Network and System for Delivering Same. The Company s complaint sought damages and an injunction against continued infringement. On August 3, 2006, MetroPCS, 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 later amended its complaint to allege 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 allegedly provided by MetroPCS to such employees, including prior to their employment by Leap, and asked 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 had not infringed U.S. Patent No. 6,813,497 and that such patent was invalid. MetroPCS s claims alleged 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 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 was the subject of the Company s infringement action against MetroPCS) was invalid and was not being infringed by Royal Street or its PCS systems. Upon the Company s request, the court 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 and the Royal Street matter was consolidated with the MetroPCS case.

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 named Leap, Cricket, certain of its subsidiaries, and certain current and former employees of Leap and Cricket, including Mr. Hutcheson, as defendants. In their amended complaint, the plaintiffs alleged statutory unfair competition, statutory misappropriation of trade secrets, breach of contract, intentional interference with contract, and intentional interference with prospective economic advantage, sought preliminary and permanent injunction, and asked the court to award damages (including punitive damages), attorneys fees, and restitution.

On September 26, 2008, the Company, the MetroPCS entities and Royal Street settled these matters and all pending litigation between the parties and their respective affiliates was dismissed. In connection with the settlement, the companies entered into a cross-license agreement for intellectual property related to the litigation and for certain other intellectual property that is now or in the future held or applied for by either company. The parties also entered into an agreement to exchange wireless spectrum and a roaming agreement. Under the spectrum exchange agreement, the Company would acquire an additional 10 MHz of spectrum in San Diego, Fresno, Seattle and certain other markets in Washington and Oregon, and MetroPCS would acquire an additional 10 MHz of spectrum in Dallas-Ft. Worth, Shreveport-Bossier City, Lakeland-Winter Haven, Florida and certain other markets in northern Texas. Completion of the spectrum exchange is subject to customary closing conditions, including the consent of the FCC. The roaming agreement, which has an initial term of ten years, covers the companies existing and future operating markets and will enable the wireless subscribers of each company to receive wireless services in the other company s operating markets. The Company may seek to enter into other mutually beneficial cost-saving arrangements with MetroPCS.

Freedom Wireless

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 alleged 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 subscribers of prepaid services 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. On September 3, 2008, Freedom Wireless amended its infringement contentions to assert that the Company s Cricket unlimited voice

Table of Contents

service, in addition to its Jump® Mobile and Cricket by Week services, infringes claims under the patents at issue. The court issued a claim construction ruling on October 17, 2008, but has not issued a ruling with respect to a supplemental claim construction motion that the Company previously filed on July 17, 2008. Trial on this matter is currently scheduled to begin on January 5, 2009, and 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 the plaintiff were to prevail in this matter, the Company could be required to pay substantial damages or settlement costs which could have a material adverse effect on the Company s business, financial condition and results of operations.

Electronic Data Systems

On February 4, 2008, the Company and certain other wireless carriers were sued by Electronic Data Systems Corporation (EDS) in the United States District Court for the Eastern District of Texas, Marshall Division, for alleged infringement of U.S. Patent No. 7,156,300 entitled System and Method for Dispensing a Receipt Reflecting Prepaid Phone Services and U.S. Patent No. 7,255,268 entitled System for Purchase of Prepaid Telephone Services. EDS alleges that the sale and marketing by the Company of prepaid wireless cellular telephone services infringes these patents, and the complaint seeks an injunction against further infringement, damages (including enhanced damages) and attorneys fees. The Company filed an answer to the complaint on March 28, 2008 and intends to vigorously defend against this matter. Due to the complex nature of the legal and factual issues involved, however, the outcome of this lawsuit is not presently determinable.

EMSAT Advanced Geo-Location Technology

On October 7, 2008, the Company and certain other wireless carriers were sued by EMSAT Advanced Geo-Location Technology, LLC (EMSAT) and Location Based Services LLC (LBS) in the United States District Court for the Eastern District of Texas, Marshall Division for alleged infringement of U.S. Patent Nos. 5,946,611, 6,847,822, and 7,289,763 entitled Cellular Telephone System that Uses Position of a Mobile Unit to Make Call Management Decisions. EMSAT and LBS allege that the Company s sale, offer for sale, use, and/or inducement to use mobile E911 services infringes one or more claims of these patents. While not directed at the Company, the complaint further alleges that the other defendants sale, offer for sale, use, and/or inducement to use commercial location-based services also infringes one or more claims of these patents. The complaint seeks damages (including pre- and post-judgment interest), costs, and attorney s fees, but does not request injunctive relief. 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 lawsuit 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 issued an opinion denying the appeal and remanded the action to the trial court. The defendants filed an answer to the complaint on May 2, 2008.

