LEAP WIRELESS INTERNATIONAL INC
Form 10-K/A
June 28, 2001

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

FORM 10-K/A
(AMENDMENT NO. 1)

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

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 (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	33-0811062 (I.R.S. EMPLOYER IDENTIFICATION NO.)
10307 PACIFIC CENTER COURT, SAN DIEGO, CA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	92121 (ZIP CODE)

(858) 882-6000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK, $.0001 PAR VALUE
(TITLE OF CLASS)

PREFERRED STOCK PURCHASE RIGHTS
(TITLE OF CLASS)

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

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

As of March 1, 2001, the aggregate market value of the registrant's voting stock held by non-affiliates of the registrant was approximately $901,992,839, based on the closing price of Leap's Common Stock on the Nasdaq National Market on March 1, 2001, of $31.38 per share.

As of March 1, 2001, 30,040,580 shares of registrant's Common Stock $.0001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required to be furnished pursuant to Part III of this Form 10-K will be set forth in, and is incorporated by reference to, the Registrant's definitive Proxy Statement for the annual meeting of stockholders to be held April 19, 2001, which definitive Proxy Statement will be filed by the Registrant not later than 120 days after the close of the fiscal year ended December 31, 2000.

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This Amendment No. 1 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 is being filed to amend Item 14(a) to add the audited financial statements of Pegaso Telecomunicaciones, S.A. de C.V. in accordance with Rule 3-09 of Regulation S-X.

PART III

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:

1. FINANCIAL STATEMENTS:

Pegaso Telecomunicaciones, S.A. de C.V.

Report of Independent Accountants

Consolidated Balance Sheets at December 31, 2000 and 1999

Consolidated Statements of Income for the years ended December 31, 2000 and 1999 and for the period from June 24, 1998 (date of inception) to December 31, 1998

Consolidated Statements of Cash Flows for the years ended December 31, 2000 and 1999 and for the period from June 24, 1998 (date of inception) to December 31, 1998

Consolidated Statements of Stockholders' Equity for the period from June 24, 1998 (date of inception) to December 31, 1998, and for the years ended December 31, 1999 and 2000

Notes to the Consolidated Financial Statements

The financial statements of Leap listed below are set forth in Item 8 of Leap's Annual Report on Form 10-K for the year ended December 31, 2000

Report of Independent Accountants

Consolidated Balance Sheets at December 31, 2000 and 1999

Consolidated Statements of Operations for the year ended December 31, 2000, for the period from September 1, 1999 to December 31, 1999 and for each of the two years in the period ended August 31, 1999

Consolidated Statements of Cash Flows for the year ended December 31, 2000, for the period from September 1, 1999 to December 31, 1999 and for each of the two years in the period ended August 31, 1999

Consolidated Statements of Stockholders' Equity for the year ended December 31, 2000, for the period from September 1, 1999 to December 31, 1999 and for each of the two years in the period ended August 31, 1999

Notes to Consolidated Financial Statements

2. FINANCIAL STATEMENT SCHEDULES:

Report of Independent Accountants on Financial Statement Schedule

Schedule I -- Condensed Financial Information at December 31, 2000 and 1999, and for the year ended December 31, 2000, for the period from September 1, 1999 to December 31, 1999 and for each of the two years in the period ended August 31, 1999

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. EXHIBITS:

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
2.1(1)	Share Purchase Agreement, dated as of June 2, 2000 among Endesa S.A., Leap Wireless International, Inc. and Inversiones Leap Wireless Chile, S.A.
3.1(2)	Amended and Restated Certificate of Incorporation of the Registrant.
3.1.1(3)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Registrant.
3.2(2)	Amended and Restated Bylaws of the Registrant.

3.3(4)	Form of Certificate of Designation of Series A Junior Participating Preferred Stock of Registrant.
4.1(2)	Form of Common Stock Certificate.
4.2(5)	Letter, dated as of May 5, 1999, from Qualcomm Incorporated to the Registrant.
4.2.1(6)	Superceding Warrant, dated as of August 9, 1999, issued to Qualcomm Incorporated.
4.2.2(6)	Form of Voting Agreement, dated as of August 9, 1999, between the Registrant and various officers and directors of Qualcomm Incorporated.
4.2.3(6)	Amended and Restated Agreement Concerning Share Ownership, dated as of August 4, 1999, between the Registrant and Qualcomm Incorporated.
4.3(4)	Rights Agreement, dated as of September 14, 1998, between the Registrant and Harris Trust Company of California.
4.3.1(1)	First Amendment to Rights Agreement, dated as of February 8, 2000, between Leap Wireless International, Inc. and Harris Trust Company of California.
4.3.2(1)	Second Amendment to Rights Agreement, dated as of March 30, 2000, between Leap Wireless International, Inc. and Harris Trust Company of California.
4.4(7)	Warrant Agreement, dated as of February 23, 2000, by and between the Registrant and State Street Bank and Trust Company (including Form of Warrant Certificate).
4.5(7)	Warrant Registration Rights Agreement, dated as of February 23, 2000, by and between the Registrant and Morgan Stanley & Co. Incorporated.
4.6(7)	Trust Indenture, dated as of February 23, 2000, by and among the Registrant, Cricket Communications Holdings, Inc. and State Street Bank and Trust Company (including Forms of Notes).
4.6.1(8)	Supplemental Indenture, dated as of June 13, 2000, by and among Cricket Merger Sub, Inc., the Registrant, Cricket Communications Holdings, Inc. and State Street Bank and Trust Company.
4.7(7)	Pledge Agreement, dated as of February 23, 2000, by and between the Registrant and State Street Bank and Trust Company.
4.8(7)	Registration Rights Agreement, dated February 23, 2000, by and among the Registrant, Cricket Communications Holdings, Inc. and Morgan Stanley & Co. Incorporated.
10.1(9)	Separation and Distribution Agreement, dated as of September 23, 1998, between Qualcomm Incorporated and the Registrant.
10.1.1(6)	First Amendment to Separation and Distribution Agreement, dated as of August 6, 1999, between the Registrant and

	Qualcomm Incorporated.
10.2(9)	Credit Agreement, dated as of September 23, 1998, between Qualcomm Incorporated and the Registrant.
10.3(9)	Tax Matters Agreement, dated as of September 23, 1998, between Qualcomm Incorporated and the Registrant.
10.4(9)	Interim Services Agreement, dated as of September 23, 1998, between Qualcomm Incorporated and the Registrant.
10.5(9)	Master Agreement Regarding Equipment Procurement, dated as of September 23, 1998, between Qualcomm Incorporated and the Registrant.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
10.5.1(6)	First Amendment to Master Agreement Regarding Equipment Procurement, dated as of August 6, 1999, between the Registrant and Qualcomm Incorporated.
10.6(9)	Employee Benefits Agreement, dated as of September 23, 1998, between Qualcomm Incorporated and the Registrant.
10.7(9)	Conversion Agreement, dated as of September 23, 1998, between Qualcomm Incorporated and the Registrant.
10.8(9)	Assignment and Assumption Agreement, dated as of September 23, 1998, between Qualcomm Incorporated and the Registrant.
10.9(10)	1998 Stock Option Plan, as amended through April 13, 1999.
10.9.1(2)	Form of non-qualified/incentive stock option under the 1998 Stock Option Plan.
10.9.2(2)	Form of non-qualified stock option under the 1998 Stock Option Plan granted to Qualcomm Incorporated option holders in connection with the distribution of the Registrant's common stock.
10.10(2)	Form of the Registrant's 1998 Non-Employee Directors' Stock Option Plan.
10.10.1(2)	Form of non-qualified stock option under the 1998 Non-Employee Directors' Stock Option Plan.
10.11(2)	Form of the Registrant's Employee Stock Purchase Plan.
10.12(2)	Assignment and Assumption of Lease dated August 11, 1998 between Qualcomm Incorporated and Vaxa International, Inc.
10.13(2)	Form of Indemnity Agreement to be entered into between the Registrant and its directors and officers.