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. AWG has since agreed to arbitrate this lawsuit and a hearing on the arbitration has been scheduled to begin on November 10, 2008.

Although Leap is not a defendant in either the Whittington or AWG Lawsuits, several of the defendants have indemnification agreements with the Company. 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

Two shareholder derivative lawsuits were filed in the California Superior Court for the County of San Diego in November 2007 and January 2008 purporting to assert claims on behalf of Leap against certain of its current and former directors and officers, and naming Leap as a nominal defendant. In February 2008, the plaintiff in one of these lawsuits voluntarily dismissed his action and filed a derivative complaint in the United States District Court for the Southern District of California. On April 21, 2008, the plaintiff in the state derivative lawsuit filed an amended complaint. Leap and the individual defendants filed demurrers to the state action and motions to dismiss the federal action. On August 22, 2008, before those motions and demurrers were fully briefed or heard, the state action was stayed pending resolution of the federal action. On September 12, 2008, the plaintiff in the federal action filed an amended complaint which included certain claims and allegations that previously had been made in the state action. The complaints in the federal and state derivative actions assert various claims, including alleged breaches of fiduciary duty, gross mismanagement, waste of corporate assets, unjust enrichment and proxy violations based on Leap s November 9, 2007 announcement that it would restate certain of its financial statements, claims alleging breach of fiduciary duty based on the September 2007 unsolicited merger proposal from MetroPCS, and claims based on sales of Leap common stock by certain of the defendants prior to the restatement announcement. The derivative complaints seek judicial determination that the claims may be asserted derivatively on behalf of Leap, as well as unspecified damages, equitable and/or injunctive relief, imposition of a constructive trust, disgorgement, and attorney s fees and costs. On October 27, 2008, Leap and the individual defendants filed motions to dismiss the amended federal derivative complaint. Due to the complex nature of the legal and factual issues involved, the outcome of these matters is not presently determinable.

The Company and certain of its current and former officers and directors and its independent registered public accounting firm, PricewaterhouseCoopers LLP, have been named as defendants in a consolidated securities class action lawsuit filed in the United States District Court for the Southern District of California. Several securities class action lawsuits initially filed between November 2007 and February 2008 have either been voluntarily dismissed or consolidated in the remaining action. The court-appointed lead plaintiff filed a consolidated complaint on July 7, 2008 purportedly on behalf of investors who purchased Leap common stock between August 3, 2006 and November 9, 2007. The consolidated complaint alleges that the defendants violated

[Table of Contents](#)

Section 10(b) of the Exchange Act and Rule 10b-5, and further alleges that the individual defendants violated Section 20(a) of the Exchange Act. The consolidated complaint also alleges the Company made false and misleading statements about its internal controls, business and financial results. The claims are based primarily on Leap s November 9, 2007 announcement that it would restate certain of its financial statements and statements made in Leap s August 7, 2007 second quarter 2007 earnings release. The class action lawsuit seeks, among other relief, a determination that the alleged claims may be asserted on a class-wide basis and unspecified damages and attorney s fees and costs. Defendants filed motions to dismiss the consolidated complaint on August 28, 2008. 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.

If the plaintiffs were to prevail in these matters, the Company could be required to pay substantial damages or settlement costs, which could materially adversely affect its business, financial condition and results of operations.

Other Litigation

In addition to the matters described above, the Company is often involved in certain other claims, including disputes alleging intellectual property infringement, which arise in the ordinary course of business and seek monetary damages and other relief. Based upon information currently available to the Company, none of these other claims is expected to have a material adverse effect on the Company s business, financial condition or results of operations.

Spectrum Clearing Obligations

Portions of the AWS spectrum that was auctioned in Auction #66 are 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, some such users may delay relocation for an extended and undetermined period of time. The Company is continuing to evaluate 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. In 2007, the FCC 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 was expected to become effective sometime in 2008. However, on February 28, 2008, the United States Court of Appeals for the District of Columbia Circuit stayed the effective date of the order pending resolution of a petition for review of the FCC s rules. On July 8, 2008, the court declared the case not ripe for review and held the matter in abeyance, pending further review by the U.S. Office of Management and Budget of certain information collection requirements under the order. In order for the Company to comply with the requirements of the order, it would 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 should it become effective, 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, which generally have a term of three years. In the agreements, 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 any previous credits and incentives it applied to historical purchases.