10.14(11)	Asset Purchase Agreement, dated December 24, 1998, by and among Chase Telecommunications Holdings, Inc., Anthony Chase, Richard McDugald and the Registrant.
10.15(12)	Stock Purchase Agreement, dated April 12, 1999, by and among Inversiones Leap Chile S.A., Telex -- Chile S.A., and Chilesat S.A.
10.16(10)	Novation and Assumption of Payment Obligation Agreement, dated May 11, 1999, by and among Chilesat Telefonia Personal S.A., Inversiones Leap Chile S.A. and Chilesat S.A. (In Spanish and accompanied by a translation in English).
10.17(6)	Cricket Communications, Inc. 1999 Stock Option Plan (now known as Cricket Communications Holdings, Inc.).
10.17.1(7)	Amendment No. 1 to 1999 Stock Option Plan of Cricket Communications, Inc. (now known as Cricket Communications Holdings, Inc.).
10.17.2(6)	Form of non-qualified/incentive stock option under the Cricket Communications, Inc. 1999 Stock Option Plan (now known as Cricket Communications Holdings, Inc.).
10.18(6)	Employment offer letter to Susan G. Swenson from Registrant, dated July 9, 1999.
10.19(14)	System Equipment Purchase Agreement, effective as of September 20, 1999, by and between Cricket Communications, Inc. and Ericsson Wireless Communications Inc. (including exhibits thereto). Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.
10.19.1*	Amendment #1 to System Equipment Purchase Agreement, effective as of November 28, 2000, by and between Cricket Communications, Inc. and Ericsson Wireless Communications Inc. (including exhibits thereto). Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.
10.19.2*	Form of Amendment # to System Equipment Purchase Agreement, by and between Cricket Communications, Inc. and Ericsson Wireless Communications Inc. (including exhibits thereto). Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT

10.19.3*	Schedule to Form of Amendment # to System Equipment Purchase Agreement.
10.20(13)	Second Amended and Restated Deferred Payment Agreement, dated October 12, 1999, among Chilesat Telefonia Personal S.A., Inversiones Leap Chile S.A., and Qualcomm Incorporated, as Vendor, Administrative Agent and Collateral Agent Subsidiaries of the Registrant.
10.21(15)	Executive Officer Deferred Stock Plan.
10.22(3)	2000 Stock Option Plan.
10.22.1*	Form of non-qualified/incentive stock option under the 2000 Stock Option Plan.
10.23(13)	Amended and Restated System Equipment Purchase Agreement, entered into as of June 30, 2000, by and between Cricket Communications, Inc. and Lucent Technologies Inc. (including exhibits thereto). Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.
10.24(8)	System Equipment Purchase Agreement, effective as of August 28, 2000, by and between Cricket Communications, Inc. and Nortel Networks Inc. (including exhibits thereto). Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.
10.25(8)	Credit Agreement, dated as of August 28, 2000, among Cricket Communications Holdings, Inc., Cricket Communications, Inc., the lenders party thereto and Nortel Networks Inc., as Administrative Agent (including exhibits thereto). Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.
10.25.1(8)	First Amendment, dated as of October 20, 2000, to the Credit Agreement, dated as of August 28, 2000, among Cricket Communications Holdings, Inc., Cricket Communications, Inc., the lenders party thereto and Nortel Networks Inc., as Administrative Agent (including exhibits thereto).
10.26(13)	Credit Agreement, dated as of September 20, 1999, as Amended and Restated as of October 20, 2000, among Cricket Communications Holdings, Inc., Cricket Communications, Inc, the Lenders party thereto and Lucent Technologies Inc., as Administrative Agent (including exhibits thereto). Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.
10.27(8)	Credit Agreement, dated as of October 20, 2000, among Cricket Communications Holdings, Inc., Cricket Communications, Inc., the lenders party thereto and Ericsson Credit AB, as Administrative Agent (including exhibits thereto). Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities

	Exchange Act of 1934.
10.28*	Agreement for Purchase and Sale of Licenses, entered into as of November 3, 2000, by and among the Registrant, MVI Corp., Century Personal Access Network, Inc., Wisconsin RSA #7, Limited Partnership and CenturyTel, Inc.
10.29(16)	Common Stock Purchase Agreement, dated as of December 20, 2000, by and between the Registrant and Acqua Wellington North American Equities Fund, Ltd.
10.29.1(17)	First Amendment to Common Stock Purchase Agreement, entered into as of January 11, 2001, by and between the Registrant and Acqua Wellington North American Equities Fund, Ltd.
10.30*	Loan Agreement, dated as of January 22, 2001, by and among the Registrant, Qualcomm Incorporated, the other lenders from time to time party thereto, Citibank, N.A., as Administrative Agent, and Citibank, N.A., as Collateral Agent.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
10.31*	Pledge Agreement, dated as of January 22, 2001, between the Registrant and Citibank, N.A., as the Collateral Agent.
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of PricewaterhouseCoopers LLP, independent accountants.
23.2	Consent of PricewaterhouseCoopers, independent accountants.

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* Previously filed.

(1) Filed as an exhibit to Leap's Quarterly Report on Form 10-Q for the quarter ended May 31, 2000, as filed with the SEC on July 17, 2000, and incorporated herein by reference.

(2) Filed as an exhibit to Leap's Registration Statement on Form 10, as amended (File No. 0-29752), and incorporated herein by reference.

(3) Filed as an exhibit to Leap's Current Report on Form 8-K dated September 28, 2000, and incorporated herein by reference.

(4) Filed as an exhibit to Leap's Current Report on Form 8-K dated September 14, 1998, and incorporated herein by reference.

(5) Filed as an exhibit to Leap's Quarterly Report on Form 10-Q for the quarter ended February 28, 1999, as filed with the SEC on April 14, 1999, and incorporated herein by reference.

(6) Filed as an exhibit to Leap's Post-Effective Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-64459) dated August 10, 1999, and incorporated herein by reference.

(7) Filed as an exhibit to Leap's Quarterly Report on Form 10-Q for the quarter ended February 29, 2000, as filed with the SEC on April 14, 2000, and incorporated herein by reference.

(8) Filed as an exhibit to Leap's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, and incorporated herein by reference.

(9) Filed as an exhibit to Leap's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-64459) dated October 13, 1998, and incorporated herein by reference.

(10) Filed as an exhibit to Leap's Quarterly Report on Form 10-Q for the quarter ended May 31, 1999, as filed with the SEC on July 15, 1999, and incorporated herein by reference.

(11) Filed as an exhibit to Leap's Quarterly Report on Form 10-Q for the quarter ended November 30, 1998, as filed with the SEC on January 14, 1999, and incorporated herein by reference.

(12) Filed as an exhibit to Leap's Current Report on Form 8-K dated May 4, 1999, and incorporated herein by reference.

(13) Filed as an exhibit to Leap's Annual Report on Form 10-K for the fiscal year ended August 31, 1999, as filed with the SEC on October 20, 1999, as amended, and incorporated herein by reference.

(14) Filed as an exhibit to Leap's Amendment No. 1 to Annual Report on Form 10-K/A for the fiscal year ended August 31, 1999, as filed with the SEC on December 13, 1999, and incorporated herein by reference.

(15) Filed as an exhibit to Leap's Registration Statement on Form S-8 (File No. 333-94389) dated January 11, 2000, and incorporated herein by reference.

(16) Filed as an exhibit to Leap's Current Report on Form 8-K dated December 20, 2000, and incorporated herein by reference.

(17) Filed as an exhibit to Leap's Current Report on Form 8-K dated January 11, 2001, as amended by Amendment No. 1 thereto, and incorporated herein by reference.

(B) REPORTS ON FORM 8-K

(1) Current Report on Form 8-K, dated September 28, 2000 filed with the SEC on October 10, 2000. Items 5 and 7 reported, relating to the Special Meeting of Stockholders held on September 28, 2000.

(2) Current Report on Form 8-K, dated December 20, 2000 filed with the SEC on December 21, 2000. Items 5 and 7 reported, relating to Leap having entered into a common stock purchase agreement with Acqua Wellington North American Equities Fund, Ltd.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

June 27, 2001

LEAP WIRELESS INTERNATIONAL, INC.

By: /s/ HARVEY P. WHITE

Harvey P. White,
Chief Executive Officer and Director

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Pegaso Telecomunicaciones, S.A. de C.V.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of stockholders' equity present fairly, in all material respects, the financial position of Pegaso Telecomunicaciones, S.A. de C.V. and its subsidiaries at December 31, 2000 and 1999, and the results of their operations, their cash flows and the changes in their stockholders' equity for the years ended December 31, 2000 and 1999 and for the period from June 24, 1998 (date of inception) to December 31, 1998, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers

Guillermo Pineda M.
Mexico City,
January 30, 2001

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PEGASO TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(THOUSANDS OF U.S. DOLLARS)

	DECEMBER 31,	
	2000	1999

ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,964	$ 12,138
Recoverable value added tax	27,129	21,298
Clients	12,617	3,401
Other accounts receivable	4,781	2,115
Inventories	23,224	1,615
Prepaid advertising	7,181	4,821
Other advance payments	50,108	955
Total current assets	138,004	46,343
Property, furniture and telecommunications equipment -- net	426,229	305,850
Public telecommunications network concessions -- net	223,819	237,380
Underwriting commissions and fees	14,024	--
Total assets	$ 802,076	$ 589,573
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bridge loan	$ 263,148	$ 94,430
Suppliers	15,522	20,831
Vendor financing of equipment	89,045	40,933
Accounts payable for equipment	4,757	24,103
Notes payable to affiliated company	7,116	5,505
Other accounts payable and accrued expenses	73,107	30,740
Total current liabilities	452,695	216,542
Long-term liabilities:		
Bank loans	132,509	88,951
Vendor financing of equipment	197,710	109,024
Total long-term liabilities	330,219	197,975
Total liabilities	782,914	414,517
Commitments and contingencies		
Stockholders' equity:		
Capital stock	545,506	350,000
Accumulated deficit	(538,097)	(188,691)
Accumulated other comprehensive income	11,753	13,747
	19,162	175,056
Total liabilities and stockholders' equity	$ 802,076	$ 589,573

The accompanying notes are an integral part of these financial statements.

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PEGASO TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
(THOUSANDS OF U.S. DOLLARS)

PERIOD FRO

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	JUNE 24, 1998 (DATE OF INCEPTION) DECEMBER 31 1998
Revenues:			
Services	$ 78,455	$ 3,917	$ --
Sales of handsets and accessories	15,705	3,965	--
	94,160	7,882	--
Costs and operating expenses:			
Cost of services	(24,280)	(5,543)	--
Cost of sales of handsets and accessories	(134,269)	(25,139)	--
Selling, administrative and general expenses	(175,324)	(102,953)	(30,090)
Depreciation and amortization	(48,096)	(17,712)	(78)
	(381,969)	(151,347)	(30,168)
Operating loss	(287,809)	(143,465)	(30,168)
Interest (expense) income	(58,512)	(15,197)	1,194
Foreign currency exchange gain (loss) -- net	(5,995)	994	--
Other income	2,910	899	441
Foreign currency exchange loss on remeasurement of financial statements	--	--	(2,474)
Loss before income tax	(349,406)	(156,769)	(31,007)
Provision for:			
Income tax	--	(419)	(321)
Employees' statutory profit sharing	--	(175)	--
Net loss for the period	(349,406)	(157,363)	(31,328)
Other comprehensive income:			
Foreign currency translation adjustment	(1,994)	13,747	--
Comprehensive loss	$(351,400)	$(143,616)	$(31,328)

The accompanying notes are an integral part of these financial statements.

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PEGASO TELECOMUNICACIONES, S. A. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(THOUSANDS OF U.S. DOLLARS)

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	PERIOD FROM JUNE 24, 1998 (DATE OF INCEPTION) TO DECEMBER 31, 1998

Cash flows from operating activities:			
Net loss for the period	$(349,406)	$(157,363)	$ (31,328)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	48,096	17,712	78
Other provisions and interest no paid	47,850	4,412	--
Foreign exchange loss on remeasurement of financial statements	--	--	2,474
Changes in assets and liabilities:			
Recoverable value added tax	(6,016)	(11,040)	(9,443)
Clients	(9,348)	(3,356)	--
Other accounts receivable	(2,710)	(1,727)	(341)
Inventories	(21,884)	--	--
Prepaid advertising	(2,415)	(4,013)	(67)
Other current assets	--	229	(217)
Other accounts payable and accrued expenses	72,788	49,145	5,753
Total adjustments	126,361	51,362	(1,763)
Net cash used in operating activities	(223,045)	(106,001)	(33,091)
Cash flows from investing activities:			
Acquisition of property, furniture and telecommunications equipment	(69,827)	(38,356)	(77)
Public telecommunications network concessions	--	--	(233,530)
Net cash used in investing activities	(69,827)	(38,356)	(233,607)
Cash flows from financing activities:			
Bank loans	140,000	90,000	--
Capital stock increase	195,506	50,000	300,000
Interest paid Qualcomm	(24,671)	--	--
Interest paid Alcatel	(19,132)	--	--
Net cash provided by financing activities	291,703	140,000	300,000
Effect of exchange rate fluctuations on cash	1,995	(13,818)	(2,989)
Net increase (decrease) in cash and cash equivalents	826	(18,175)	30,313
Cash and cash equivalents at beginning of period	12,138	30,313	--
Cash and cash equivalents at end of period	$ 12,964	$ 12,138	$ 30,313
Supplemental disclosures of cash flow information:			
Income tax paid	$ --	$ 536	$ --
Interest paid	43,803	8,922	14
Prepaid advertising contracted with notes payable	500	420	5,941
Property, furniture and telecommunications equipment acquired through financing	134,775	121,054	132,297
Inventories acquired through financing	--	1,609	--

The accompanying notes are an integral part of these financial statements.

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PEGASO TELECOMUNICACIONES, S. A. DE C. V.

STATEMENT OF STOCKHOLDERS' EQUITY
(THOUSANDS OF U.S. DOLLARS)

	CAPITAL STOCK	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOT
Issuance of stock at inception on June 24, 1998	$ 11	$ --	$ --	$
Additional capital stock issued on June 30 and September 28, 1998	299,989	--	--	299
Loss for the period	--	(31,328)	--	(31
Balances at December 31, 1998	300,000	(31,328)	--	268
Capital stock increase	50,000	--	--	50
Loss for the period	--	(157,363)	--	(157
Foreign currency translation adjustment	--	--	13,747	13
Balances at December 31, 1999	350,000	(188,691)	13,747	175
Capital stock increase	195,506	--	--	195
Loss for the period	--	(349,406)	--	(349
Foreign currency translation adjustment	--	--	(1,994)	(1
Balances at December 31, 2000	$545,506	$(538,097)	$11,753	$ 19

The accompanying notes are an integral part of these financial statements.

PEGASO TELECOMUNICACIONES, S. A. DE C. V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 2000
(AMOUNTS EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

NOTE 1 -- OPERATIONS OF THE COMPANY AND SUBSIDIARIES:

Pegaso Telecomunicaciones, S. A. de C. V. (Telecomunicaciones), a Mexican holding company, was incorporated on June 24, 1998, for a duration of 99 years. At December 31, 2000, the stockholders of Telecomunicaciones were Mr. Alejandro Burillo Azcarraga ("Mr. Burillo") and related parties, Sprint Mexico, Inc., a subsidiary of Sprint Corporation ("Sprint"), Leap PCS Mexico, Inc. a subsidiary of Leap Wireless International, Inc. ("Leap") and certain investment funds.

At December 31, 2000, Telecomunicaciones and its subsidiaries (collectively, the "Company") held 100% of the capital stock of the following Mexican subsidiaries:

SUBSIDIARY	ACTIVITY
Pegaso Comunicaciones y Sistemas, S. A. de C. V. (Comunicaciones y Sistemas)	Holds the concessions and the telecommunications equipment for wireless telephone services provided by PCS.
Pegaso PCS, S. A. de C. V. (PCS)	Provides wireless telephone services to the general public through an agency agreement with Comunicaciones y Sistemas.

Pegaso Recursos Humanos, S. A. de C. V. (Recursos Humanos)	Provides administrative services to the Company.
Pegaso Finanzas, S. A. de C. V	Finance company.
Pegaso Finco I, S. A. de C. V	Inactive.

The Company is engaged in providing nationwide mobile telephone services in Mexico. Comunicaciones y Sistemas holds the concessions granted by the Mexican Ministry of Communications (Secretaria de Comunicaciones y Transportes -- SCT).

The concessions include the rights to install, operate and exploit a nationwide public telecommunications network for a period of up to 20 years, with an option to extend the concessions at the end of the 20-year period. (See Note 5).

The Company's development from inception has been financed with capital contributions made by the stockholders (see Note 9) and different lines of credit (see Notes 6, 7 and 8). Some lines of credit are secured by all Company properties, rights and assets. The recoverability of the Company's investment is dependent upon future events, including, but not limited to, the stability of the Mexican economic environment, obtaining adequate financing for developing and expanding its PCS network, and the achievement of a level of operating revenues that is sufficient to support the Company's cost structure.

The Company launched wireless telecommunications services in Tijuana in February 1999, Guadalajara in August 1999, Monterrey in September 1999, and Mexico City in December 1999. In December 2000, the Company launched its service in Ensenada, Nuevo Laredo, Reynosa, Toluca and Chapala. Prior to those dates, the Company's business consisted of the installation and construction of its network and other start-up activities.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements include the adjustment and translation/remeasurement of the Mexican peso consolidated financial statements prepared in conformity with accounting principles generally accepted in Mexico. Such financial statements constitute a suitable basis for adjustment and translation/remeasurement into U.S. dollars for purposes of expressing them in conformity with accounting principles generally accepted in the United States of America.

The significant accounting policies, as adjusted, are shown below:

a. TRANSLATION:

As of January 1, 1999, Mexico is no longer considered a hyperinflationary economy. Therefore, for the purposes of translating its Mexican peso financial statements to U.S. dollars in accordance with Statement of Financial Accounting Standard ("SFAS") No. 52, the Company changed the functional currency from the U.S. dollar to the Mexican peso. Accordingly, monetary and non-monetary assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Capital stock has been translated at historic observed exchange rates. Revenues, expenses, gains and losses are translated at the average exchange rate for the year. The net equity effects of translation are recorded in the cumulative foreign currency translation adjustment account as a part of accumulated other comprehensive income.

b. CONSOLIDATION:

The accompanying financial statements include the accounts of Telecomunicaciones and its wholly-owned subsidiaries prepared in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in the consolidation.

c. CASH EQUIVALENTS:

Cash equivalents are recorded at cost, which approximates market value, and include all investments purchased with original maturities of three months or less.

d. INVENTORIES AND COST OF SALES:

Inventories are initially recorded at average cost and subsequently adjusted by an estimation for realization. The resulting amounts are not in excess of market value.

Cost of sales is recorded following the average cost method.

e. ADVERTISING COSTS:

Advertising costs are expensed as incurred. Prepaid media advertising, including television airtime, magazine and other print media, is deferred and recorded as a current asset, and expensed when the advertising airtime or space is used.

f. PROPERTY, FURNITURE AND TELECOMMUNICATIONS EQUIPMENT:

Property, furniture and telecommunications equipment are recorded at cost.

Depreciation is calculated by the straight-line method, based on the estimated useful lives of said items, ranging from four to twenty years.

Leasehold improvements are capitalized at cost and are amortized using the straight-line method over a period no longer than the contract period.

g. PUBLIC TELECOMMUNICATIONS NETWORK CONCESSIONS:

The public telecommunications network concessions include the cost of the radio-electric frequency band concession and other related costs, and are recorded at cost.

Amortization is calculated by the straight-line method, over the concession period, which is 20 years.

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h. INCOME TAXES:

Current income tax is the amount of income tax expected to be payable for the current period. A deferred tax asset or liability is computed for both the expected future impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss carryforwards. A valuation allowance is established for deferred tax assets not expected to be realized.

i. CAPITALIZED INTEREST COST:

Property, furniture and telecommunications equipment, as well as the public telecommunications network concessions, include the capitalization of the interest costs, related to their acquisition.

j. REVENUE RECOGNITION:

The Company's revenue recognition policies are in compliance with Securities and Exchange Commission Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements". Revenues from prepaid airtime, calling party pays, roaming and interconnection fees and postpaid services, are recognized as revenue when the service is provided.

The revenue and related expenses associated with the sale of handsets are recognized when the products are delivered and accepted by customers, as this is considered to be a separate earning process from the sale of wireless services.

k. IMPAIRMENT OF LONG-LIVED ASSETS:

The Company evaluates potential impairment losses on long-lived assets by assessing whether the unamortized carrying amount can be recovered over the remaining life of the assets through undiscounted future expected cash flows generated by the assets and without interest charges. If the sum of the expected future undiscounted cash flow is less than the carrying amount of the assets, a loss is recognized for the difference between the fair value and carrying value of the assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment losses have been recorded by the Company.

l. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable.

The Company maintains its cash and cash equivalents at various major financial institutions, and are principally invested in short-term time deposits and money market accounts.

Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers throughout Mexico. The Company maintains allowances for doubtful accounts based on the expected collectibility of all receivables.

m. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The estimated fair value of the Company's financial instruments has been determined using available market information and appropriate valuation methodologies. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values because of the short-term maturity of these instruments. The Company's bank loans and other debt are subject to interest at variable rates, and as a result, the book value of such liabilities approximates their fair values.

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N. NEW ACCOUNTING REQUIREMENTS:

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which was subsequently amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133, as amended, is effective for fiscal years beginning after June 15, 2000. The Statement requires an entity to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. The Company does not currently utilize derivative instruments and, consequently, this statement is not expected to have a material impact on the Company.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a replacement of SFAS No. 125, "Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities." This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Company will assess the impact of this standard on securitization transactions that are entered into subsequent to the effective date of the standard.

NOTE 3 -- BALANCES AND TRANSACTIONS WITH AFFILIATED COMPANIES AND OTHER RELATED PARTIES:

Accounts payable to affiliated companies are as follows:

	DECEMBER 31,	
	2000	1999
Leap Wireless International, Inc. and subsidiaries.........	$2,839	$5,085
Sprint Spectrum L. P.	4,277	--
Grupo Televisa, S. A. and subsidiaries(1)..................	--	420
	$7,116	$5,505

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(1) Grupo Televisa, S. A., ceased being an affiliated company on July 13, 2000.

Following is a summary of the main transactions with affiliated companies and other related parties:

	DECEMBER 31,		
	2000	1999	1998
Revenues:			
International roaming from Sprint..................	$ 629	$ --	$ --
Expenses:			
Equipment purchases from Qualcomm(1)................	--	--	80,100

Interest on advances from stockholders	--	--	1,697
Professional services(2)	28,759	39,564	586
Advertising services	4,915	4,100	6,256
Rent payments to stockholders(3)	1,669	1,776	40
Royalties to Sprint(4)	2,441	--	--
Management services to Sprint(4)	4,335	--	--

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(1) Qualcomm Incorporated ("Qualcomm") ceased being an affiliated company on September 23, 1998.

(2) Provided by Leap Wireless Mexico, S. A. de C. V., a subsidiary of Leap Wireless International, Inc.; represents mainly advisory services paid in connection with the Company's organization, start-up activities and supervision of the design and implementation of the network. These services are subcontracted to GTE Data Services Mexico, S. A. de C. V.

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(3) Includes $228 paid to Grupo Televisa, S.A. and subsidiaries for the lease of two offices, the lease agreements for which expire in May and September 2003. Grupo Televisa S.A. ceased being an affiliated company on July 13, 2000. This also includes $170 paid directly to Mr. Alejandro Burillo Azcarraga for the lease of two offices, and to the following entities in which he has an interest: $695 to Participacion Activa en Empresas, S.A. de C.V. and $576 to Palmas Plaza.

(4) Royalties and services as per the agreements described in Note 11.

NOTE 4 -- PROPERTY, FURNITURE AND TELECOMMUNICATIONS EQUIPMENT:

	DECEMBER 31, 2000	DECEMBER 31, 1999	ANNUAL DEPRECIATION RATE (%)
Telecommunications equipment	$408,257	$282,901	25,10,8 and 5
Furniture and equipment	6,420	6,633	10
Computer equipment	20,884	16,311	30
Transportation equipment	2,261	1,439	25
Leasehold improvements	6,362	2,999	20
Maintenance equipment	478	141	10
	444,662	310,424	
Accumulated depreciation	(42,418)	(7,798)	
	402,244	302,626	
Land	91	90	
Telecommunications equipment in the process of installation	23,894	3,134	
	$426,229	$305,850	

(AMOUNTS EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

Telecommunications equipment includes capitalized financing costs of $15,766 and $12,889 as of December 31, 2000 and 1999, respectively.

NOTE 5 -- PUBLIC TELECOMMUNICATIONS NETWORK CONCESSIONS:

On October 7, 1998, the Company obtained the concessions to frequency bands of the radio-electric spectrum to provide nationwide wireless fixed and inducement access telecommunications services. Balances are as follows:

	DECEMBER 31,	
	2000	1999
Cost of concession (includes $1,278 of capitalized interest at December 31, 2000 and 1999, respectively)	$246,407	$247,700
Accumulated amortization	(22,588)	(10,320)
	$223,819	$237,380

Concessions include the rights to provide the following services:

- Fixed or mobile wireless telephone service.

- Transmission or reception of signals, images, voice, sounds or information of any nature through the network, and additional services authorized by the SCT.

- Access to data networks, videos, audio and videoconferences.

NOTE 6 -- BRIDGE LOAN:

On May 27, 1999, the Company entered into a Bridge Loan Agreement with Citibank N.A. acting as administrative agent, Societe Generale acting as syndication agent, ABN AMRO Bank N.V. acting as documentation agent and Qualcomm Incorporated ("Qualcomm") acting as guarantor.

Under this agreement, the Company may borrow principal amounts of up to US$100 million and $15 million for credit facility to finance interest payments at varying interest rates. The weighted average interest rate was 12.60% in 1999 and 11.02% in 2000.

The agreement contains certain covenants, including, but not limited to, a restriction on the payment of dividends and the sale of fixed assets.

On the same date, Qualcomm and Citibank N.A entered into a Guaranty Agreement ("Qualcomm Guaranty") under which Qualcomm guarantees the timely payment in full when due of all the Company's obligations under the Bridge Loan Agreement.

To induce Qualcomm to enter into the Bridge Loan Agreement and to issue the Qualcomm Guaranty:

1. The Company entered into a Stock Option Agreement with Qualcomm, dated May 27, 1999, under which Qualcomm was granted an option to subscribe and purchase up to 353,585 limited voting series N treasury shares of the Company's capital stock, with no par value. The option may be exercised at any time or from time to time on or after the earlier of (x) the date on which any and all amounts under the Bridge Loan Agreement are paid in full and (y) the scheduled maturity date of the Bridge Loan which is currently June 15, 2001. The exercise price of the option is US$0.01.

In the event Qualcomm exercises the option, the number of shares to be subscribed will be determined based on the internal rate of return (as defined) on the cash flows paid to the lenders, provided that if the internal rate of return is greater than or equal to 20%, then the number of shares to be subscribed will be zero.

2. Leap entered into a counter-guaranty providing for a guarantee by Leap of 33% of the Company's obligations under the Bridge Loan Agreement.

3. Mr. Burillo entered into a counter-guaranty providing for a guarantee by Mr. Burillo of 15% of the Company's obligations under the Bridge Loan Agreement.

In addition, as a condition for Leap and Mr. Burillo to issue the above-mentioned counter-guaranties, the Company entered into a Stock Option Agreement with each of them, dated on May 27, 1999, under which Leap and Mr. Burillo were granted an option to subscribe and purchase up to 243,090 and 110,495, respectively, limited voting series N treasury shares of the Company's capital stock, with no par value. The terms of these contracts are similar to those in the Stock Option Agreement entered into by the Company and Qualcomm mentioned above. Additionally, an Irrevocable Administration and Guarantee Trust agreement was signed by Leap and Mr. Burillo as trustors, Qualcomm as beneficiary, and Banco INVEX, S.A., Institucion de Banca Multiple (INVEX) as trustee. Under this agreement, INVEX may exercise the options on behalf of Qualcomm to execute the counter-guarantee.

On February 8, 2000, the Bridge Loan Agreement was amended, and the total borrowing amount was increased to $175 million and $15 million for a credit facility to finance interest payments. The applicable interest rates were increased by approximately 1%.

On November 17, 2000, a new amendment to the Bridge Loan Agreement was signed to increase the borrowing amount to US$300 million and $15 million for a credit facility to finance interest payments and to

extend the original maturity date from November 28, 2000 to June 15, 2001. As a consequence of this amendment the Stock Option Agreements mentioned in points 1, 2 and 3 above were amended, and additional options were granted to Qualcomm, Leap and Mr. Burillo for 254,645, 175,068 and 79,577 shares, respectively.

As of December 31, 2000 and 1999, $263.1 million and $94.4 million, respectively, was outstanding under the Bridge Loan Agreement. Interest expense in 2000 and 1999 amounted to $26.3 million and $3.7 million, respectively.

NOTE 7 -- QUALCOMM'S FINANCING COMMITMENT AGREEMENTS:

On December 22, 1999, Qualcomm and the Company signed an agreement under which Qualcomm committed to the underwriting of a $250 million term loan facility upon the Company's request, subject to certain conditions. The proceeds of the term loan facility may only be used by the Company for capital expenditures, working capital and operating expenses.

On April 26, 2000, the Company paid Qualcomm $13.4 million corresponding to commissions and other fees under this agreement. As of December 31, 2000, the Company recognized $5.0 million as commitment fees which are being amortized over the commitment period. Amortization charged to income in 2000 amounted to $3.3 million. The remaining $8.4 million was recorded as prepaid expenses in non-current assets, and the Company expects to amortize it once a term loan facility transaction is closed with Qualcomm or to expense it if the Company obtains such resources from other parties.

Under the same agreement, Qualcomm committed to the underwriting of a high-yield bond offering of $250 million upon the Company's request. The proceeds of the offering may only be used by the Company for capital expenditures, working capital and operating expenses. Under this agreement, the Company must pay commissions and other fees of $23.8 million in the event the high-yield bond transaction is closed with Qualcomm. Qualcomm's commitments are subject to conditions, including: (1) the continuing validity of the Company's licenses, (2) the negotiation of amendments to the existing vendor credit facilities and the consent of the lenders under those facilities, and (3) the absence of any event or circumstance that has or could reasonably be expected to have a material adverse effect on the Company's financial condition.

On November 17, 2000, Qualcomm confirmed that both of these commitments will be effective through June 15, 2001.

NOTE 8 -- VENDOR FINANCING AND BANK LINES:

The Company has entered into certain agreements for the acquisition of telecommunications equipment, services and installation consultancy. These commitments will be financed through vendor financing contracts, which are summarized as follows:

EQUIPMENT SUPPLIER	FINANCING AGENT	CREDIT LIN
Qualcomm.......................................	Qualcomm loan managed by ABN AMRO Bank N.V.	$310,000(1
Alcatel..	Syndicated loan managed by Citibank International, Plc.	$287,500(2

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(1) Qualcomm credit line

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The Qualcomm credit line is up to $310 million, available as shown below:

CREDIT	AVAILABILITY	AUTHORIZED LIN (MILLIONS)
Loan 1	From the date of authorization to December 31, 2000	$200
Loan 2	From January 1, 2001 to December 31, 2002	90
Additional loan	From the date of authorization to December 31, 2002	20
		$310

This loan facility is subject to interest at the LIBOR plus 4.5 points. Interest is to be paid at various intervals ranging from monthly to biannually, depending upon the type of loan under which the amount has been disbursed. Interest expense amounted to $135, $15,319 and $21,578 in 1998, 1999 and 2000, respectively.

Under our vendor financing facilities with Alcatel and Qualcomm, some of our borrowings are initially classified as short-term debt until they are rolled over into a long-term facility.

As of December 31, 2000, $197.7 million was outstanding under this line of credit and as of December 31, 1999, $109 million was outstanding, which is shown in the consolidated balance sheet as long-term vendor financing of equipment. The short-term vendor financing of equipment, interest and commitment balances shown in the consolidated balance sheet includes liabilities of $89.0 million and $40.9 million as of December 31, 2000 and 1999, respectively, payable to Qualcomm Inc, Ericsson Wireless and Ericsson Telecom (Mexico), S.A. de C.V., which are pending approval by Qualcomm to be considered as part of the line of credit facilities.

Debt maturities for the five years subsequent to December 31, 2000, are as follows:

DECEMBER 31,	AMOUNT
2002	$ 21,275
2003	50,182
2004	80,591
2005	45,662
	$197,710

The principal payments on loans managed by ABN AMRO BANK, N.V. will be negotiated in good faith and must be agreed upon by both parties prior to disbursement.

(2) Alcatel credit line

The Alcatel credit line is for up to $ 287.5 million, the availability of which is as follows:

CREDIT	AVAILABILITY	AUTHORIZED LIN
		(MILLIONS)
Loan 1..........................	From the date of authorization to December 31, 2000	$170.0
Loan 2..........................	From January 1, 2001 to December 31, 2002	100.0
Additional loan 1...............	From the date of authorization to December 31, 2000	10.0
Additional loan 2...............	From January 1, 2001 to December 31, 2002	7.5
		$287.5

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These loans bear interest at the Eurodollar rate plus 4.5 points per year and to an adjustable margin (9.75%, 10.10% and 10.98% at December 31, 1998, 1999 and 2000, respectively). As of December 31, 2000, the interest payable was $474. Interest expense amounted to $10.2 million in 1998, $4.8 million in 1999 and $13.3 million in 2000.

At December 31, 1999 and 2000, $88.9 million and $132.5 million, respectively, was outstanding under this line of credit and is included in long-term bank lines of credit. The Company has received an extension from Alcatel to use the remaining unused portion of Loan 1, $37.5 million, up to March 2001. The schedules of maturities on the outstanding amounts are as shown below:

DECEMBER 31,	AMOUNT
2002..	$ 16,000
2003..	34,480

(AMOUNTS EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

2004	55,720
2005	26,309
	$132,509

The LIBOR interest rate on a quarterly basis as of December 31, 1999 and 2000 was 6.00125% and 6.39875% respectively.

The Company has pledged all its properties, rights and assets to secure the obligations derived from these vendor financing agreements. Additionally, on June 18, 1999, the Company, as trustor, established an irrevocable administration and guarantee trust with Citibank Mexico, S.A. de C.V., with Grupo Financiero Citibank as representative of the beneficiaries of the guarantees and as agent of the guarantees, and INVEX, as trustee. The purpose of the trust agreement is to guarantee payment of obligations arising from the vendor financing agreements signed with Qualcomm and Alcatel. The Company has pledged its shares in Comunicaciones y Sistemas, PCS and Recursos Humanos to the trust.

The lines of credit establish, among other things, the following obligations and restrictions for the Company:

a. Disbursements from the lines of credit can be utilized only for the acquisition of telecommunications equipment from Qualcomm and Alcatel.

b. The capital stock must be increased by two contributions of $50 million each by July 31, 1999 and August 31, 2000. Both contributions have been made.

c. Neither dividend payments nor capital distributions should be made during the loan periods.

NOTE 9 -- STOCKHOLDERS' EQUITY:

The Company was incorporated on June 24, 1998, with an initial capital contribution of $11 for the subscription of 100,000 common shares with a par value of one Mexican peso each.

On June 30, 1998, the Company exchanged the original 100,000 common shares for 1,000 shares with no par value. On that same date, the Company received $1 from its stockholders in exchange for the issuance of 200 common shares with no par value.

On September 28, 1998, Telecomunicaciones received $299,988 in exchange for the issuance of 7,499,388 Series A, Class II shares, 7,199,412 Series B, Class II shares, and 15,300,000 Series N Class II shares.

On July 27 and 30, 1999, the Company received $50,000 in exchange for the issuance of 5,000,000 common Series N shares with no par value.

At December 31, 1999, the authorized capital stock was composed of 35,000,000 no-par-value shares.

On April 26, 2000, the Company received $145,506 in exchange for the issuance of 7,561,547 series II-N and 2,152,977 Series II-B shares with no par value. This contribution was made by Sprint Mexico Inc, a subsidiary of a U.S. telecommunications corporation.

On August 30, 2000, the Company received $50,000 in exchange for the issuance of 5,000,000 Series II-N shares with no par value. This contribution was made by Mr. Alejandro Burillo Azcarraga.

As of December 31, 2000, the Company's authorized capital stock was represented by 50,930,984 shares with no par value. The Company's issued and outstanding capital stock as of December 31, 2000 consisted of:

	NUMBER OF SHARES	AMOUNT
Class I (fixed minimum portion)		
Series A shares..................................	612	$ 6
Series B shares..................................	588	6
Class II (variable portion)		
Series A shares..................................	7,499,388	74,994
Series B shares..................................	7,199,412	87,065
Series N shares..................................	35,014,524	383,435
	49,714,524	$545,506

Series N Class II shares have limited voting rights.

In the event of a capital stock reduction, the portion of capital stock exceeding contributions made is subject to income tax, payable by the Company, equivalent to 53.85% of such excess.

As of December 31, 2000, the Company has lost more than two thirds of its capital stock. This is a legal cause of dissolution, which any interested party may request be declared by the courts.

NOTE 10 -- INCOME TAX, ASSET TAX AND EMPLOYEES' STATUTORY PROFIT SHARING:

Telecomunicaciones and its subsidiaries pay income tax and asset tax on an individual company basis.

For the years ended December 31, 2000 and 1999, Telecomunicaciones generated a net tax loss of $6,649 and $5,176, respectively, and two of its subsidiaries generated a combined net tax loss of $389,274 and $110,392, respectively. The other subsidiary, Recursos Humanos, had a net taxable loss of $1,174 and a net tax income of $1,756 for the years ended December 31, 1999 and 2000. Therefore, for the periods ended December 31, 1999 and 1998, Recursos Humanos recognized a tax provision of $419 and $321 respectively, as shown in the consolidated financial statements.

(AMOUNTS EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

Tax loss carryforwards can be inflation indexed by applying factors derived from the NCPI from the date on which losses arise through the date of their utilization. Those restated tax loss carry-forwards can be offset against future taxable income, and expire as follows:

EXPIRATION YEAR	AMOUNT
2008	$ 17,891
2009	130,404
2010	397,097
	$545,392

Taxable income differs from accounting income due to permanent differences excluded by law from the determination of tax results, mainly the tax effect of inflation and recurring timing differences.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	DECEMBER 31,		
	2000	1999	1998
Inventories	$ (8,128)	$ (565)	$ --
Fixed assets	(4,695)	(10,867)	--
Concession	(22,750)	(3,838)	--
Preoperating expenses	6,490	4,960	4,660
Other temporary items	2,164	(836)	(8,692)
Tax loss carryforwards	190,887	70,955	4,546
Valuation allowance	(163,968)	(59,809)	(514)
	$ --	$ --	$ --

The statutory IT rates for 2000 and 1999 were 35%. The following items represent the principal differences between income taxes computed at the statutory tax rate and the Company's provision for income taxes for the periods ended December 31, 2000 and 1999:

	DECEMBER 31,		
	2000	1999	1998
Tax at statutory rate	(35)%	(35)%	(34)%
Foreign exchange loss on remeasurement of financial statements	--	--	3%
Permanent items, including inflationary effects	(5)%	6%	7%

Interest and consultancy fees	--	(3)%	(5)%
Preoperating expenses	--	--	15%
Other temporary items	(1)%	(1)%	--
Amortization of concession	(3)%	(7)%	--
Valuation allowance	44%	40%	15%
Effective IT rate	--	--	1%

Asset tax is determined by applying the rate of 1.8% to the net amount of certain assets and liabilities, and is payable only when asset tax exceeds income tax. The Company will not be subject to the payment of asset tax until the year 2002, because the Mexican Tax Law states that start-up companies are not subject to asset tax payment during the first four years from the date of incorporation.

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Employees' Statutory Profit Sharing is determined at the rate of 10% on the taxable income of each company, on a basis similar to income tax. For the period ended December 31, 1999, one of the Company's subsidiaries, Pegaso Recursos Humanos generated employees' statutory profit sharing amounting to $175. For the year ended December 31, 2000, the Company generated no taxable income subject to the payment of employees' statutory profit sharing.

NOTE 11 -- AGREEMENTS WITH SPRINT:

In April 2000, the Company entered into various service and technology-related agreements with Sprint.

Under these agreements, Sprint has, among others:

- granted the Company the exclusive right to obtain licenses to use in Mexico the technology used by Sprint to provide wireless telephone services in the United States;

- granted the Company the exclusive right to use Sprint business know-how in Mexico;

- agreed to make reasonable efforts to allow the Company to purchase goods from its suppliers under its enterprise contracts;

- agreed to provide services requested by the Company from time to time, including:

  -- network operations

  -- marketing

  -- product development

  -- subscriber equipment and handset logistics

  -- customer care

(AMOUNTS EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

-- revenue operations, and

-- information technology; and

- agreed not to provide these services to any other party in Mexico in connection with wireless telephone services.

Under the technology access and service agreement, the Company has agreed to pay a royalty equal to a percentage of its annual net service revenues plus a percentage of its annual EBITDA (in each case, as defined in the agreement) on a monthly basis, as set forth in the table below:

YEAR	PERCENTAGE OF ANNUAL NET SERVICE REVENUE	PERCENTAGE OF ANNUAL EBITDA
2000	4.50%	--
2001	3.75%	0.50%
2002	3.00%	0.75%
2003	2.50%	1.25%
2004	2.50%	1.50%
2005 and later	2.25%	2.25%

The technology access and service agreement contemplates that Sprint may propose to restructure the royalty rate after the third anniversary of the agreement. If the Company is unable to agree on a restructured

royalty rate and Sprint notifies the Company that it is unwilling to continue the agreement under the current rate structure, then either party may terminate the agreement.

The technology access and service provisioning agreement has a 10 year term and will automatically be renewed for three successive 10 year renewal periods (for a maximum of 40 years, including the initial term), unless it is terminated or, at least one year prior to the commencement of any renewal period, either party notifies the other that it does not wish to renew the agreement.

NOTE 12 -- COMMITMENT AND CONTINGENCIES:

a. The Company leases offices and other spaces related to its business under operating lease agreements expiring through 2006. Annual minimum lease payments under these leases are as follows:

YEAR	AMOUNT
2001	$ 3,570
2002	3,309
2003	2,819

2004	1,403
2005	560
2006	156
	$11,817

Additionally, the Company has site operating leases for the network at an annual cost of approximately $4,695 payable on a monthly, bimonthly and quarterly basis. These lease contracts are renewable generally on an annual basis.

Lease payments charged to income in 2000, 1999 and 1998 amounted to $15,891, $13,430 and $824, respectively.

b. The Company is committed to purchase 50% of its handsets from Kyocera under the existing handset supply agreement for a period of five years starting February 15, 1999. The handsets must contain and utilize Qualcomm's Application Specific Integrated Circuits, known as the Q-Chip. In addition, the Company has agreed with Qualcomm and Ericsson to use the "cdmaOne" and the "multi-carrier mode" of the ITU proposed third generation CDMA standard exclusively as the primary technology for its wireless telecommunications.

c. The company issued purchase orders for the acquisition of telecommunications equipment, services and installation consultancy to be received in 2001 for an amount of $37,595.

These purchases are expected to be financed through the vendor financing facilities described in Note 8.

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

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

Our audits of the consolidated financial statements referred to in our report dated February 28, 2001 appearing in this Annual Report on Form 10-K of Leap Wireless International, Inc. also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

San Diego, California
February 28, 2001

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LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED INFORMATION AS TO THE

FINANCIAL CONDITION OF THE REGISTRANT
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Cash and cash equivalents	$ 106,504	$ 35,713
Restricted cash equivalents and short-term investments	13,575	20,550
Short-term investments	16,237	--
Other current assets	1,631	3,684
Total current assets	137,947	59,947
Property and equipment, net	5,763	2,467
Investments in and loans receivable from subsidiaries	705,455	118,506
Intangible assets, net	28,907	18,920
Restricted investments	51,896	--
Deposits and other assets	114,040	2,496
Total assets	$1,044,008	$ 202,336
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ 8,618	$ 3,810
Other current liabilities	12,319	--
Total current liabilities	20,937	3,810
Long-term debt	438,143	187,570
Other long-term liabilities	1,670	64
Total liabilities	460,750	191,444
Stockholders' equity:		
Preferred stock -- authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding	--	--
Common stock -- authorized 300,000,000 shares; $.0001 value, 28,348,694 and 20,039,556 shares issued and outstanding at December 31, 2000 and 1999 respectively	3	2
Additional paid-in capital	893,401	292,933
Unearned stock-based compensation	(10,019)	--
Accumulated deficit	(302,898)	(277,720)
Accumulated other comprehensive income (loss)	2,771	(4,323)
Total stockholders' equity	583,258	10,892
Total liabilities and stockholders' equity	$1,044,008	$ 202,336

See accompanying notes to condensed financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED INFORMATION AS TO THE RESULTS OF OPERATIONS OF THE REGISTRANT
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31, 2000	PERIOD FROM SEPTEMBER 1, 1999 TO DECEMBER 31, 1999	YEAR ENDED AUGUS	
			1999	1
Operating expenses:				
Selling, general and administrative expenses...	$(35,233)	$ (4,883)	$ (17,004)	$ (
Depreciation and amortization.................	(815)	(212)	(563)	
Total operating expenses..............	(36,048)	(5,095)	(17,567)	(
Operating loss...............................	(36,048)	(5,095)	(17,567)	(
Equity in net loss of and write-down of investments in and loan receivable from subsidiaries................................	110,229	(62,351)	(150,897)	(3
Interest income................................	23,490	1,022	960	
Interest expense...............................	(81,622)	(6,196)	(6,102)	
Foreign currency transaction gains, net..........	361	--	--	
Gain on sale of wholly-owned subsidiaries........	(4,484)	--	9,097	
Other income (expense), net....................	2,021	(3,226)	(104)	
Income (loss) before income taxes and extraordinary items..........................	13,947	(75,846)	(164,613)	(4
Income taxes...................................	(9,693)	--	--	
Income (loss) before extraordinary items.........	4,254	(75,846)	(164,613)	(4
Extraordinary loss on early extinguishment of debt...	(4,422)	--	--	
Net loss....................................	$ (168)	$(75,846)	$(164,613)	$(4
Basic net income (loss) per common share:				
Income (loss) before extraordinary items.......	$ 0.16	$ (4.01)	$ (9.19)	$
Extraordinary loss...........................	(0.17)	--	--	
Net loss.................................	$ (0.01)	$ (4.01)	$ (9.19)	$
Diluted net income (loss) per common share:				
Income (loss) before extraordinary items.......	$ 0.13	$ (4.01)	$ (9.19)	$
Extraordinary loss...........................	(0.14)	--	--	
Net loss.................................	$ (0.01)	$ (4.01)	$ (9.19)	$
Shares used in per share calculations:				
Basic......................................	25,398	18,928	17,910	1
Diluted....................................	32,543	18,928	17,910	1

See accompanying notes to condensed financial statements.

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LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED INFORMATION AS TO THE
CASH FLOWS OF THE REGISTRANT
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 2000	PERIOD FROM SEPTEMBER 1, 1999 TO DECEMBER 31, 1999	YEAR ENDED AUGU	
			1999	1
Net cash used in operating activities........	$(128,328)	$ (5,620)	$ (17,286)	$
Investing activities:				
Purchase of property and equipment.........	(1,944)	(50)	(3,182)	
Investments in and loans to subsidiaries...	(400,536)	(18,990)	(186,707)	(1
Acquisitions, net of cash acquired.........	(4,475)	--	--	
Purchase of wireless licenses.............	(14,934)	--	--	
Net proceeds from disposal of subsidiaries...........................	4,311	--	16,024	
Purchases of investments..................	(125,657)	--	--	
Sale and maturity of investments..........	104,410	--	--	
Restricted cash equivalents and investments, net.......................	(44,921)	(20,500)	--	
Net cash used in investing activities......................	(483,746)	(39,540)	(173,865)	(1
Financing activities:				
Proceeds from issuance of senior and senior discount notes.........................	550,102	--	--	
Proceeds from loans payable to banks and long-term debt.........................	31,022	61,650	128,584	
Repayment of loans payable to banks and long-term debt.........................	(226,708)	--	(17,500)	
Issuance of common stock..................	341,949	1,721	2,301	
Payment of debt financing costs...........	(13,500)	--	--	
Former parent company's investment.........	--	--	95,268	1
Net cash provided by financing activities......................	682,865	63,371	208,653	1
Net increase in cash and cash equivalents....	70,791	18,211	17,502	
Cash and cash equivalents at beginning of period..................................	35,713	17,502	--	
Cash and cash equivalents at end of period...	$ 106,504	$ 35,713	$ 17,502	$

See accompanying notes to condensed financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Leap Wireless International, Inc. ("Leap"), a Delaware corporation, is the parent company of all Leap subsidiaries. The accompanying condensed financial statements reflect the financial position, results of operations and comprehensive loss and cash flows of Leap on a separate basis. All subsidiaries of Leap are reflected as investments accounted for under the equity method of accounting.

No cash dividends were paid to Leap by its subsidiaries during the year ended December 31, 2000, the period from September 1, 1999 to December 31, 1999 or the years ended August 31, 1999 and 1998.

For accounting policies and other information, see the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.