Outstanding Letters of Credit and Surety Bonds

As of September 30, 2008 and December 31, 2007, the Company had approximately $9.4 million and $4.6 million, respectively, of letters of credit outstanding, which were collateralized by restricted cash, related to contractual commitments under certain of its administrative facility leases and surety bond programs and its workers compensation insurance program. As of September 30, 2008 and December 31, 2007, approximately $4.1 million and $2.0 million, respectively, of these letters of credit were issued pursuant to the Credit Agreement and were considered as usage for purposes of determining availability under the revolving credit facility.

As of September 30, 2008 and December 31, 2007, the Company had approximately $4.7 million and $2.1 million, respectively, of surety bonds outstanding to guarantee the Company s performance with respect to certain of its contractual obligations.

Losses Resulting from Hurricane Ike

In September 2008, Hurricane Ike made landfall in the U.S. causing major damage to homes, civil infrastructure and commercial properties. Among the states most affected by Hurricane Ike was Texas, specifically, the cities of Galveston and Houston. Although mostly concentrated in Texas, the effects of Hurricane Ike were felt throughout the southeastern and midwestern regions of the U.S. The Company restored service in markets affected by the hurricane in September 2008. As a result of damage from the hurricane, the Company has written off equipment with a net book value of $0.2 million and has incurred additional operating costs during the three months ended September 30, 2008. These losses have been reflected as operating expenses in the condensed consolidated statements of operations for the three months ended September 30, 2008. The Company expects to incur additional equipment write-offs and operating expenses; however, the Company does not expect them to be material. In addition, the Company is considering pursuing insurance claims for losses it has incurred.

Note 9. Guarantor Financial Information

Of the $1,400 million of senior notes issued by Cricket (the Issuing Subsidiary), $1,100 million are due in 2014 and $300 million are due in 2015. The notes 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 (collectively, the Guarantor Subsidiaries).

The indentures governing these notes limit, 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

Table of Contents

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, the Issuing Subsidiary, the Guarantor Subsidiaries, non-Guarantor Subsidiaries and total consolidated Leap and subsidiaries as of September 30, 2008 and December 31, 2007 and for the three and nine months ended September 30, 2008 and 2007 is presented below. The equity method of accounting is used to account for ownership interests in subsidiaries, where applicable.

Condensed Consolidating Balance Sheet as of September 30, 2008 (unaudited and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Cash and cash equivalents	$ 80	$ 496,718	$ 252	$ 44,754	$	$ 541,804
Short-term investments		279,411		5,100		284,511
Restricted cash, cash equivalents and short-term investments	1,607	3,223		40		4,870
Inventories		105,445	509	730		106,684
Other current assets	133	61,833	1,767	2,256		65,989
Total current assets	1,820	946,630	2,528	52,880		1,003,858
Property and equipment, net	5	1,453,883	14,253	199,635	(6,236)	1,661,540
Investments in and advances to affiliates and consolidated subsidiaries	1,916,249	1,983,643	132,072	5,743	(4,037,707)	
Wireless licenses		18,533	1,489,376	328,713		1,836,622
Assets held for sale			45,569			45,569
Goodwill		425,781	4,187			429,968
Other intangible assets, net		25,988	5,390			31,378
Other assets	8,355	70,660		2,316		81,331
Total assets	$ 1,926,429	$ 4,925,118	$ 1,693,375	$ 589,287	$ (4,043,943)	$ 5,090,266
Liabilities and Stockholders Equity						
Accounts payable and accrued liabilities	$ 41	$ 271,421	$	$ 32,474	$	$ 303,936
Current maturities of long-term debt		9,000		3,500		12,500
Intercompany payables	8,826	386,782	22,479	22,542	(440,629)	
Other current liabilities	840	171,329	1,285	4,709		178,163
Total current liabilities	9,707	838,532	23,764	63,225	(440,629)	494,599
Long-term debt	250,000	2,284,087		448,509	(413,009)	2,569,587
Deferred tax liabilities		22,255	188,694			210,949
Other long-term liabilities		88,641	859	4,277		93,777
Total liabilities	259,707	3,233,515	213,317	516,011	(853,638)	3,368,912
Minority interests		24,321			30,311	54,632
Membership units subject to repurchase				40,817	(40,817)	
Stockholders equity	1,666,722	1,667,282	1,480,058	32,459	(3,179,799)	1,666,722
Total liabilities and stockholders equity	$ 1,926,429	$ 4,925,118	$ 1,693,375	$ 589,287	$ (4,043,943)	$ 5,090,266

29

Table of Contents

Condensed Consolidating Balance Sheet as of December 31, 2007 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Cash and cash equivalents	$ 62	$ 399,153	$	$ 34,122	$	$ 433,337
Short-term investments		163,258		15,975		179,233
Restricted cash, cash equivalents and short-term investments	7,671	7,504		375		15,550
Inventories		64,583		625		65,208
Other current assets	102	37,201		796		38,099
Total current assets	7,835	671,699		51,893		731,427
Property and equipment, net	30	1,254,856		66,901	(5,130)	1,316,657
Investments in and advances to affiliates and consolidated subsidiaries	1,728,602	1,903,009	173,922	5,325	(3,810,858)	
Wireless licenses		18,533	1,519,638	328,182		1,866,353
Goodwill		425,782				425,782
Other intangible assets, net		45,948		154		46,102
Other assets	41	44,464		2,172		46,677
Total assets	$ 1,736,508	$ 4,364,291	$ 1,693,560	$ 454,627	$ (3,815,988)	$ 4,432,998
Liabilities and Stockholders Equity						
Accounts payable and accrued liabilities	$ 6,459	$ 210,707	$ 7	$ 8,562	$	$ 225,735
Current maturities of long-term debt		9,000		1,500		10,500
Intercompany payables	5,727	179,248	726	2,986	(188,687)	
Other current liabilities		112,626		2,182		114,808
Total current liabilities	12,186	511,581	733	15,230	(188,687)	351,043
Long-term debt		1,995,402		311,052	(272,552)	2,033,902
Deferred tax liabilities		19,606	163,229			182,835
Other long-term liabilities		88,570		1,602		90,172
Total liabilities	12,186	2,615,159	163,962	327,884	(461,239)	2,657,952
Minority interests		20,530			30,194	50,724
Membership units subject to repurchase				37,879	(37,879)	
Stockholders equity	1,724,322	1,728,602	1,529,598	88,864	(3,347,064)	1,724,322
Total liabilities and stockholders equity	$ 1,736,508	$ 4,364,291	$ 1,693,560	$ 454,627	$ (3,815,988)	$ 4,432,998

Table of Contents

Condensed Consolidating Statement of Operations for the Three Months Ended September 30, 2008 (unaudited and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$	$ 416,782	$ 4,853	$ 12,907	$ (19)	$ 434,523
Equipment revenues		60,852	228	1,094		62,174
Other revenues			18,444		(18,444)	
Total revenues		477,634	23,525	14,001	(18,463)	496,697
Operating expenses:						
Cost of service (exclusive of items shown separately below)		(134,241)	(2,888)	(10,941)	18,362	(129,708)
Cost of equipment		(109,239)	(1,240)	(2,578)		(113,057)
Selling and marketing		(69,540)	(594)	(7,273)		(77,407)
General and administrative	(1,105)	(78,485)	(856)	(7,177)	101	(87,522)
Depreciation and amortization	(5)	(81,506)	(2,292)	(2,230)		(86,033)
Impairment of assets			(177)			(177)
Total operating expenses	(1,110)	(473,011)	(8,047)	(30,199)	18,463	(493,904)
Loss on sale or disposal of assets		(402)				(402)
Operating income (loss)	(1,110)	4,221	15,478	(16,198)		2,391
Minority interests in consolidated subsidiaries		(1,064)			(202)	(1,266)
Equity in net loss of consolidated subsidiaries	(50,663)	(17,112)			67,775	
Equity in net income of investee		230				230
Interest income	6,067	16,020		876	(18,891)	4,072
Interest expense	(3,082)	(51,488)	(1)	(7,844)	17,063	(45,352)
Other income, net		1,161				1,161
Income (loss) before income taxes	(48,788)	(48,032)	15,477	(23,166)	65,745	(38,764)
Income tax expense		(2,633)	(7,391)			(10,024)
Net income (loss)	$ (48,788)	$ (50,665)	$ 8,086	$ (23,166)	$ 65,745	$ (48,788)

31

Table of Contents

Condensed Consolidating Statement of Operations for the Nine Months Ended September 30, 2008 (unaudited and in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries