

METROPCS COMMUNICATIONS INC

Form S-1/A

June 11, 2007

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**As filed with the Securities and Exchange Commission on June 11, 2007**

**Registration No. 333-142954**

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

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

**METROPCS COMMUNICATIONS, INC.**  
*(Exact name of registrant as specified in its charter)*

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

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

**20-0836269**  
*(I.R.S. Employer  
Identification No.)*

**8144 Walnut Hill Lane  
Suite 800  
Dallas, Texas 75231-4388  
(214) 265-2550**  
*(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive  
offices)*

**Roger D. Linquist  
Chief Executive Officer  
8144 Walnut Hill Lane  
Suite 800  
Dallas, Texas 75231-4388  
(214) 265-2550**  
*(Name, address, including zip code, and telephone  
number,  
including area code, of agent for service)*

***Copies to:***

**Andrew M. Baker, Esq.  
William D. Howell, Esq.**

**Baker Botts L.L.P.**  
**2001 Ross Avenue**  
**Dallas, Texas 75201**  
**(214) 953-6500**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the registration statement becomes effective.

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

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

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

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

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**DATED June 13, 2007**

**OFFERING CIRCULAR**

**Rescission Offer**

**Options to Purchase 924,454 Shares of Common Stock**

**MetroPCS Communications, Inc.**

MetroPCS Communications, Inc. is a provider of wireless communication services. Our principal executive office is located at 8144 Walnut Hill Lane, Suite 800, Dallas, Texas, 75231-4388.

On April 24, 2007, we consummated an initial public offering of 57,500,000 shares of common stock, par value \$0.0001 per share, at a price of \$23 per share (less underwriting discounts and commissions), consisting of 37,500,000 shares sold by us and 20,000,000 shares sold by certain selling stockholders, including 7,500,000 shares sold by selling stockholders pursuant to the underwriters' exercise of their over-allotment option.

Our common stock is quoted on The New York Stock Exchange under the symbol **PCS**. The range of closing prices for our common stock, as quoted on The New York Stock Exchange from April 19, 2007 to June 8, 2007 has been \$27.40 to \$36.68. On June 8, 2007, the last reported per share sale price for our common stock on The New York Stock Exchange was \$32.55 per share.

**The Rescission Offer**

We are offering to repurchase options granted by us to purchase approximately 924,454 shares of our common stock from certain persons who are or were residents of California, Florida, Georgia, Michigan, Nevada, and Texas at the time such options were issued by us. We refer to these states in this offering circular as the **Rescission States**. These holders are current and former employees who were granted options to purchase shares of our common stock during certain periods in 2004 and 2006 pursuant to the Second Amended and Restated 1995 Stock Option Plan of MetroPCS, Inc., as amended, or 1995 Plan, and the Amended and Restated MetroPCS Communications, Inc. 2004 Equity Incentive Compensation Plan, or 2004 Plan, and collectively, our Equity Compensation Plans.

The options to purchase shares of our common stock that we are offering to repurchase consist of (1) unexercised and outstanding options to purchase 332,841 shares of our common stock granted in 2004 to certain employees who are or were residents of the Rescission States at the time of grant and (2) unexercised and outstanding options to purchase 591,613 shares of our common stock granted between April 30, 2006 and September 30, 2006 to certain employees who are or were residents of the Rescission States at the time of grant.

The repurchase price for unexercised and outstanding options subject to this rescission offer is 20% of the per share exercise price of the options multiplied by the number of shares of common stock subject to the options. In each case, if you accept our rescission offer and tender your unexercised options, you will receive interest based on the repurchase price and calculated from the date the option was granted to you through the date that the

rescission offer expires at the interest rate mandated by your state of residence at the time the option was granted as set forth below.

Federal law does not provide a specific interest rate to be used in the calculation of the consideration to be received in connection with the repurchases of securities by an issuer in a rescission offer. The legal rates of interest for the repurchase of options in the Rescission States are as follows:

<b>State</b>	<b>Interest Rate</b>
California	7.00%
Florida	9.00%
Georgia	6.00%
Michigan	6.00%
Nevada	8.25%
Texas	6.00%

The rescission offer will expire at 5:00 P.M. Dallas, Texas time on July 13, 2007.

**See Risk Factors beginning on page 13 to read about certain factors you should consider before accepting or rejecting the rescission offer.**

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

The date of this offering circular is June 13, 2007

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**SUPPLEMENTAL NOTES REGARDING THE RESCISSION OFFER**

This rescission offer is not an unanticipated development. Rather, our intent to make this rescission offer and the details of the rescission offer were disclosed in the registration statement on Form S-1 related to our initial public offering originally filed with the Securities and Exchange Commission, or the SEC, on January 4, 2007 which became effective on April 18, 2007 and our registration statement on Form 10 originally filed with the SEC on January 4, 2007 which became effective on March 5, 2007.

Although we believed at the time we granted the options to purchase our common stock that valid exemptions existed from the registration and qualification requirements under the Securities Act of 1933, as amended, or Securities Act, and the securities laws of the Rescission States, certain options to purchase our common stock granted during certain periods of 2004 and 2006 may not have been exempt from the registration and qualification requirements under Rule 701 under the Securities Act or under the securities laws of the Rescission States. As a result, the holders of options to purchase our common stock received from us in violation of federal and state securities laws may have a right to require us to repurchase those securities. Rescission offers for such potential violations are commonly made by companies in this situation.

We intend to commence the rescission offer on June 13, 2007. The rescission offer will be made to the holders of unexercised and outstanding options to purchase 924,454 shares of our common stock. The filing of this registration statement is a normal part of the rescission offer process.

We do not believe the rescission offer will be accepted by the holders subject to this rescission offer in an amount that would represent a material expenditure by us. This belief is based on the fact that our rescission offer will offer to repurchase options at a weighted average price of \$1.41, which is significantly less than the difference between the highest per share exercise price of the options subject to the rescission offer and the two-week average trading price at which our common stock has traded since our initial public offering on April 19, 2007. We cannot give you any assurances as to the price at which the common stock will trade in the future.

When the rescission offer expires, any holder of options to purchase our common stock subject to this rescission offer who did not accept the rescission offer will hold options to purchase freely tradable stock, subject to vesting and other restrictions contained in our Equity Compensation Plans, insider trading restrictions and any lock-up arrangements made with the underwriters of our initial public offering or contained in our Registration Rights Agreement, unless the holder is an affiliate of MetroPCS within the meaning of Rule 144 or Rule 145 of the Securities Act.

This rescission offer is merely an offer to repurchase certain options to purchase our common stock. You are not required to accept our rescission offer or take any action if you wish to decline our rescission offer.

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**You should rely only on the information contained in this offering circular, any free writing offering circular prepared by us or the information to which we have referred you. We have not authorized anyone to provide you with different information. This offering circular is not an offer to sell or a solicitation to buy shares in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such offer or sale under applicable securities and blue sky laws. The information in this offering circular and any free writing offering circular prepared by us may be accurate only as of their respective dates.**

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**QUESTIONS AND ANSWERS ABOUT THE RESCISSION OFFER**

*You should read the following questions and answers, together with the more detailed information regarding the rescission offer and the risk factors set forth elsewhere in this offering circular and consult with your tax and financial advisors, before deciding whether to accept or reject the rescission offer. You are not required to accept the rescission offer.*

**General**

**Q1: Why are we making the rescission offer?**

**A:** Certain options to purchase our common stock, granted during certain periods of 2004 and 2006 may not have been exempt from the registration and qualification requirements under Rule 701 under the Securities Act or under the securities laws of certain states. We issued these options in reliance on Rule 701 under the Securities Act. However, we may not have been entitled to rely on Rule 701 because during 2004 and beginning on April 30, 2006 we were subject to, or should have been subject to, the periodic reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

As a result, certain holders of options may have a right to require us to repurchase those securities if we are found to be in violation of federal or state securities laws. The rescission offer is intended to address these federal and state securities laws compliance issues by allowing the holders of options to purchase common stock covered by the rescission offer to rescind the underlying securities transactions and sell those securities back to us.

For a more detailed description of the background of this rescission offer, please see Rescission Offer Background below.

**Q2: Which options are included in the rescission offer?**

**A:** We are offering, upon the terms and conditions described in this offering circular, to rescind the grant of options to purchase 924,454 shares of our common stock which were initially granted in 2004 and after April 30, 2006 through September 30, 2006 and to pay 20% of the per share exercise price of the options multiplied by the number of shares of common stock subject to the options.

The outstanding options to purchase shares of our common stock are held by 334 persons, all of whom are current and former employees. We granted these options subject to the rescission offer between (1) January and December 2004 and (2) April 30, 2006 and September 30, 2006, at exercise prices ranging from \$1.57 to \$8.67 per share. The weighted average exercise price per share for these options is \$7.05.

**Q3: When does the rescission offer expire?**

**A:** Our rescission offer will expire at 5:00 P.M. Dallas, Texas time on July 13, 2007.

**Q4: What will I receive if I accept the rescission offer?**

**A:** If you accept our rescission offer with respect to unexercised options to purchase our common stock, regardless of whether these options are vested, we will repurchase these options at a price equal to 20% of the per share exercise price multiplied by the number of shares subject to the options, plus interest at the current statutory rate per year, from the date of grant through the date the rescission offer expires.





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The legal rates of interest for the repurchase of options to purchase our common stock in the Rescission States are as follows:

<b>State</b>	<b>Interest Rate</b>
California	7.00%
Florida	9.00%
Georgia	6.00%
Michigan	6.00%
Nevada	8.25%
Texas	6.00%

We believe that your acceptance of the rescission offer will preclude you from later seeking similar relief under general legal theories of estoppel, and we are unaware of any federal or state case law to the contrary. However, we urge you to consult with your legal counsel regarding all of your legal rights and remedies and your tax and financial advisors before deciding whether or not to accept the rescission offer.

**Q5: Can you give me an example of what I will receive if I accept the rescission offer?**

**A:** We will repurchase outstanding, unexercised options to purchase our common stock subject to the rescission offer at a price equal to 20% of the per share exercise price of the option multiplied by the number of shares subject to the options, plus interest at the current legal rate of interest per year (as specified above), from the date of grant through the date the rescission offer expires. For example, if you are a resident of California and hold an unexercised option to purchase 1,000 shares of our common stock at a per share exercise price of \$5.47 that was granted in October 2004 and you accept our rescission offer, you would receive (subject to applicable taxes and tax withholding requirements):

20% of the exercise price for the total option =  $20\% * (1,000 \times \$5.47) = \$1,094$ .

Plus interest at 7% per year = \$77.

For a total of \$1,287 (assuming 2 1/2 years of interest).

If you tender your options to purchase our common stock, you will not have any right, title or interest to the options to purchase shares of common stock you are tendering upon the closing of the rescission offer, and you will only be entitled to receive the proceeds from our repurchase of the options.

**Q6: Have any officers, directors or 5% stockholders advised MetroPCS whether they will participate in the rescission offer?**

**A:** None of our executive officers or directors are eligible to participate in this rescission offer. In addition, none of our 5% stockholders are holders of options to purchase shares of our common stock subject to this rescission offer.

**Q7: If I do not accept the offer now, can I sell my shares?**

**A:**

If you do not accept the rescission offer, you can sell the shares of common stock obtained upon valid exercise of the options that were subject to the rescission offer without limitation as to the number or manner of sale, unless you are an affiliate of the Company; provided, however, that you will remain subject to any restrictions contained in our Equity Compensation Plans, any market standoff agreements, lock-up arrangements with the underwriters of our initial public offering or contained in our Registration Rights Agreement, vesting restrictions, insider trading restrictions and any other transfer restrictions applicable to your shares. You may only sell shares purchased upon exercise of vested options; stock underlying unvested options may not be sold.

**Q8: What do I need to do now to accept or reject the rescission offer?**

**A:** To accept or reject the rescission offer, you must complete and sign the accompanying election form and return it in the enclosed return envelope to our legal department, to the attention of Damien Falgoust, Esq., 8144 Walnut Hill Lane, Suite 800, Dallas, Texas 75231-4388, as soon as practical but in no

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event later than 5:00 P.M. Dallas, Texas time on July 13, 2007. If you are accepting the rescission offer, please also include in your return envelope a completed and signed election form (see Exhibit 2 to the enclosed transmittal letter). Please indicate on your election form the grant date of the options that you are tendering for repurchase and the number of shares underlying the options. If you are accepting the rescission offer, you do not need to nor should you exercise the options for which you are accepting our rescission offer.

**Q9: Can I accept the rescission offer in part?**

**A:** If you accept the rescission offer with respect to your options, then you must accept the rescission offer with respect to an entire option grant. You can accept the rescission offer in part to the extent you have received multiple option grants. For example, you can accept the rescission offer with respect to one option grant subject to the rescission offer by returning a completed signed election form with respect to that option grant (see Exhibit 2 to the enclosed transmittal letter) and not accept the rescission offer for another option grant.

**Q10: What happens if I do not return my rescission offer election form?**

**A:** If you do not return your election form before the expiration date of our rescission offer, you will be deemed to have rejected our offer.

**Q11: What remedies or rights do I have now that I will not have after the rescission offer?**

**A:** Because the options were granted to you without any monetary consideration, it is unclear what, if anything, you would be entitled to receive if you exercised your right of rescission under the Securities Act. It is also unclear whether or not you will have a right of rescission under federal securities laws after the rescission offer. The staff of the SEC is of the opinion that a person's right of rescission created under the Securities Act may survive the rescission offer. However, federal courts in the past have ruled that a person who rejects or fails to accept a rescission offer is precluded from later seeking similar relief. Generally, the federal statute of limitations for noncompliance with the requirement to register securities under the Securities Act is one year but can run up to three years.

The state remedies and statutes of limitations vary and depend upon the state in which you resided when the options were granted. The following is a summary of the statutes of limitations and the effect of the rescission offer for the states in which the securities covered by this rescission offer were sold.

- California** While residents of California that hold options to purchase our common stock covered by this rescission offer may have a right of rescission under federal securities laws, we believe that the options issued by us in the state of California prior to April 30, 2006 were either issued pursuant to an exemption from qualification under California's Corporate Securities Law of 1968 or else California's applicable statute of limitations has already expired. California's statute of limitations on rescission rights (or rights to damages if the securities are no longer held by the purchaser) under its securities laws is the earliest to occur of (i) one year from the date of the optionholder's discovery of the violation giving rise to the right of rescission; and (ii) two years from the date of grant of the option.
- Florida** While residents of Florida that hold options to purchase our common stock covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options issued by us in the state of Florida were issued pursuant to an exemption from registration or qualification under the Florida Securities and Investor Protection Act.
- Georgia** While residents of Georgia that hold options to purchase our common stock covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options issued by

us in the state of Georgia were issued pursuant to an exemption from registration or qualification under the Georgia Securities Act of 1973.

**Michigan**

While residents of Michigan that hold options to purchase our common stock covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options issued by us in the state of Michigan were issued pursuant to an exemption from registration or qualification under the Michigan Uniform Securities Act.

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- Nevada** While residents of Nevada that hold options to purchase our common stock covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options issued by us in the state of Nevada were issued pursuant to an exemption from registration or qualification under the Nevada Uniform Securities Act.
- Texas** While residents of Texas that hold options to purchase our common stock covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options issued by us in the state of Texas were issued pursuant to an exemption from registration or qualification under the Texas Securities Act of 1957.

We believe that your acceptance of the rescission offer will preclude you from later seeking similar relief. Regardless of whether you accept the rescission offer, we believe that any remedies you may have after the rescission offer expires would not be greater than an amount you would receive in the rescission offer and may be less.

**Q12: How will the rescission offer be funded?**

- A:** The rescission offer will be funded from our existing cash balances. If all persons eligible to participate in the rescission offer accept our offer to the full extent, our results of operations, cash balances or financial condition will not be affected materially. If the rescission offer is accepted by all persons to whom it is made, we could be required to make aggregate payments of up to approximately \$1.4 million.

**Q13: Can I change my mind after I have mailed my signed election form?**

- A:** Yes. You can change your decision about accepting or rejecting our rescission offer at any time before the expiration date of the rescission offer. You can do this by completing and submitting a new election form to us so that we receive it prior to the expiration date of the rescission offer. Any new election forms must be received by us prior to the expiration date in order to be valid or by submitting a letter of withdrawal that must be received by us before the expiration of the rescission offer and which clearly specifies your name, the grant date, the exercise price and number of shares underlying the option grant to be withdrawn. We will not accept any election forms or letters of withdrawal after the expiration date. Upon the expiration date, any election shall be irrevocable and final. We reserve the right to waive any defects in your election form and any decision by us to accept or reject an election shall be at our sole discretion and shall be final, conclusive and binding.

**Q14: Who can help answer my questions?**

- A:** We recommend that you consult your legal counsel and tax and financial advisors before making your decision about accepting or rejecting our rescission offer. In addition, you can call Damien Falgoust, Esq. in our legal department at (214) 378-2955 with questions about the rescission offer.

**Q15: Where can I get more information about MetroPCS?**

- A:** You can obtain more information about MetroPCS from the filings we make from time to time with the SEC. These filings are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

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**OFFERING CIRCULAR SUMMARY**

*This summary highlights selected information about us and this rescission offer contained elsewhere in this offering circular. This summary is not complete and does not contain all of the information that is important to you or that you should consider before deciding whether to accept or reject the rescission offer. You should read carefully the entire offering circular, including the risk factors, financial data and financial statements included in this offering circular, before making a decision about whether to accept or reject the rescission offer. In this offering circular, unless the context indicates otherwise, references to MetroPCS, our Company, the Company, we, our, ours and us refer to MetroPCS Communications, Inc., a Delaware corporation, and its wholly-owned subsidiaries.*

**Company Overview**

We offer wireless broadband personal communication services, or PCS, on a no long-term contract, flat rate, unlimited usage basis in selected major metropolitan areas in the United States. Since we launched our innovative wireless service in 2002, we have been among the fastest growing wireless broadband PCS providers in the United States as measured by growth in subscribers and revenues during that period. We currently own or have access to wireless licenses covering a population of approximately 140 million in the United States, which includes 14 of the top 25 largest metropolitan areas in the country. As of March 31, 2007, we had launched service in seven of the top 25 largest metropolitan areas covering a licensed population of approximately 39 million and had approximately 3.4 million total subscribers, representing a 56% growth rate over total subscribers as of March 31, 2006.

Our wireless services target a mass market which we believe is largely underserved by traditional wireless carriers. Our service, branded under the MetroPCS name, allows customers to place unlimited wireless calls from within our service areas and to receive unlimited calls from any area under our simple and affordable flat monthly service plans. Our customers pay for our service in advance, eliminating any customer-related credit exposure. Our flat rate service plans start as low as \$30 per month. For an additional \$5 to \$20 per month, our customers may select a service plan that offers additional services, such as unlimited nationwide long distance service, voicemail, caller ID, call waiting, text messaging, mobile Internet browsing, push e-mail and picture and multimedia messaging. For additional fees, we also provide international long distance and text messaging, ringtones, games and content applications, unlimited directory assistance, ring back tones, nationwide roaming and other value-added services. As of March 31, 2007, over 85% of our customers selected either our \$40 or \$45 service plan. Our flat rate service plans differentiate our service from the more complex plans and long-term contract requirements of traditional wireless carriers.

We launched our service initially in 2002 in the Miami, Atlanta, Sacramento and San Francisco metropolitan areas, which we refer to as our Core Markets and which currently comprise our Core Markets segment. Our Core Markets have a licensed population of approximately 26 million, of which our networks cover approximately 23 million as of March 31, 2007. In our Core Markets we reached the one million customer mark after eight full quarters of operation, and as of March 31, 2007 we served approximately 2.5 million customers, representing a customer penetration of covered population of 11%. We reported positive adjusted earnings before depreciation and amortization and non-cash stock-based compensation, or Core Markets segment Adjusted EBITDA, in our Core Markets segment after only four full quarters of operation. Our Core Markets segment Adjusted EBITDA for the three months ended March 31, 2007, was \$150.3 million, representing a 38% increase over the three months ended March 31, 2006. For a discussion of our Core Markets segment Adjusted EBITDA, please read Summary Historical Financial and Operating Data and Management's Discussion and Analysis of Financial Condition and Results of Operations Core Markets Performance Measures.

Beginning in the second half of 2004, we began to strategically acquire licenses in new geographic areas that share certain key characteristics with our existing Core Markets. These new geographic areas, which we refer to as our Expansion Markets and which currently comprise our Expansion Markets segment, include the Tampa/Sarasota, Dallas/Ft. Worth and Detroit metropolitan areas, as well as the Los Angeles and Orlando metropolitan areas and portions of northern Florida, which were acquired by Royal Street Communications,



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LLC, or Royal Street Communications and, together with its wholly-owned subsidiaries, Royal Street, a company in which we own an 85% limited liability company member interest. We launched service in the Tampa/Sarasota metropolitan area in October 2005, in the Dallas/Ft. Worth metropolitan area in March 2006, in the Detroit metropolitan area in April 2006, and, through our agreements with Royal Street, in the Orlando metropolitan area and portions of northern Florida in November 2006. As of March 31, 2007, our networks covered approximately 16 million people and we served approximately 900,000 customers in these Expansion Markets, representing a customer penetration of covered population of 5.6%. Also, through our agreements with Royal Street, we are targeting to begin offering MetroPCS-branded services in Los Angeles, California in the third quarter of 2007. Together, our Core and Expansion Markets, including Los Angeles, are expected to cover a population of approximately 53 million by the end of 2008.

In November 2006, we were granted licenses covering a total unique population of approximately 117 million which we acquired from the Federal Communications Commission, or FCC, in the spectrum auction denominated as Auction 66, for a total aggregate purchase price of approximately \$1.4 billion. Approximately 69 million of the total licensed population associated with our Auction 66 licenses represents expansion opportunities in geographic areas outside of our Core and Expansion Markets, which we refer to as our Auction 66 Markets. These new expansion opportunities in our Auction 66 Markets cover six of the 25 largest metropolitan areas in the United States. Our east coast expansion opportunities cover a geographic area with a population of approximately 50 million and include the entire east coast corridor from Philadelphia to Boston, including New York City, as well as the entire states of New York, Connecticut and Massachusetts. In the western United States, our new expansion opportunities cover a geographic area of approximately 19 million people, including the San Diego, Portland, Seattle and Las Vegas metropolitan areas. The balance of our Auction 66 Markets, which cover a population of approximately 48 million, supplements or expands the geographic boundaries of our existing operations in Dallas/Ft. Worth, Detroit, Los Angeles, San Francisco and Sacramento. We expect this additional spectrum to provide us with enhanced operating flexibility, lower capital expenditure requirements in existing licensed areas and an expanded service area relative to our position before our acquisition of this spectrum in Auction 66. We intend to focus our build-out strategy in our Auction 66 Markets initially on licenses with a total population of approximately 40 million in major metropolitan areas where we believe we have the opportunity to achieve financial results similar to our existing Core and Expansion Markets, with a primary focus on the New York, Boston, Philadelphia and Las Vegas metropolitan areas.

For the twelve month period ended December 31, 2006, on a consolidated basis, our Adjusted EBITDA as calculated in accordance with our senior secured credit facility, was \$395.6 million, cash flow from operations was \$364.8 million and net income was \$53.8 million. For the three month period ended March 31, 2007, on a consolidated basis, our Adjusted EBITDA as calculated in accordance with our senior secured credit facility, was \$149.3 million, cash flow from operations was \$111.6 million and net income was \$36.4 million. For the twelve month period ended March 31, 2007, on a consolidated basis our Adjusted EBITDA, as calculated in accordance with our senior secured credit facility, was \$458.4 million. Our consolidated financial results for these periods reflect the expenses we have incurred, and continue to incur, as we build-out networks, launch our service and ramp up our customer growth in our Expansion Markets. For a discussion of consolidated Adjusted EBITDA and a reconciliation to net cash provided by operating activities, please read Summary Historical Financial and Operating Data and Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

## **Competitive Strengths**

Our business model has many competitive strengths that we believe distinguish us from our primary wireless broadband PCS competitors and will allow us to execute our business strategy successfully, including:

Our fixed price calling plans, which provide unlimited usage within a local calling area with no long-term contract;

Our focus on densely populated markets, which provides significant operational efficiencies;

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Our leadership position as one of the lowest cost providers of wireless telephone services in the United States;

Our spectrum portfolio, which covers 9 of the top 12 and 14 of the top 25 largest metropolitan areas in the United States; and

Our advanced CDMA network, which is designed to provide the capacity necessary to satisfy the usage requirements of our customers.

## **Business Strategy**

We believe the following components of our business strategy provide the foundation for our continued rapid growth:

Target the underserved customer segments in our markets;

Offer affordable, fixed price unlimited calling plans with no long-term service contract;

Remain one of the lowest cost wireless telephone service providers in the United States; and

Expand into new attractive markets.

## **Business Risks**

Our business and our ability to execute our business strategy are subject to a number of risks, including:

Our limited operating history;

Competition from other wireline and wireless providers, many of whom have substantially greater resources than us;

Our significant current debt levels of approximately \$3.0 billion, the terms of which may restrict our operational flexibility;

Our need to generate significant excess cash flows to meet the requirements for the build-out and launch of our Auction 66 Markets; and

Increased costs which could result from higher customer churn, delays in technological developments or our inability to successfully manage our growth.

For a more detailed discussion of the risks associated with our business and an investment in our common stock, please see Risk Factors.

## **Recent Financing Transactions and Initial Public Offering**

On November 3, 2006, MetroPCS Wireless, Inc., or MetroPCS Wireless, our indirect wholly-owned subsidiary, entered into a senior secured credit facility pursuant to which MetroPCS Wireless may borrow up to \$1.7 billion and consummated an offering of 9 1/4% senior notes due 2014, or the initial senior notes, in the aggregate principal amount of \$1.0 billion. Prior to the closing of our senior secured credit facility and the sale of senior notes, we owed an aggregate of \$900 million under MetroPCS Wireless first and second lien secured credit agreements, \$1.25 billion

under an exchangeable secured bridge credit facility entered into by one of our indirect wholly-owned subsidiaries and \$250 million under an exchangeable unsecured bridge credit facility entered into by another of our indirect wholly-owned subsidiaries. The funds borrowed under the bridge credit facilities were used primarily to pay the aggregate purchase price of approximately \$1.4 billion for the licenses we acquired in Auction 66. We borrowed \$1.6 billion under our senior secured credit facility concurrently with the closing of the sale of the senior notes and used the amount borrowed, together with the net proceeds from the sale of the senior notes, to repay all amounts owed under our existing first and second lien secured credit agreements and our bridge credit facilities and to pay related premiums, fees and expenses, and we will use the remaining amounts for general corporate purposes. On February 20, 2007 we amended and restated our senior secured facility to reduce the interest rate by 1/4%.

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On April 24, 2007, we consummated an initial public offering of our common stock, par value \$0.0001 per share, or common stock. We sold 37,500,000 shares of common stock at a price per share of \$23 (less underwriting discounts and commissions). In addition, selling stockholders sold an aggregate of 20,000,000 shares of common stock, including 7,500,000 shares sold pursuant to the exercise by the underwriters of their over-allotment option. We did not receive any proceeds from the sale of shares of our common stock by the selling stockholders; however, we did receive proceeds of approximately \$3.8 million from the exercise of options to acquire our common stock which was sold in the initial public offering.

On June 6, 2007, MetroPCS Wireless consummated a private offering of additional 9 1/4% senior notes due 2014, or additional senior notes and, together with the initial senior notes, the senior notes, in the aggregate principal amount of \$400 million. We plan to use the net proceeds from the sale of the additional senior notes for general corporate purposes, which could include financing our participation in and acquisition of additional spectrum in the upcoming FCC 700 MHz auction. On May 15, 2007, MetroPCS Wireless filed a registration statement on Form S-4 offering to exchange the initial senior notes for registered exchange notes and has committed to amend the registration statement to cover the additional senior notes as well.

**Corporate Information**

Our principal executive offices are located at 8144 Walnut Hill Lane, Suite 800, Dallas, Texas 75231-4388 and our telephone number at that address is (214) 265-2550. Our principal website is located at [www.metropcs.com](http://www.metropcs.com). The information contained in, or that can be accessed through, our website is not part of this offering circular.

MetroPCS, metroPCS, MetroPCS Wireless and the MetroPCS logo are registered trademarks and/or service marks of MetroPCS. In addition, the following are trademarks or service marks of MetroPCS: Permission to Speak Freely; Text Talk; Freedom Package; Talk All I Want, All Over Town; Metrobucks; Wireless Is Now Minuteless; Get Off the Clock; My Metro; @Metro; Picture Talk; MiniMetro; GreetMe-Tones; and Travel Talk. This offering circular also contains brand names, trademarks and service marks of other companies and organizations, and these brand names, trademarks and service marks are the property of their respective owners.

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**THE RESCISSION OFFER**

Common stock underlying options subject to rescission offer	924,454 shares.
Repurchase Price	20% of the per share exercise price multiplied by the number of shares subject to the options covered by this rescission offer.
Expiration Date	The rescission offer will expire at 5:00 P.M. Dallas, Texas time on July 13, 2007.
Use of proceeds	We will not receive any proceeds from the rescission offer.
Total common stock outstanding	346,643,726 shares.
NYSE symbol	PCS
Risk Factors	See Risk Factors below for a discussion of some of the factors you should consider carefully before deciding whether to accept or reject our rescission offer.

The total number of shares of our common stock outstanding is based on 346,643,726 shares of common stock outstanding as of April 30, 2007, and excludes 28,263,551 shares of common stock issuable upon the exercise of options outstanding as of April 30, 2007, and 20,327,671 shares of common stock available for issuance upon exercise of options not yet granted under our Equity Compensation Plans.

**Table of Contents****SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA**

The following tables set forth selected consolidated financial and other data for MetroPCS and its consolidated subsidiaries for the years ended December 31, 2004, 2005 and 2006 and for the three months ended March 31, 2006 and 2007. We derived our summary historical financial data as of and for the years ended December 31, 2004, 2005 and 2006 from the consolidated financial statements of MetroPCS, which were audited by Deloitte & Touche LLP. We derived our summary historical financial data as of and for the three months ended March 31, 2006 and 2007 from our unaudited condensed consolidated interim financial statements included elsewhere in the offering circular. You should read the summary historical financial and operating data in conjunction with Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors. The summary historical financial and operating data presented in this offering circular may not be indicative of future performance.

	Year Ended December 31,			Three Months Ended March 31,	
	2004	2005	2006	2006	2007
	(In thousands, except share and per share data)				
<b>Statement of Operations Data:</b>					
Revenues:					
Service revenues	\$ 616,401	\$ 872,100	\$ 1,290,947	\$ 275,416	\$ 439,516
Equipment revenues	131,849	166,328	255,916	54,045	97,170
Total revenues	748,250	1,038,428	1,546,863	329,461	536,686
Operating expenses:					
Cost of service (excluding depreciation and amortization disclosed separately below)	200,806	283,212	445,281	92,489	145,335
Cost of equipment	222,766	300,871	476,877	100,911	173,308
Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below)	131,510	162,476	243,618	51,437	72,937
Depreciation and amortization	62,201	87,895	135,028	27,260	39,380
Loss (gain) on disposal of assets	3,209	(218,203)	8,806	10,365	3,050
Total operating expenses	620,492	616,251	1,309,610	282,462	434,010
Income from operations	127,758	422,177	237,253	46,999	102,676
Other expense (income):					
Interest expense	19,030	58,033	115,985	20,884	48,976

Accretion of put option in majority-owned subsidiary	8	252	770	157	238
Interest and other income	(2,472)	(8,658)	(21,543)	(4,572)	(7,157)
(Gain) loss on extinguishment of debt	(698)	46,448	51,518	(217)	
Total other expense	15,868	96,075	146,730	16,252	42,057
Income before provision for income taxes	111,890	326,102	90,523	30,747	60,619
Provision for income taxes	(47,000)	(127,425)	(36,717)	(12,377)	(24,267)
Net income	64,890	198,677	53,806	18,370	36,352
Accrued dividends on Series D Preferred Stock	(21,006)	(21,006)	(21,006)	(5,180)	(5,180)
Accrued dividends on Series E Preferred Stock		(1,019)	(3,000)	(740)	(740)
Accretion on Series D Preferred Stock	(473)	(473)	(473)	(118)	(118)
Accretion on Series E Preferred Stock		(114)	(339)	(85)	(85)
Net income applicable to Common Stock	\$ 43,411	\$ 176,065	\$ 28,988	\$ 12,247	\$ 30,229
Net income per common share(1):					
Basic	\$ 0.18	\$ 0.71	\$ 0.11	\$ 0.04	\$ 0.11
Diluted	\$ 0.15	\$ 0.62	\$ 0.10	\$ 0.04	\$ 0.11
Weighted average shares(1):					
Basic	126,722,051	135,352,396	155,820,381	155,174,314	157,035,119
Diluted	150,633,686	153,610,589	159,696,608	159,287,504	163,447,880



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	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	March 31, 2006	2007
<b>(Dollars, customers and POPs in thousands)</b>					
<b>Other Financial Data:</b>					
Net cash provided by operating activities	\$ 150,379	\$ 283,216	\$ 364,761	\$ 65,628	\$ 111,572
Net cash used in investment activities	(190,881)	(905,228)	(1,939,665)	(138,545)	(74,104)
Net cash (used in) provided by financing activities	(5,433)	712,244	1,623,693	23,967	32,352
<b>Consolidated Operating Data:</b>					
Licensed POPs (at period end)(2)	28,430	64,222	65,618	64,784	65,900
Covered POPs (at period end)(2)	21,083	23,908	38,630	34,818	38,829
Customers (at period end)	1,399	1,925	2,941	2,170	3,395
Adjusted EBITDA(3)	\$ 203,597	\$ 294,465	\$ 395,559	\$ 86,435	\$ 149,317
Adjusted EBITDA as a percentage of service revenues(4)	33.0%	33.8%	30.6%	31.4%	34.0%
Capital Expenditures	\$ 250,830	\$ 266,499	\$ 550,749	\$ 134,740	\$ 156,235
<b>Core Markets Operating Data(5):</b>					
Licensed POPs (at period end)(2)	24,686	25,433	25,881	25,601	25,996
Covered POPs (at period end)(2)	21,083	21,263	22,461	21,729	22,591
Customers (at period end)	1,399	1,872	2,301	2,056	2,485
Adjusted EBITDA(6)	\$ 203,597	\$ 316,555	\$ 492,773	\$ 109,120	\$ 150,322
Adjusted EBITDA as a percentage of service revenues(4)	33.0%	36.4%	43.3%	41.2%	44.6%
Capital Expenditures	\$ 250,830	\$ 171,783	\$ 217,215		
<b>Expansion Markets Operating Data(5):</b>					
Licensed POPs (at period end)(2)	3,744	38,789	39,737	39,183	39,904
Covered POPs (at period end)(2)		2,645	16,169	13,089	16,238
Customers (at period end)		53	640	115	910
Adjusted EBITDA (Deficit)(6)		\$ (22,090)	\$ (97,214)	\$ (22,685)	\$ (121)
Capital Expenditures		\$ 90,871	\$ 314,308		
<b>Year Ended December 31,</b>					
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Three Months Ended</b>	
				<b>March 31,</b>	
				<b>2006</b>	<b>2007</b>
Average monthly churn(7)(8)		4.9%	5.1%	4.6%	4.4%
				4.4%	4.0%

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Average revenue per user (ARPU)(9)(10)	\$ 41.13	\$ 42.40	\$ 42.98	\$ 43.12	\$ 43.75
Cost per gross addition (CPGA)(8)(9)(11)	\$ 103.78	\$ 102.70	\$ 117.58	\$ 106.26	\$ 108.80
Cost per user (CPU)(9)(12)	\$ 18.95	\$ 19.57	\$ 19.65	\$ 20.11	\$ 18.56

	<b>As of March 31, 2007</b>	
	<b>Actual</b>	<b>As Adjusted(13)</b>
<b>Balance Sheet Data:</b>		
Cash, cash equivalents & short-term investments	\$ 539,671	\$ 1,782,981
Property and equipment, net	1,363,786	1,363,786
Total assets	4,272,212	5,517,902
Long-term debt (including current maturities)	2,592,000	3,015,500
Series D Cumulative Convertible Redeemable Participating Preferred Stock	448,665	
Series E Cumulative Convertible Redeemable Participating Preferred Stock	51,960	
Stockholders equity	445,923	1,768,738

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- (1) See Note 17 and Note 8 to the annual and interim consolidated financial statements, respectively, included elsewhere in this offering circular for an explanation of the calculation of basic and diluted net income per common share.
- (2) Licensed POPs represent the aggregate number of persons that reside within the areas covered by our or Royal Street's licenses. Covered POPs represent the estimated number of POPs in our metropolitan areas that reside within the areas covered by our network.
- (3) Our senior secured credit facility calculates consolidated Adjusted EBITDA as: consolidated net income *plus* depreciation and amortization; gain (loss) on disposal of assets; non-cash expenses; gain (loss) on extinguishment of debt; provision for income taxes; interest expense; and certain expenses of MetroPCS Communications *minus* interest and other income and non-cash items increasing consolidated net income.

We consider Adjusted EBITDA, as defined above, to be an important indicator to investors because it provides information related to our ability to provide cash flows to meet future debt service, capital expenditures and working capital requirements and fund future growth. We present this discussion of Adjusted EBITDA because covenants in our senior secured credit facility contain ratios based on this measure. If our Adjusted EBITDA were to decline below certain levels, covenants in our senior secured credit facility that are based on Adjusted EBITDA, including our maximum senior secured leverage ratio covenant, may be violated and could cause, among other things, an inability to incur further indebtedness and in certain circumstances a default or mandatory prepayment under our senior secured credit facility. Our maximum senior secured leverage ratio is required to be less than 4.5 to 1.0 based on Adjusted EBITDA plus the impact of certain new markets. The lenders under our senior secured credit facility use the senior secured leverage ratio to measure our ability to meet our obligations on our senior secured debt by comparing the total amount of such debt to our Adjusted EBITDA, which our lenders use to estimate our cash flow from operations. The senior secured leverage ratio is calculated as the ratio of senior secured indebtedness to Adjusted EBITDA, as defined by our senior secured credit facility. For the year ended December 31, 2006, our senior secured leverage ratio was 3.24 to 1.0, which means for every \$1.00 of Adjusted EBITDA we had \$3.24 of senior secured indebtedness. For the twelve months ended March 31, 2007, our senior secured leverage ratio was 2.91 to 1.0, which means for every \$1.00 of Adjusted EBITDA we had \$2.91 of senior secured indebtedness. In addition, consolidated Adjusted EBITDA is also utilized, among other measures, to determine management's compensation levels. See Executive Compensation. Adjusted EBITDA is not a measure calculated in accordance with GAAP and should not be considered a substitute for operating income, net income, or any other measure of financial performance reported in accordance with GAAP. In addition, Adjusted EBITDA should not be construed as an alternative to, or more meaningful, than cash flows from operating activities, as determined in accordance with GAAP. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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The following table shows the calculation of consolidated Adjusted EBITDA, as defined in our senior secured credit facility, for the periods indicated.

	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	March 31, 2006	2007
	(In thousands)				
<b>Calculation of Consolidated Adjusted EBITDA:</b>					
Net income	\$ 64,890	\$ 198,677	\$ 53,806	\$ 18,370	\$ 36,352
Adjustments:					
Depreciation and amortization	62,201	87,895	135,028	27,260	39,380
Loss (gain) on disposal of assets	3,209	(218,203)	8,806	10,365	3,050
Non-cash compensation expense(a)	10,429	2,596	14,472	1,811	4,211
Interest expense	19,030	58,033	115,985	20,884	48,976
Accretion of put option in majority-owned subsidiary(a)	8	252	770	157	238
Interest and other income	(2,472)	(8,658)	(21,543)	(4,572)	(7,157)
(Gain) loss on extinguishment of debt	(698)	46,448	51,518	(217)	
Provision for income taxes	47,000	127,425	36,717	12,377	24,267
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 203,597</b>	<b>\$ 294,465</b>	<b>\$ 395,559</b>	<b>\$ 86,435</b>	<b>\$ 149,317</b>

(a) Represents a non-cash expense as defined by our senior secured credit facility.

In addition, for further information, the following table reconciles consolidated Adjusted EBITDA, as defined in our senior secured credit facility, to cash flows from operating activities for the periods indicated.

	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	March 31, 2006	2007
	(In thousands)				
<b>Reconciliation of Net Cash Provided by Operating Activities to Consolidated Adjusted EBITDA:</b>					
Net cash provided by operating activities	\$ 150,379	\$ 283,216	\$ 364,761	\$ 65,628	\$ 111,572
Adjustments:					
Interest expense	19,030	58,033	115,985	20,884	48,976
Non-cash interest expense	(2,889)	(4,285)	(6,964)	(379)	(1,096)
Interest and other income	(2,472)	(8,658)	(21,543)	(4,572)	(7,157)
Provision for uncollectible accounts receivable	(125)	(129)	(31)	138	(127)
Deferred rent expense	(3,466)	(4,407)	(7,464)	(1,415)	(2,039)

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Cost of abandoned cell sites	(1,021)	(725)	(3,783)	(230)	(1,796)
Accretion of asset retirement obligation	(253)	(423)	(769)	(133)	(282)
(Gain) loss on sale of investments	(576)	190	2,385	299	959
Provision for income taxes	47,000	127,425	36,717	12,377	24,267
Deferred income taxes	(44,441)	(125,055)	(32,341)	(11,753)	(23,611)
Changes in working capital	42,431	(30,717)	(51,394)	5,591	(349)
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 203,597</b>	<b>\$ 294,465</b>	<b>\$ 395,559</b>	<b>\$ 86,435</b>	<b>\$ 149,317</b>

(4) Adjusted EBITDA as a percentage of service revenues is calculated by dividing Adjusted EBITDA by total service revenues.

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- (5) Core Markets include Atlanta, Miami, Sacramento and San Francisco. Expansion Markets include Dallas/Ft. Worth, Detroit, Tampa/Sarasota/Orlando and Los Angeles. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Operating Segments.
- (6) Core and Expansion Markets Adjusted EBITDA is presented in accordance with SFAS No. 131 as it is the primary financial measure utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Operating Segments.
- (7) Average monthly churn represents (a) the number of customers who have been disconnected from our system during the measurement period less the number of customers who have reactivated service, divided by (b) the sum of the average monthly number of customers during such period. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Performance Measures. A customer's handset is disabled if the customer has failed to make payment by the due date and is disconnected from our system if the customer fails to make payment within 30 days thereafter. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Customer Recognition and Disconnect Policies.
- (8) In the first quarter of 2006, based upon a change in the allowable return period from 7 days to 30 days, we revised our definition of gross additions to exclude customers that discontinue service in the first 30 days of service as churn. This revision has the effect of reducing deactivations and gross additions, commencing March 23, 2006, and reduces churn and increases CPGA. Churn computed under the original 7 day allowable return period would have been 5.1% and 4.5% for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively.
- (9) Average revenue per user, or ARPU, cost per gross addition, or CPGA, and cost per user, or CPU, are non-GAAP financial measures utilized by our management to evaluate our operating performance. We believe these measures are important in understanding the performance of our operations from period to period, and although every company in the wireless industry does not define each of these measures in precisely the same way, we believe that these measures (which are common in the wireless industry) facilitate operating performance comparisons with other companies in the wireless industry.
- (10) ARPU - Average revenue per user, or ARPU, represents (a) service revenues less activation revenues, E-911, Federal Universal Service Fund, or FUSF, and vendor's compensation charges for the measurement period, divided by (b) the sum of the average monthly number of customers during such period. We utilize ARPU to evaluate our per-customer service revenue realization and to assist in forecasting our future service revenues. ARPU is calculated exclusive of activation revenues, as these amounts are a component of our costs of acquiring new customers and are included in our calculation of CPGA. ARPU is also calculated exclusive of E-911, FUSF and vendor's compensation charges, as these are generally pass through charges that we collect from our customers and remit to the appropriate government agencies.

Average number of customers for any measurement period is determined by dividing (a) the sum of the average monthly number of customers for the measurement period by (b) the number of months in such period. Average monthly number of customers for any month represents the sum of the number of

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customers on the first day of the month and the last day of the month divided by two. The following table shows the calculation of ARPU for the periods indicated:

	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	2006	2007
	(In thousands, except average number of customers and ARPU)				
<b>Calculation of ARPU:</b>					
Service revenues	\$ 616,401	\$ 872,100	\$ 1,290,947	\$ 275,416	\$ 439,516
Less:					
Activation revenues	(7,874)	(6,808)	(8,297)	(1,923)	(2,459)
E-911, FUSF and vendor s compensation charges	(12,522)	(26,221)	(45,640)	(8,958)	(20,271)
Net service revenues	\$ 596,005	\$ 839,071	\$ 1,237,010	\$ 264,535	\$ 416,786
Divided by average number of customers	1,207,521	1,649,208	2,398,682	2,045,110	3,175,284
ARPU	\$ 41.13	\$ 42.40	\$ 42.98	\$ 43.12	\$ 43.75

(11) CPGA Cost per gross addition, or CPGA, is determined by dividing (a) selling expenses plus the total cost of equipment associated with transactions with new customers less activation revenues and equipment revenues associated with transactions with new customers during the measurement period by (b) gross customer additions during such period. We utilize CPGA to assess the efficiency of our distribution strategy, validate the initial capital invested in our customers and determine the number of months to recover our customer acquisition costs. This measure also allows us to compare our average acquisition costs per new customer to those of other wireless broadband PCS providers. Activation revenues and equipment revenues related to new customers are deducted from selling expenses in this calculation as they represent amounts paid by customers at the time their service is activated that reduce our acquisition cost of those customers. Additionally, equipment costs associated with existing customers, net of related revenues, are excluded as this measure is intended to reflect only the acquisition costs related to new customers. The following table reconciles total costs used in the calculation of CPGA to selling expenses, which we consider to be the most directly comparable GAAP financial measure to CPGA:

	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	2006	2007
	(In thousands, except gross customer additions and CPGA)				
<b>Calculation of CPGA:</b>					
Selling expenses	\$ 52,605	\$ 62,396	\$ 104,620	\$ 20,298	\$ 30,106
Less: Activation revenues	(7,874)	(6,809)	(8,297)	(1,923)	(2,459)
Less: Equipment revenues	(131,849)	(166,328)	(255,916)	(54,045)	(97,170)
Add: Equipment revenue not associated with new customers	54,323	77,011	114,392	24,864	42,009

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Add: Cost of equipment	222,766	300,871	476,877	100,911	173,308
Less: Equipment costs not associated with new customers	(72,200)	(109,803)	(155,930)	(35,364)	(55,169)
Gross addition expenses	\$ 117,771	\$ 157,338	\$ 275,746	\$ 54,741	\$ 90,625
Divided by: Gross customer additions	1,134,762	1,532,071	2,345,135	515,153	832,983
CPGA	\$ 103.78	\$ 102.70	\$ 117.58	\$ 106.26	\$ 108.80

(12) CPU Cost per user, or CPU, is cost of service and general and administrative costs (excluding applicable non-cash compensation expense included in cost of service and general and administrative expense)



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plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the sum of the average monthly number of customers during such period. CPU does not include any depreciation and amortization expense. Management uses CPU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CPU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless providers. We believe investors use CPU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless providers. Other wireless carriers may calculate this measure differently. The following table reconciles total costs used in the calculation of CPU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CPU:

	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	2006	2007
	(In thousands, except average number of customers and CPU)				
<b>Calculation of CPU:</b>					
Cost of service	\$ 200,806	\$ 283,212	\$ 445,281	\$ 92,489	\$ 145,335
Add: General and administrative expense	78,905	100,080	138,998	31,139	42,831
Add: Net loss on equipment transactions unrelated to initial customer acquisition	17,877	32,791	41,538	10,500	13,160
Less: Non-cash compensation expense included in cost of service and general and administrative expense	(10,429)	(2,596)	(14,472)	(1,811)	(4,211)
Less: E-911, FUSF and vendor s compensation revenues	(12,522)	(26,221)	(45,640)	(8,958)	(20,271)
Total costs used in the calculation of CPU	\$ 274,637	\$ 387,266	\$ 565,705	\$ 123,359	\$ 176,844
Divided by: Average number of customers	1,207,521	1,649,208	2,398,682	2,045,110	3,175,284
CPU	\$ 18.95	\$ 19.57	\$ 19.65	\$ 20.11	\$ 18.56

- (13) As adjusted to give effect to the consummation on April 24, 2007 of our initial public offering of 57,500,000 shares of common stock at a price per share of \$23.00 (less underwriting discounts and fees), consisting of 37,500,000 shares of common stock sold by us and 20,000,000 shares of common stock sold by selling stockholders, including 7,500,000 shares sold by selling stockholders pursuant to the underwriters exercise of their over-allotment option. Upon consummation of our initial public offering, all of the shares of our Series D and Series E preferred stock were converted into shares of common stock. Also as adjusted to give effect to the consummation on June 6, 2007 of the sale by MetroPCS Wireless of \$400 million principal

amount of 9 1/4% additional senior notes due 2014.

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**RISK FACTORS**

An investment in our common stock involves a high degree of risk. You should carefully consider the specific risk factors set forth below, as well as the other information set forth elsewhere in this offering circular, before deciding whether to accept or reject our rescission offer. Our business, financial condition or results of operations could be materially adversely affected by any or all of these risks. As a result, the trading price of our common stock may decline, and you might lose part or all of your investment.

**Risks Related to the Rescission Offer**

*We may continue to have potential liability even after this rescission offer is made.*

We granted certain options to purchase our common stock during periods in 2004 and 2006, which grants may not have been exempt from the registration or qualification requirements under the federal and state securities laws of certain states at the time of grant. In order to address this issue, we are making the rescission offer to all holders of any outstanding options which may have been granted without an exception from the registration and qualification requirements under federal and state securities laws. However, the Securities Act of 1933, or the Securities Act, does not provide that a rescission offer will extinguish a holder's right to rescind the grant of an option that was not registered or exempt from the registration requirements under the Securities Act. Consequently, should any recipients of our rescission offer reject the offer, expressly or impliedly, we may remain liable under the Securities Act for the purchase price of the options to purchase our common stock subject to this rescission offer.

*Your federal right of rescission may not survive if you affirmatively reject or fail to accept the rescission offer.*

If you affirmatively reject or fail to accept the rescission offer, it is unclear whether or not you will have a right of rescission under federal or state securities laws after the expiration of the rescission offer. The staff of the SEC is of the opinion that a person's right of rescission created under the Securities Act may survive the rescission offer. Federal courts in the past have ruled that a person who rejects or fails to accept a rescission offer is precluded from later seeking similar relief.

*We cannot predict whether the amounts you would receive in the rescission offer would be greater than the fair market value of our securities.*

The amount you would receive in the rescission offer is fixed and is not tied to the fair market value of our common stock at the time the rescission offer closes. As a result, if you accept the rescission offer, you may receive less than the fair market value of the securities you would be tendering to us.

*If you do not accept the rescission offer, the shares you would receive if you choose to exercise your options, although freely tradeable, may still remain subject to limitation on resales.*

If you affirmatively reject the rescission offer or fail to accept the rescission offer before the expiration of the rescission offer, the shares of common stock underlying your options will be registered under the Securities Act and will be fully tradeable, subject to any applicable limitations set forth in Rule 144 or Rule 145 under the Securities Act; provided, however, that you will remain subject to any applicable terms and conditions of any market standoff agreements, lock-up agreements with the underwriters of our initial public offering or contained in our Registration Rights Agreement, vesting restrictions, insider trading restrictions and any other transfer restrictions applicable to your shares. You may only sell shares purchased upon exercise of vested options; shares underlying unvested options

may not be sold.

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**Risks Related to Our Common Stock**

*Until our initial public offering in April 2007, there was no market for our common stock and our stock price may be volatile.*

Prior to the recent consummation of our initial public offering, our common stock was not publicly traded. As a newly traded company, the price at which our common stock trades is likely to be highly volatile and may fluctuate substantially because of a number of factors, such as:

- actual or anticipated fluctuations in our or our competitors operating results;
- changes in or our failure to meet securities analysts' expectations;
- announcements of technological innovations;
- entry of new competitors into our markets;
- introduction of new products and services by us or our competitors or changes in service plans or pricing by us or our competitors;
- significant developments with respect to intellectual property rights or litigation;
- additions or departures of key personnel;
- conditions and trends in the communications and high technology markets;
- volatility in stock market prices and volumes, which is particularly common among securities of telecommunications companies;
- general stock market conditions;
- the general state of the U.S. and world economies;
- the announcement, commencement, bidding and closing of auctions for new spectrum; and
- actions occurring in and the outcome of litigation between Leap and us.

In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the trading price of securities issued by many companies, including companies in our industry. The changes frequently occur irrespective of the operating performance of the affected companies. Hence, the trading price of our common stock could fluctuate based upon factors that have little or nothing to do with our business.

*We may need additional equity capital, and raising additional capital may dilute existing stockholders and cause a decline in our stock price.*

We believe that our existing capital resources, including the proceeds from our initial public offering in April 2007 and our sale of the additional senior notes in June 2007, together with internally generated cash flows will enable us to

maintain our current and planned operations, including the build-out and launch of certain of the Auction 66 Markets. However, we may choose to, or be required to, raise additional funds to complete construction and fund the operations of certain of the Auction 66 Markets, to fund the acquisition of additional spectrum, including in the upcoming 700 MHz auction, or due to unforeseen circumstances. If our capital requirements vary materially from those currently planned, we may require additional equity financing sooner than anticipated. This financing may not be available in sufficient amounts or on terms acceptable to us and may be dilutive to existing stockholders. If adequate funds are not available or are not available on acceptable terms, our ability to fund our future growth, take advantage of unanticipated opportunities, develop or enhance services or products, or otherwise respond to competitive pressures would be significantly limited.

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***Our directors, executive officers and principal stockholders have substantial control over matters requiring stockholder approval and may not vote in the same manner as our other stockholders.***

As of April 30, 2007, our executive officers, directors and their affiliates beneficially owned or controlled approximately 42.47% of our common stock. Together with other entities owning 5% or more of our outstanding shares of common stock, as of April 30, 2007 this group controlled 171,228,002 shares of common stock, or approximately 48.90% of the outstanding shares of our stock. As a result, if such persons act together, they will have the ability to have substantial control over all matters submitted to our stockholders for approval, including the election and removal of directors and the approval of any merger, consolidation or sales of all or substantially all of our assets. These stockholders may make decisions that are adverse to your interests. In addition, persons affiliated with these stockholders constitute all of the current members of our board of directors. See our discussion under the caption Security Ownership of Principal Stockholders for more information about ownership of our outstanding shares.

***Our certificate of incorporation, bylaws and Delaware corporate law contain provisions which could delay or prevent a change in control even if the change in control would be beneficial to our stockholders.***

Delaware law as well as our certificate of incorporation and bylaws contain provisions that could delay or prevent a change in control of our company, even if it were beneficial to our stockholders to do so. These provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions:

authorize the issuance of preferred stock that can be created and issued by the board of directors without prior stockholder approval to increase the number of outstanding shares and deter or prevent a takeover attempt;

prohibit stockholder action by written consent, requiring all stockholder actions to be taken at a meeting of our stockholders;

require stockholder meetings to only be called by the President or at the written request of a majority of the directors then in office and not the stockholders;

prohibit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;

provide that our board of directors is divided into three classes, each serving three-year terms; and

establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law imposes restrictions on business combinations such as mergers between us and a holder of 15% or more of our voting stock. See Description of Capital Stock Anti-Takeover Effects of Delaware Law and Our Restated Certificate of Incorporation and Restated Bylaws.

***Our stockholder rights plan could prevent a change in control of our company in instances in which some stockholders may believe a change in control is in their best interests.***

We have entered into a rights agreement that establishes our stockholder rights plan, or Rights Plan. Pursuant to the Rights Plan, we issued to our stockholders one preferred stock purchase right for each outstanding share of our common stock as of March 27, 2007. Each right, when exercisable, will entitle its holder to purchase from us a unit

consisting of one one-thousandth of a share of series A junior participating preferred stock, par value \$0.0001 per share, at a purchase price of \$66.67. Our Rights Plan is intended to protect stockholders in the event of an unfair or coercive offer to acquire our company and to provide our board of directors with adequate time to evaluate unsolicited offers. The Rights Plan may have anti-takeover effects. The Rights Plan will cause substantial dilution to a person or group that attempts to acquire us on terms that our board of directors does not believe are in our best interests and those of our stockholders and



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may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares.

***Conflicts of interest may arise because some of our directors are principals of our stockholders, and we have waived our rights to certain corporate opportunities.***

Our board of directors includes representatives from Accel Partners, TA Associates, Madison Dearborn Capital Partners and M/C Venture Partners. Those stockholders and their respective affiliates may invest in entities that directly or indirectly compete with us or companies in which they are currently invested may already compete with us. As a result of these relationships, when conflicts between the interests of those stockholders or their respective affiliates and the interests of our other stockholders arise, these directors may not be disinterested. Under Delaware law, transactions that we enter into in which a director or officer has a conflict of interest are generally permissible so long as (1) the material facts relating to the director's or officer's relationship or interest as to the transaction are disclosed to our board of directors and a majority of our disinterested directors approves the transaction, (2) the material facts relating to the director's or officer's relationship or interest as to the transaction are disclosed to our stockholders and a majority of our disinterested stockholders approves the transaction, or (3) the transaction is otherwise fair to us. Also, pursuant to the terms of our certificate of incorporation, our non-employee directors, including the representatives from Accel Partners, TA Associates, Madison Dearborn Capital Partners and M/C Venture Partners, are not required to offer us any corporate opportunity of which they become aware and could take any such opportunity for themselves or offer it to other companies in which they have an investment, unless such opportunity is expressly offered to them in their capacity as a director of our company. See Description of Capital Stock Corporate Opportunities.

## **Risks Related to Our Business**

***Our business strategy may not succeed in the long term.***

A major element of our business strategy is to offer consumers a service that allows them to make unlimited local calls and, depending on the service plan selected, long distance calls, from within our service area and to receive unlimited calls from any area for a flat monthly rate without entering into a long-term service contract. This is a relatively new approach to marketing wireless services and it may not prove to be successful in the long term or deployable in geographic areas we have acquired but not launched or geographic areas we may acquire in the future. Some companies that have offered this type of service in the past have not been successful. From time to time, we evaluate our service offerings and the demands of our target customers and may amend, change, discontinue or adjust our service offerings or new trial service offerings as a result. These service offerings may not be successful or prove to be profitable.

***We have limited operating history and have launched service in a limited number of metropolitan areas. Accordingly, our performance and ability to construct and launch new metropolitan areas to date may not be indicative of our future results, our ability to launch new metropolitan areas or our performance in future metropolitan areas we launch.***

We constructed our networks in 2001 and 2002 and began offering service in certain metropolitan areas in the first quarter of 2002, and we had no revenues before that time. Consequently, we have a limited operating and financial history upon which to evaluate our financial performance, business plan execution, ability to construct and launch new metropolitan areas, and ability to succeed in the future. You should consider our prospects in light of the risks, expenses and difficulties we may encounter, including those frequently encountered by new companies competing in rapidly evolving and highly competitive markets. We and Royal Street face significant challenges in constructing and launching new metropolitan areas, including, but not limited to, negotiating and entering into agreements with third

parties for distributed antenna systems, or DAS systems, leasing cell sites, constructing our network and securing all necessary consents, permits and approvals from third parties and local and state authorities, and clearing of spectrum of incumbent users in the Auction 66 Markets. If we or Royal Street are unable to execute our or its plans, we or Royal Street may experience a delay in our or its ability to construct and launch new metropolitan areas or grow our or its

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business, and our financial results may be materially adversely affected. Our business strategy involves expanding into new geographic areas beyond our Core Markets and these geographic areas may present competitive or other challenges different from those encountered in our Core Markets. Our financial performance in new geographic areas, including our Expansion Markets and Auction 66 Markets, may not be as positive as our Core Markets.

***We face intense competition from other wireless and wireline communications providers, and potential new entrants, which could adversely affect our operating results and hinder our ability to grow.***

We compete directly in each of our markets with (i) other facilities-based wireless providers, such as Verizon Wireless, Cingular Wireless, Sprint Nextel, and T-Mobile and their prepaid affiliates or brands, (ii) non-facilities based mobile virtual network operators, or MVNOs, such as Virgin Mobile USA and Amp'd Mobile, (iii) incumbent local exchange carriers, such as AT&T and Verizon, as a mobile alternative to traditional landline service and (iv) competitive local exchange carriers or Voice-Over-Internet-Protocol, or VoIP, service providers, such as Vonage, Time Warner, Comcast, McLeod USA, Clearwire and XO Communications, as a mobile alternative to wired service. We also may face competition from providers of an emerging technology known as Worldwide Interoperability for Microwave Access, or WiMax, which is capable of supporting wireless transmissions suitable for mobility applications. Also, certain mobile satellite providers recently have received authority to offer ancillary terrestrial service and a coalition of companies which includes DIRECTTV Group, EchoStar, Google, Inc., Intel Corp. and Yahoo! has indicated its desire to establish next generation wireless networks and technologies in the 700 MHz band. In addition, VoIP service providers have indicated that they may offer wireless services over a Wi-Fi/Cellular network to compete directly with us for the provisioning of wireless services. Many major cable television service providers, including Comcast, Time Warner Cable, Cox Communications and Bright House Networks, also have indicated their intention to offer suites of service, including wireless service, often referred to as the Quadruple Play, and are actively pursuing the acquisition of spectrum or leasing access to spectrum to implement those plans. These cable companies formed a joint venture along with Sprint Nextel called SpectrumCo LLC, or SpectrumCo, which bid on and acquired 20 MHz of advanced wireless service, or AWS, spectrum in a number of major metropolitan areas throughout the United States, including all of the major metropolitan areas which comprise our Core, Expansion and Auction 66 Markets. Many of our current and prospective competitors are, or are affiliated with, major companies that have substantially greater financial, technical, personnel and marketing resources than we have (including spectrum holdings, brands and intellectual property) and larger market share than we have, which may affect our ability to compete successfully. These competitors often have greater name and brand recognition, access to greater amounts of capital and established relationships with a larger base of current and potential customers and, accordingly, we may not be able to compete successfully. In some metropolitan areas, we also compete with local or regional carriers, such as Leap Wireless International, or Leap Wireless, and Sure West Wireless, some of whom have or may develop fixed-rate unlimited service plans similar to ours. In some instances, our competitors are, or are becoming or may become, privately owned, which may provide them with certain advantages and increased flexibility.

Sprint Nextel has begun offering on a trial basis an unlimited local calling plan under its Boost brand in certain of the geographic areas in which we offer service or plan to offer service, including San Francisco, Sacramento, Dallas/Ft. Worth and Los Angeles, which could have a material adverse effect on our future financial results. In response, we have added additional select features to our existing service plans in these metropolitan areas, and we may consider additional targeted promotional activities as we evaluate the competitive environment going forward. As a result of these initiatives, we may experience lower revenues, lower ARPU, lower adjusted EBITDA and increased churn in the affected metropolitan areas. If Sprint Nextel expands its unlimited local calling plan trials into other metropolitan areas, or if other carriers institute similar service plans in our other metropolitan areas, we may consider similar changes to our service plans in additional metropolitan areas, which could have a material adverse effect on our financial results.

We expect that increased competition will result in more competitive pricing, slower growth and increased churn of our customer base. Our ability to compete will depend, in part, on our ability to anticipate and

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respond to various competitive factors and to keep our costs low. The competitive pressures of the wireless telecommunications industry have caused, and may continue to cause, other carriers to offer service plans with increasingly large bundles of minutes of use at increasingly lower prices and service plans with unlimited nights and weekends. These competitive plans could adversely affect our ability to maintain our pricing and market penetration and maintain and grow our customer base.

***We may face additional competition from new entrants in the wireless marketplace, many of whom may have significantly more resources than we do.***

Certain new entrants with significant financial resources participated in Auction 66 and were designated as the high bidder on spectrum rights in geographic areas served by us. For example, SpectrumCo acquired 20 MHz of spectrum in all of the metropolitan areas which comprise our Core, Expansion and Auction 66 Markets. In addition, Leap Wireless offers fixed-rate unlimited service plans similar to ours and acquired spectrum which overlaps some of the metropolitan areas we serve or plan to serve. These licenses could be used to provide services in direct competition with our services.

The auction and licensing of new spectrum, including the spectrum recently auctioned by the FCC in Auction 66, may result in new competitors and/or allow existing competitors to acquire additional spectrum, which could allow them to offer services that we may not technologically or cost effectively be able to offer with the licenses we hold or to which we have access. The FCC has already designated an additional 60 MHz of spectrum in the 700 MHz band which may be used to offer services competitive with the services we offer or plan to offer. The FCC is obligated to auction the 700 MHz spectrum by January 2008 and the FCC has released an order establishing certain rules regarding this spectrum and is in the process of taking comment on proposed band plan alternatives, service rules, construction and performance build-out obligations, configuration of the 700 MHz public safety spectrum, revisions to the 700 MHz guard bands and competitive bidding procedures. Furthermore, the FCC may pursue policies designed to make additional spectrum available for wireless services in each of our metropolitan areas, which may increase the number of wireless competitors and enhance the ability of our wireless competitors to offer additional plans and services that we may be unable to successfully compete against.

***Some of our competitors have technological or operating capabilities that we may not be able to successfully compete with in our existing markets or any new markets we may launch.***

Some of the carriers we compete against provide wireless services using cellular frequencies in the 800 MHz band. These frequencies enjoy propagation advantages over the PCS frequencies we use, which may cause us to have to spend more capital than our competitors in certain areas to cover the same area. In addition, the FCC plans to auction additional spectrum in the 700 MHz band by no later than January 2008, which will have similar characteristics to the 800 MHz cellular frequencies. Many of the wireless carriers against whom we compete have service area footprints substantially larger than our footprint. In addition, certain of our competitors are able to offer their customers roaming services over larger geographic areas and at rates lower than the rates we can offer. Our ability to replicate these roaming service offerings at rates which will make us, or allow us to be, competitive is uncertain at this time.

Certain carriers we compete against, or may compete against in the future, are multi-faceted telecommunications service providers which, in addition to providing wireless services, are affiliated with companies that provide local wireline, long distance, satellite television, Internet, media, content, cable television and/or other services. These carriers are capable of bundling their wireless services with other telecommunications services and other services in a package of services that we may not be able to duplicate at competitive prices.

We also compete with companies that use other communications technologies, including paging and digital two-way paging, enhanced specialized mobile radio and domestic and global mobile satellite service. These technologies may

have certain advantages over the technology we use and may ultimately be more attractive to our existing and potential customers. We may compete in the future with companies that offer new technologies and market other services that we do not offer or may not be able to offer. Some of our competitors do or may offer these other services together with their wireless communications service, which

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may make their services more attractive to customers. Energy companies and utility companies are also expanding their services to offer communications and broadband services.

In addition, we compete with companies that take advantage of the unlicensed spectrum that the FCC is increasingly allocating for use. Certain technical standards are being prepared, including WiMax, which may allow carriers to offer services competitive with ours in the unlicensed spectrum. The users of this unlicensed spectrum do not have the exclusive use of licensed spectrum, but they also are not subject to the same regulatory requirements that we are and, therefore, may have certain advantages over us.

***We may face increased competition from other fixed rate unlimited plan competitors in our existing and new markets.***

We currently overlap with Leap Wireless and Sure West Wireless, who are fixed-rate unlimited service plan wireless carriers providing service in the Sacramento, Modesto and Merced, California basic trading areas. In Auction 66, the FCC auctioned 90 MHz of spectrum in each geographic area of the United States including the areas in which we currently hold or have access to licenses. Leap Wireless also acquired licenses in Auction 66 in some of the same geographic areas in which we currently hold or have access to licenses or in which we were granted licenses as a result of Auction 66. The FCC intends to auction 60 MHz of spectrum in the 700 MHz band no later than January 2008. In addition to Leap Wireless, other licensees who have PCS spectrum, acquired spectrum in Auction 66, or may acquire spectrum in the 700 MHz band, also may decide to offer fixed-rate unlimited wireless service offerings. In addition, Sprint Nextel recently launched a trial of an unlimited local calling plan under its Boost brand in certain of the metropolitan areas in which we offer or plan to offer service. Other national wireless carriers may also decide in the future to offer fixed-rate unlimited wireless service offerings. In addition, we may not be able to launch fixed-rate unlimited service plans ahead of our competition in our new markets. As a result, we may experience lower growth in such areas, may experience higher churn, may change our service plans in affected markets and may incur higher costs to acquire customers, which may materially and adversely affect our financial performance in the future.

***A patent infringement suit has been filed against us by Leap Wireless which could have a material adverse effect on our business or results of operations.***

On June 14, 2006, Leap Wireless and Cricket Communications, Inc., or collectively Leap, filed suit against us in the United States District Court for the Eastern District of Texas, Marshall Division, Civil Action No. 2-06CV-240-TJW and amended on June 16, 2006, for infringement of U.S. Patent No. 6,813,497 *Method for Providing Wireless Communication Services and Network and System for Delivering of Same*, or the 497 Patent, issued to Leap. The complaint seeks both injunctive relief and monetary damages for our alleged infringement of such patent.

If Leap is successful in its claim for injunctive relief, we could be enjoined from operating our business in the manner we operate currently, which could require us to redesign our current networks, to expend additional capital to change certain of our technologies and operating practices, or could prevent us from offering some or all of our services using some or all of our existing systems. In addition, if Leap is successful in its claim for monetary damage, we could be forced to pay Leap substantial damages for past infringement and/or ongoing royalties on a portion of our revenues, which could materially adversely impact our financial performance. If Leap prevails in its action, it could have a material adverse effect on our business, financial condition and results of operations. Moreover, the actions may consume valuable management time, may be very costly to defend and may distract management attention away from our business.

***The Department of Justice has informally stated that it would carefully scrutinize any statement by us in support of any future efforts by us to acquire divestiture assets and as a result we may have difficulty acquiring spectrum in this manner in the future.***

We acquired the PCS spectrum for the Dallas/Ft. Worth and Detroit Expansion Markets from Cingular Wireless as a result of a consent decree entered into between Cingular Wireless, AT&T Wireless and the United States Department of Justice, or the DOJ. When we acquired the spectrum, we communicated certain



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expectations for our use of the spectrum to the DOJ, including expectations regarding constructing a combined 1XRTT/EV-DO network on the spectrum capable of supporting data services. Although we constructed a combined 1XRTT/EV-DO network in those markets, we expected to be able to support our services as demand increased by upgrading the networks to a EV-DO Revision A with VoIP when available. Based upon our discussions at the time with our network vendor, we anticipated that these upgrades would be available in 2006.

As a result of a delay in the availability of EV-DO Revision A with VoIP, we contacted the DOJ in September 2006 to inform them that we had determined that it was necessary for us to redeploy the EV-DO network assets at certain cell sites in those markets to 1XRTT in order to serve our existing customers. The DOJ responded with an informal letter, which the Company received in November 2006, expressing concern over our use of the spectrum and requesting certain information regarding our construction of our network facilities in these markets, our use of EV-DO, and the services we are providing in the Dallas/Ft. Worth and Detroit Expansion Markets. We have responded to the initial DOJ request and subsequent follow-up requests. On March 23, 2007, the DOJ sent us a letter in which they did not request any further information from us but stated that the DOJ would carefully scrutinize any statement by us in support of any future efforts by us to acquire divestiture assets. This may make it more difficult for us to acquire any spectrum in the future which may be available as a result of a divestiture required by the DOJ.

This also does not preclude the DOJ from taking any further action against us with respect to this matter. We cannot predict at this time whether the DOJ will pursue this matter any further and, if they do, what actions they may take or what the outcome may be.

***If we experience a higher rate of customer turnover than we have forecasted, our costs could increase and our revenues could decline, which would reduce our profits.***

Our average monthly rate of customer turnover, or churn, for the year ended December 31, 2006 and the three months ended March 31, 2007 was approximately 4.6% and 4.0%, respectively. A higher rate of churn could reduce our revenues and increase our marketing costs to attract the replacement customers required to sustain our business plan, which could reduce our profit margin. In addition, we may not be able to replace customers who leave our service profitably or at all. Our rate of customer churn may be affected by several factors, including the following:

network coverage;

reliability issues, such as dropped and blocked calls and network availability;

handset problems;

lack of competitive regional and nationwide roaming and the inability of our customers to cost-effectively roam onto other wireless networks;

affordability;

supplier or vendor failures;

customer care concerns;

lack of early access to the newest handsets;

wireless number portability requirements that allow customers to keep their wireless phone number when switching between service providers;

our inability to offer bundled services or new services offered by our competitors; and  
competitive offers by third parties.

Unlike many of our competitors, we do not require our customers to enter into long-term service contracts. As a result, our customers have the ability to cancel their service at any time without penalty, and we therefore expect our churn rate to be higher than other wireless carriers. In addition, customers could elect to switch to another carrier that has service offerings based on newer network technology. We cannot assure

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you that our strategies to address customer churn will be successful. If we experience a high rate of wireless customer churn, seek to prevent significant customer churn, or fail to replace lost customers, our revenues could decline and our costs could increase which could have a material adverse effect on our business, financial condition and operating results.

***We may not have access to all the funding necessary to build and operate our Auction 66 Markets.***

The proceeds from the sale by MetroPCS Wireless of the senior notes in November 2006 and our borrowings under our senior secured credit facility did not include the funds necessary to construct, launch and operate our Auction 66 Markets. In addition to the proceeds from our initial public offering in April 2007 and our sale of the additional senior notes in June 2007, we will need to generate significant excess free cash flow, which is defined as Adjusted EBITDA less capital expenditures, from our operations in our Core and Expansion Markets in order to construct and operate the Auction 66 Markets in the near term or at all. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources. If we are unable to fund the build-out of our Auction 66 Markets with the proceeds from our initial public offering, our current cash, and excess internally generated cash flows, we may be forced to seek additional debt financing or delay our construction. The covenants under our senior secured credit facility and the indenture covering the notes may prevent us from incurring additional debt to fund the construction and operation of the Auction 66 Markets, or may prevent us from securing such funds on suitable terms or in accordance with our preferred construction timetable. Accordingly, we may be required to continue to pay interest on the secured debt and the senior notes for our Auction 66 Market licenses without the ability to generate any revenue from our Auction 66 Markets.

***If we participate in the 700 MHz auction, we may be required to borrow additional amounts.***

The proceeds from the sale by MetroPCS Wireless of additional senior notes in June 2007 will be used for general corporate purposes, which could include financing our participation in and acquisition of additional spectrum in the 700 MHz auction. However, if we decide to participate in the 700 MHz auction, we may decide to purchase spectrum in existing or new metropolitan areas, and we may decide to pay in excess of the amount of the net proceeds from the sale of the additional senior notes. We may fund such excess purchase price from excess internally generated cash flows, from our existing cash reserves, from the sale of additional equity, or from borrowing of additional amounts. In addition, if we acquire spectrum in the 700 MHz auction and the spectrum is for metropolitan areas in which we currently do not have a network and which are outside the Auction 66 Markets that we are currently planning to construct, we may need to fund the construction and operation of the spectrum from internally generated cash flows or existing cash reserves, or we may sell additional equity or borrow additional amounts. If we are unable to fund the construction of any spectrum we acquire in the 700 MHz auction in new metropolitan areas from excess internally generated cash flows, from existing cash reserves, from sales of equity, or from additional borrowings, we may be forced to delay our construction and operation of spectrum acquired in the 700 MHz auction. The covenants under our senior secured credit facility and the indenture covering the senior notes may prevent us from incurring additional debt to fund the construction and operation of any spectrum for new metropolitan areas acquired in the 700 MHz auction, or may prevent us from securing such funds on suitable terms or in accordance with our preferred construction timetable. Accordingly, we may be required to continue to pay interest on the portion of the senior notes used to purchase any spectrum in the 700 MHz auction for any new metropolitan areas, if any, without the ability to generate any revenue from any such spectrum.

***We may utilize DAS systems to construct critical portions of our Auction 66 Markets and any delay in construction of such systems may delay a launch of our Auction 66 Markets.***

We are reviewing and finalizing our construction plans for our Auction 66 Markets and we are considering using DAS systems to construct certain critical portions of the Auction 66 Markets, such as core downtown metropolitan areas,

and to construct significant areas of the metropolitan area, in lieu of traditional cell sites. These DAS systems may be leased and/or licensed from a third party supplier. Although DAS systems as means to provide service in difficult to construct areas of a metropolitan area are not new, the

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scope of our proposed use is new to us. In addition, in order to construct DAS systems, the DAS provider will be required to obtain necessary authority from the relevant state and local regulatory authorities and to secure certain agreements, such as right of way agreements, in order to construct or access the DAS systems. In addition, the DAS system provider may be required to construct a transport network as part of their construction of the DAS systems. With respect to certain of our Auction 66 Markets, the DAS system providers have not yet constructed DAS systems so there may be unforeseen obstacles and delays in constructing the DAS systems in those metropolitan areas. Since the scope of the DAS systems being considered is substantial and we are considering using these systems to provide service in critical areas, any delay in construction of these networks would delay our launch of the Auction 66 Markets. As such, we face significant challenges in constructing and launching our Auction 66 Markets, including, but not limited to, negotiating and entering into agreements with third parties for DAS systems, leasing cell sites and constructing our network, securing all necessary consents, permits and approvals from third parties and local and state authorities. Any delay in the launch of our Auction 66 Markets could have a material adverse effect on our future operations and financial results. In addition, the use of DAS systems in our Auction 66 Markets could result in an acceleration of capital expenditures compared to our traditional metropolitan builds without DAS systems.

***We may utilize one or a few DAS providers and any financial or other inability of such providers to deliver the DAS systems could materially adversely affect our launch of the Auction 66 Markets.***

We have executed a master agreement with a DAS system provider and are in discussions with other DAS system providers relating to the construction of our Auction 66 Markets. We may decide to use a single or a few DAS system providers in the construction of our Auction 66 Markets. If a DAS system provider were to experience severe financial difficulties or file for bankruptcy or if one of these DAS system providers were unable to support our use of its DAS systems, we could experience a delay in construction of these networks which could delay our launch of the Auction 66 Markets or could require us to construct the affected area using traditional cell sites which could result in duplicate or excess costs and could result in substantial delays. Any delay in the launch of our Auction 66 Markets could have a material adverse effect on our future operations and financial results.

***We may not achieve the customer penetration levels in our Core and Expansion Markets that we currently believe are possible with our business model.***

Our ability to achieve the customer penetration levels that we currently believe are possible with our business model in our Core and Expansion Markets is subject to a number of risks, including:

- increased competition from existing competitors or new competitors;
- higher than anticipated churn in our Core and Expansion Markets;
- our inability to increase our network capacity in areas we currently cover and plan to cover in the Core and Expansion Markets to meet growing customer demand;
- our inability to continue to offer products or services which prospective customers want;
- our inability to increase the relevant coverage areas in our Core and Expansion Markets in areas that are important to our current and prospective customers;
- changes in the demographics of our Core and Expansion Markets; and
- adverse changes in the regulatory environment that may limit our ability to grow our customer base.

If we are unable to achieve the aggregate levels of customer penetration that we currently believe are possible with our business model in our Core and Expansion Markets, our ability to continue to grow our customer base and revenues at the rates we currently expect may be limited. Any failure to achieve the penetration levels we currently believe are possible may have a material adverse impact on our future financial results and operations. Furthermore, any inability to increase our overall level of market penetration in our

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Core and Expansion Markets, as well as any inability to achieve similar customer penetration levels in other markets we launch in the future, could adversely impact the market price of our stock.

***We and our suppliers may be subject to claims of infringement regarding telecommunications technologies that are protected by patents and other intellectual property rights.***

Telecommunications technologies are protected by a wide array of patents and other intellectual property rights. As a result, third parties may assert infringement claims against us or our suppliers from time to time based on our or their general business operations, the equipment, software or services we or they use or provide, or the specific operation of our wireless networks. We generally have indemnification agreements with the manufacturers, licensors and suppliers who provide us with the equipment, software and technology that we use in our business to protect us against possible infringement claims, but we cannot guarantee that we will be fully protected against all losses associated with an infringement claim. Our suppliers may be subject to infringement claims that if proven could preclude the supplier from supplying us with the products and services we require to run our business, require the supplier to change the products and services they provide to us in a way which could have a material adverse effect, or cause the supplier to increase the charges for their products and services to us. In addition, our suppliers may be unable to pay any damages or honor their indemnification obligations to us, which may mean we may have to bear such losses and we may have to buy equipment and services from third party suppliers. Moreover, we may be subject to claims that products, software and services provided by different vendors which we combine with others to offer our services may infringe the rights of third parties and we may not have any indemnification protection from our vendors for these claims. Further, we have been, and may be, subject to further claims that certain business processes we use may infringe the rights of third parties, and we may have no indemnification rights from any of our vendors or suppliers. Whether or not an infringement claim is valid or successful, it could adversely affect our business by diverting management's attention, involving us in costly and time-consuming litigation, requiring us to enter into royalty or licensing agreements (which may not be available on acceptable terms, or at all), require us to pay royalties for prior periods, requiring us or our suppliers to redesign our or their business operations, processes or systems to avoid claims of infringement, or requiring us to purchase products and services from different vendors or not sell certain products or services. If a claim is found to be valid or if we or our suppliers cannot successfully negotiate a required royalty or license agreement, it could disrupt our business, prevent us from offering certain products or services and cause us to incur losses of customers or revenues, any or all of which could be material and could adversely affect our business, financial performance, operating results and the market price of our stock.

***The wireless industry is experiencing rapid technological change, and we may lose customers if we fail to keep up with these changes.***

The wireless telecommunications industry is experiencing significant technological change. Our continued success will depend, in part, on our ability to anticipate or adapt to technological changes and to offer, on a timely basis, services that meet customer demands. We cannot assure you that we will obtain access to new technology on a timely basis, on satisfactory terms, or that we will have adequate spectrum to offer new services or implement new technologies. This could have a material adverse effect on our business, financial condition and operating results. For us to keep pace with these technological changes and remain competitive, we must continue to make significant capital expenditures to our networks and to acquire additional spectrum. Customer acceptance of the services that we offer will continually be affected by technology-based differences in our product and service offerings and those offered by our competitors.

The wireless telecommunications industry has been, and we believe will continue to be, characterized by several trends, including the following:

rapid development and introduction of new technologies, products, and services, such as VoIP, push-to-talk services, or push-to-talk, location based services, such as global positioning satellite, or GPS, mapping technology and high speed data services, including streaming video, mobile gaming, video conferencing and other applications;



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substantial regulatory change due to the continuing implementation of the Telecommunications Act of 1996, which amended the Communications Act of 1934, as amended, or Communications Act, and included changes designed to stimulate competition for both local and long distance telecommunications services and continued allocation of spectrum for, and relaxation of existing rules to allow existing licensees to offer, wireless services competitive with our services;

increased competition within established metropolitan areas from current and new entrants that may provide competing or alternative services;

an increase in mergers and strategic alliances that allow one telecommunications provider greater access to capital or resources or to offer increased services, access to wider geographic territory, or attractive bundles of services; and

the blurring of traditional dividing lines between, and the bundling of, different services, such as local telephone, long distance, wireless, video, data and Internet services. For example, several carriers appear to be positioning themselves to offer a quadruple play of services which includes telephone service, Internet access, video service and wireless service.

We expect competition to intensify as a result of new competitors, allocation of additional spectrum and relaxation of existing policies, and the development of new technologies, products and services. For instance, we currently do not offer certain of the high speed data applications offered by our competitors. In addition, push-to-talk has become popular as it allows subscribers to save time on dialing or connecting to a network and some of the companies that compete with us in our wireless markets offer push-to-talk. We do not offer our customers a push-to-talk service. As demand for this service continues to grow, and if we do not offer these technologies, we may have difficulty attracting and retaining subscribers, which will have an adverse effect on our business. In addition, other service providers have announced plans to develop a WiFi or WiMax enabled handset. Such a handset would permit subscribers to communicate using voice and data services with their handset using VoIP technology in any area equipped with a wireless Internet connection, or hot spot, potentially allowing more carriers to offer larger bundles of minutes while retaining low prices and the ability to offer attractive roaming rates. The number of hot spots in the U.S. is growing rapidly, with some major cities and urban areas being covered entirely. The availability of VoIP or another alternative technology to our competitor's subscribers could increase their ability to offer competing rate plans, which would have an adverse effect on our ability to attract and retain customers.

***We and Royal Street may incur significant costs in our build-out and launch of new markets and we may incur operating losses in those markets for an undetermined period of time.***

We and Royal Street have invested and expect to continue to invest a significant amount of capital to build systems that will adequately cover our Expansion Markets, and we and Royal Street will incur operating losses in each of these markets for an undetermined period of time. We also anticipate having to spend and invest a significant amount of capital to build systems and operate networks in the Auction 66 Markets.

***Our and Royal Street's network capacities in our existing and new markets may be insufficient to meet customer demand or to offer new services that our competitors may be able to offer.***

We and Royal Street have licenses for only 10 MHz of spectrum in certain of our markets, which is significantly less than most of the wireless carriers with whom we and Royal Street compete. This limited spectrum may require Royal Street and us to secure more cell sites to provide equivalent service (including data services based on EV-DO technology), spend greater capital compared to Royal Street's and our competitors, to deploy more expensive network

equipment, such as six-sector antennas and EV-DO Revision A with VoIP, sooner than our competitors, require us to use DAS systems, or make us more dependent on improvements in handsets, such as EVRC-B or 4G capable handsets. Royal Street's and our limited spectrum may also limit Royal Street's and our ability to support our growth plans without additional technology improvements and/or spectrum, and may make Royal Street and us more reliant on technology advances than our competitors. There is no guarantee we and Royal Street can secure adequate tower sites or additional spectrum, can have access to DAS systems, or that expected technology improvements will be available to

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support Royal Street's and our business requirements or that the cost of such technology improvements will allow Royal Street and us to remain competitive with other carriers. Competitive carriers in these markets also may take steps prior to Royal Street and us launching service to try to attract Royal Street's and our target customers. For example, Sprint Nextel has launched a trial unlimited wireless service in Los Angeles, California. There also is no guarantee that the operations in the Royal Street metropolitan areas, which are based on a wholesale model, will be profitable or successful.

Most national wireless carriers have greater spectrum capacity than we do that can be used to support third generation, or 3G, and fourth generation, or 4G, services. These national wireless carriers are currently investing substantial sums of capital to deploy the necessary capital equipment to deliver 3G enhanced services. We and Royal Street have access to less spectrum than certain major competitive carriers in most of our and Royal Street's markets. Our limited spectrum may make it difficult for us and Royal Street to simultaneously support our voice services and 3G/4G services. In addition, we and Royal Street may have to invest additional capital and/or acquire additional spectrum to support the delivery of 3G/4G services. There is no guarantee that we or Royal Street will be able to provide 3G/4G services on existing licensed spectrum, or will have access to either the spectrum or capital necessary to provide competitive 3G/4G services in our metropolitan areas, or that our vendors will provide the necessary equipment and software in a timely manner. Moreover, Royal Street's and our deployment of 3G/4G services requires technology improvements which may not occur or may be too costly for Royal Street and us to compete.

***We are dependent on certain network technology improvements which may not occur, or may be materially delayed.***

The adequacy of our spectrum to serve our customers in markets where we have access to only 10 MHz of spectrum is dependent upon certain recent and ongoing technology improvements, such as EV-DO Revision A with VoIP, 4G vocoders, and intelligent antennas. Further, there can be no assurance that (1) the additional technology improvements will be developed by our existing infrastructure provider, (2) such improvements will be delivered when needed, (3) the prices for such improvements will be cost-effective, or (4) the technology improvements will deliver our projected network efficiency improvements. If projected or anticipated technology improvements are not achieved, or are not achieved in the timeframes we need such improvements, we and Royal Street may not have adequate spectrum in certain metropolitan areas, which may limit our ability to grow our customer base, may inhibit our ability to achieve additional economies of scale, may limit our ability to offer new services offered by our competitors, may require us to spend considerably more capital and incur more operating expenses than our competitors with more spectrum, and may force us to purchase additional spectrum at a potentially material cost. If our network infrastructure vendor does not supply such improvements or materially delays the delivery of such improvements and other network equipment manufacturers are able to develop such technology, we may be at a material competitive disadvantage to our competitors and we may be required to change network infrastructure vendors, the cost of which could be material.

***We may be unable to acquire additional spectrum in the future at a reasonable cost.***

Because we offer unlimited calling services for a fixed fee, our customers tend, on average, to use our services more than the customers of other wireless carriers. We believe that the average amount of use our customers generate may continue to rise. We intend to meet this demand by utilizing spectrum-efficient state-of-the-art technologies, such as six-sector cell site technology, EV-DO Revision A with VoIP, 4G vocoders and intelligent antennas. Nevertheless, in the future we may need to acquire additional spectrum in order to maintain our grade of service and to meet increasing customer demands. However, we cannot be sure that additional spectrum will be made available by the FCC for commercial uses on a timely basis or that we will be able to acquire additional spectrum at a reasonable cost. For example, there have been recent calls for reallocating spectrum previously slated for commercial mobile uses to public safety uses in order to enable first responders to establish an interoperable nationwide broadband network. If the additional spectrum is unavailable when needed or unavailable at a reasonable cost, we could lose customers or

revenues, which could be material, and our ability to grow our customer base may be materially adversely affected.

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***Substantially all of our network infrastructure equipment is manufactured or provided by a single infrastructure vendor and any failure by that vendor could result in a material adverse effect on us.***

We have entered into a general purchase agreement with an initial term of three years, effective as of June 6, 2005, with Lucent Technologies, Inc., or Lucent, now known as Alcatel Lucent, as our network infrastructure supplier of PCS CDMA system products and services, including without limitation, wireless base stations, switches, power, cable and transmission equipment and services. The agreement does not cover the spectrum we recently acquired in Auction 66 or any other AWS or non-PCS spectrum we may acquire in the future, including any spectrum we may acquire in the 700 MHz band. The agreement provides for both exclusive and non-exclusive pricing for PCS CDMA products and the agreement may be renewed at our option on an annual basis for three additional years after its initial three-year term concludes. Substantially all of our PCS network infrastructure equipment is manufactured or provided by Alcatel Lucent. A substantial portion of the equipment manufactured or provided by Alcatel Lucent is proprietary, which means that equipment and software from other manufacturers may not work with Alcatel Lucent's equipment and software, or may require the expenditure of additional capital, which may be material. If Alcatel Lucent ceases to develop, or substantially delays development of, new products or support existing equipment and software, we may be required to spend significant amounts of money to replace such equipment and software, may not be able to offer new products or service, and may not be able to compete effectively in our markets. If we fail to continue purchasing our PCS CDMA products exclusively from Alcatel Lucent, we may have to pay certain liquidated damages based on the difference in prices between exclusive and non-exclusive prices, which may be material to us.

***Our network infrastructure vendor has merged, which could have a material adverse effect on us.***

Lucent announced on April 2, 2006 that it had entered into a definitive merger agreement with Alcatel, and the shareholders of each company approved the merger. Alcatel and Lucent announced on November 30, 2006 the completion of the merger and the companies began doing business on December 1, 2006 as Alcatel Lucent. There can be no assurance that the combined entity will continue to produce and support the products and services that we currently purchase from Alcatel Lucent. In addition, the combined entity may delay or cease developing or supplying products or services necessary to our business. If Alcatel Lucent delays or ceases to produce products or services necessary to our business and we are unable to secure replacement products and services on reasonable terms and conditions, our business could be materially adversely affected.

***Our network infrastructure vendor may change where it manufactures equipment necessary for our network which could have a material adverse effect on us.***

As a result of its ongoing operations, Alcatel Lucent may move the manufacturing of some of its products from its existing facilities in one country to another manufacturing facility located in another country and that process may accelerate with the completion of its merger. To the extent that products are manufactured outside the current facilities, we may experience delays in receiving products from Alcatel Lucent and the quality of the products we receive may suffer. These delays and quality problems could cause us to experience problems in increasing capacity of our existing systems, expanding our service areas, and the construction of new markets. If these delays or quality problems occur, they could have a material adverse effect on our ability to meet our business plan and our business operations and finances may be materially adversely affected.

***No network equipment or handsets are currently available for the AWS or 700 MHz spectrum and such network equipment or handsets may not be developed in a timely manner.***

The AWS and 700 MHz spectrum requires modified or new equipment and handsets which are not currently available. We do not manufacture or develop our own network equipment or handsets and are dependent on third

party manufacturers to design, develop and manufacture such equipment. If network equipment or handsets are not available when we need them, we may not be able to develop the Auction 66 Markets or any licenses we may acquire in the 700 MHz auction. We may, therefore, be forced to pay interest on our indebtedness which we used to fund the purchase of the licenses in Auction 66 and any licenses we

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may be designated as the high bidder in the 700 MHz auction, without realizing any revenues from our Auction 66 Markets or 700 MHz licences.

***If we are unable to manage our planned growth effectively, our costs could increase and our level of service could be adversely affected.***

We have experienced rapid growth and development in a relatively short period of time and expect to continue to experience substantial growth in the future. The management of rapid growth will require, among other things, continued development of our financial and management controls and management information systems. Historically, we have failed to adequately implement financial controls and management systems. We publicly acknowledged deficiencies in our financial reporting as early as August 2004, and controls and systems designed to address these deficiencies are not yet fully implemented. The costs of implementing these controls and systems will affect the near-term financial results of the business and the lack of these controls and systems may materially adversely affect our ability to access the capital markets.

Our expected growth also will require stringent control of costs, diligent management of our network infrastructure and our growth, increased capital requirements, increased costs associated with marketing activities, the ability to attract and retain qualified management, technical and sales personnel and the training and management of new personnel. Our growth will challenge the capacity and abilities of existing employees and future employees at all levels of our business. Failure to successfully manage our expected growth and development could have a material adverse effect on our business, increase our costs and adversely affect our level of service. Additionally, the costs of acquiring new customers could adversely affect our near-term profitability.

***We have identified material weaknesses in our internal control over financial reporting in the past. We will incur significant time and expense enhancing, documenting, testing and certifying our internal control over financial reporting and our business may be adversely affected if we have other material weaknesses or significant deficiencies in our internal control over financial reporting in the future.***

In connection with the preparation of our quarterly financial statements for the three months ended June 30, 2004, we determined that previously disclosed financial statements for the three months ended March 31, 2004 understated service revenues and net income. Additionally, in connection with their evaluation of our disclosure controls and procedures with respect to the filing in May 2006 of our Annual Report on Form 10-K for the year ended December 31, 2004, our chief executive officer and chief financial officer concluded that certain material weaknesses in our internal controls over financial reporting existed as of December 31, 2004. The material weaknesses related to deficiencies in our information technology and accounting control environments, insufficient tone at the top, deficiencies in our accounting for income taxes, and a lack of automation in our revenue reporting process. In connection with their review of our material weaknesses, our management and audit committee concluded that our previously reported consolidated financial statements for the years ended December 31, 2002 and 2003 should be restated to correct accounting errors resulting from these material weaknesses.

We have identified, developed and implemented a number of measures to strengthen our internal control over financial reporting and address the material weaknesses that we identified in 2004. Although, there were no reported material weaknesses in our internal controls over financial reporting as of December 31, 2006, our management did identify significant deficiencies relating to the accrual of equipment and services and the accounting for distributed antenna system agreements. There can be no assurance that we will not have significant deficiencies in the future or that such conditions will not rise to the level of a material weakness. The existence of one or more material weaknesses or significant deficiencies could result in errors in our financial statements or delays in the filing of our periodic reports required by the SEC. Any failure by us to timely file our periodic reports could result in a breach of the indenture covering the senior notes and our senior secured credit facility, potentially accelerating payment under

both agreements. We may not have the ability to pay, or borrow any amounts necessary to pay, any accelerated payment due under our senior secured credit facility or the indenture covering the senior notes. We may also incur substantial costs and resources to rectify any internal control deficiencies.



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As a public company we will incur significant legal, accounting, insurance and other expenses. The Sarbanes-Oxley Act of 2002, as well as compliance with other SEC and exchange listing rules, will increase our legal and financial compliance costs and make some activities more time-consuming and costly. Furthermore, SEC rules require that our chief executive officer and chief financial officer periodically certify the existence and effectiveness of our internal control over financial reporting. Our independent registered public accounting firm will be required, beginning with our Annual Report on Form 10-K for our fiscal year ending on December 31, 2007, to attest to our assessment of our internal control over financial reporting.

During the course of our testing, we may identify deficiencies that would have to be remediated to satisfy the SEC rules for certification of our internal control over financial reporting. As a consequence, we may have to disclose in periodic reports we file with the SEC significant deficiencies or material weaknesses in our system of internal controls. The existence of a material weakness would preclude management from concluding that our internal control over financial reporting is effective, and would preclude our independent auditors from issuing an unqualified opinion that our internal control over financial reporting is effective. If we cannot produce reliable financial reports, we may be in breach of the indenture covering the senior notes and our senior secured credit facility, potentially accelerating payment under both agreements. In addition, disclosures of this type in our SEC reports could cause investors to lose confidence in our financial reporting and may negatively affect the trading price of our common stock. Moreover, effective internal controls are necessary to produce reliable financial reports and to prevent fraud. If we have deficiencies in our disclosure controls and procedures or internal control over financial reporting it may negatively impact our business, results of operations and reputation.

***We failed to register our options under the Exchange Act and, as a result, we may face potential claims under federal and state securities laws.***

As of December 31, 2005, options granted under our 1995 option plan and our 2004 equity incentive plan were held by more than 500 holders. As a result, we were required to file a registration statement registering the options pursuant to Section 12(g) of the Exchange Act no later than April 30, 2006. We failed to file a registration statement within the required time period.

If we had filed a registration statement pursuant to Section 12(g) as required, we would have become subject to the periodic reporting requirements of Section 13 of the Exchange Act upon the effectiveness of that registration statement. In April 2007, we filed quarterly reports on Form 10-Q for the periods after March 31, 2006, and on March 30, 2007, we filed an annual report on Form 10-K for the fiscal year ended December 31, 2006. We did not file any current reports on Form 8-K during the period beginning April 30, 2006 through March 20, 2007.

Our failure to file the current reports on Form 8-K and to file our quarterly reports on Form 10-Q in a timely manner that we would have been required to file had we registered our common stock pursuant to Section 12(g) and to file a registration statement pursuant to Section 12(g) could give rise to potential claims by present or former stockholders based on the theory that such holders were harmed by the absence of such public reports or our failure to file the registration statement pursuant to Section 12(g). In addition to any claims by present or former stockholders, we could be subject to administrative and/or civil actions by the SEC. If any such claim or action is asserted, we could incur significant expenses and divert management's attention in defending them.

***Our failure to timely file a registration statement under the Exchange Act may mean that we may not be able to timely meet our periodic reporting requirements as a public company.***

The SEC rules require that, as a reporting company, we file periodic reports containing our financial statements within a specified period following the completion of quarterly and annual periods. In 2006, we failed to file a registration

statement under the Exchange Act within the time period required by Section 12(g) of the Exchange Act as a result of our failure to have in place procedures to inform us that we were required to file a registration statement. Our failure to timely file that registration statement may mean that we may not have all of the controls and procedures in place to ensure compliance with all of the rules and requirements

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applicable to public companies. Any failure by us to file our periodic reports with the SEC in a timely manner could harm our reputation and reduce the trading price of our common stock.

*A significant portion of our revenue is derived from geographic areas susceptible to natural and other disasters.*

Our markets in California, Texas and Florida contribute a substantial amount of revenue, operating cash flows, and net income to our operations. These same states, however, have a history of natural disasters which may adversely affect our operations in those states. The severity and frequency of certain of these natural disasters, such as hurricanes, are projected to increase over the next several years. In addition, the major metropolitan areas in which we operate, or plan to operate, could be the target of terrorist attacks. These events may cause our networks to cease operating for a substantial period of time while we reconstruct them and our competitors may be less affected by such natural disasters or terrorist attacks. If our networks cease operating for any substantial period of time, we may lose revenue and customers, and may have difficulty attracting new customers in the future, which could materially adversely affect our operations. Although we have business interruption insurance which we believe is adequate, we cannot provide any assurance that the insurance will cover all losses we may experience as a result of a natural disaster or terrorist attack, that the insurance carrier will be solvent, or that the insurance carrier will pay all claims made by us.

*Our substantial indebtedness could adversely affect our financial health.*

We have now, and will continue to have, a significant amount of debt. As of June 6, 2007, we had approximately \$3.0 billion of outstanding indebtedness under the senior secured credit facility and the senior notes. Our substantial amount of debt could have important material adverse consequences to us. For example, it could:

increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to make interest and principal payments on our debt, limiting the availability of our cash flow to fund future capital expenditures for existing or new markets, working capital and other general corporate requirements;

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

limit our ability to purchase additional spectrum, develop new metropolitan areas in the future or fund growth in our metropolitan areas;

place us at a competitive disadvantage compared with competitors that have less debt; and

limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity.

In addition, a substantial portion of our debt, including borrowings under our senior secured credit facility, incurs interest at variable rates. Although we have entered into a transaction to hedge some of our interest rate risk, if market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect our cash flow. While we have and may in the future enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk and any portions not subject to such agreements would have full exposure to higher interest rates. We estimate the interest expense and principal repayments on our debt for the 12 months ending March 31, 2008 to be approximately \$242.2 million.

*Despite current indebtedness levels, we will be able to incur substantially more debt and currently anticipate incurring additional debt. This could further exacerbate the risks associated with our leverage.*

We will be able to incur additional debt in the future despite our current level of indebtedness. The terms of the senior secured credit facility and the indenture governing the senior notes will allow us to incur substantial amounts of additional debt, subject to certain limitations. There are no restrictions on our or any of our future unrestricted subsidiaries' ability to incur additional indebtedness. If new debt is added to our current debt levels, the related risks we could face would be magnified.

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***To service our debt, we will require a significant amount of cash, which may not be available to us.***

Our ability to make payments on, or repay or refinance, our debt and to fund planned capital expenditures and operating losses associated with the Expansion Markets and the Auction 66 Markets, will depend largely upon proceeds from our initial public offering in April 2007 and our future operating performance. Our future performance is subject to certain general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, our ability to borrow funds in the future to make payments on our debt will depend on the satisfaction of the covenants in our senior secured credit facility, our financial performance, the indenture covering the senior notes and our other debt agreements and other agreements we may enter into in the future. Specifically, we will need to maintain specified financial ratios and satisfy financial condition tests. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior secured credit facility or from other sources in an amount sufficient to enable us to pay interest or principal on our debt, including the senior notes, or to fund our other liquidity needs.

***The terms of our debt place restrictions on certain of our subsidiaries which may limit our operating flexibility.***

The indenture governing the senior notes and the senior secured credit facility impose material operating and financial restrictions on MetroPCS Wireless and certain of its subsidiaries. These restrictions, subject in certain cases to ordinary course of business and other exceptions, may limit MetroPCS Wireless and our ability to engage in some transactions, including the following:

paying dividends, redeeming capital stock or making other restricted payments or investments;

paying interest on any additional indebtedness incurred;

selling or buying assets, properties or licenses;

developing assets, properties or licenses which we have or in the future may procure;

creating liens on assets;

participating in future FCC auctions of spectrum;

merging, consolidating or disposing of assets;

entering into transactions with affiliates; and

permitting subsidiaries (which does not include Royal Street) to pay dividends or make other payments.

In addition, although MetroPCS Communications and its unrestricted subsidiaries have the ability to incur new indebtedness, the indenture governing the senior notes and the senior secured credit facility impose restrictions on the ability of MetroPCS Wireless and some of our other subsidiaries to incur additional debt. Because substantially all of our current operations are conducted through MetroPCS Wireless and the other subsidiaries that are subject to these restrictions, our operating flexibility may be limited.

Under the senior secured credit facility, MetroPCS Wireless is also subject to financial maintenance covenants with respect to its senior secured leverage and in certain circumstances total maximum consolidated leverage and certain minimum fixed charge coverage ratios.

These restrictions could limit MetroPCS Wireless and our ability to obtain debt financing, repurchase stock, refinance or pay principal on our outstanding debt, complete acquisitions for cash or debt or react to changes in our operating environment. Any future debt that we incur may contain similar or more restrictive covenants.

***Our success depends on our ability to attract and retain qualified management and other personnel.***

Our business is managed by a small number of key executive officers. The loss of one or more of these persons could disrupt our ability to react quickly to business developments and changes in market conditions,

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which could harm our financial results. None of our key executives has an employment contract, so any of our key executive officers may leave at any time subject to forfeiture of any unpaid performance awards and any unvested options. In addition, upon any change in control, all unvested options and performance awards will vest which may make it difficult for anyone to acquire us. We believe that our future success will also depend in large part on our continued ability to attract and retain highly qualified executive, technical and management personnel. We believe competition for highly qualified management, technical and sales personnel is intense, and there can be no assurance that we will retain our key management, technical and sales employees or that we will be successful in attracting, assimilating or retaining other highly qualified management, technical and sales personnel in the future sufficient to support our continued growth. We have occasionally experienced difficulty in recruiting qualified personnel and there can be no assurance that we will not experience such difficulties in the future. Our inability to attract or retain highly qualified executive, technical and management personnel could materially and adversely affect our business operations and financial performance.

***We rely on third-party suppliers to provide our customers and us with equipment, software and services that are integral to our business, and any significant disruption in our relationship with these vendors could increase our cost and affect our operating efficiencies.***

We have entered into agreements with third-party suppliers to provide equipment and software for our network and services required for our operations, such as customer care, financial reporting and billing and payment processing. Sophisticated financial, information and billing systems are vital to our ability to monitor and control costs, bill customers, process customer orders, provide customer service, produce reliable and accurate financial reports and achieve operating efficiencies. We currently rely on internal systems and third-party vendors to provide all of our information, financial and processing systems. Some of our billing, financial, customer service and management information systems have been developed by third-parties and may not perform as anticipated. If these suppliers experience interruptions or other problems delivering these products or services on a timely basis or at all, it may cause us to have difficulty providing services to or billing our customers, developing and deploying new services and/or upgrading, maintaining, improving our networks, or generating accurate or timely financial reports and information. If alternative suppliers and vendors become necessary, we may not be able to obtain satisfactory and timely replacement services on economically attractive terms, or at all. Some of these agreements may be terminated upon relatively short notice. The loss, termination or expiration of these contracts or our inability to renew them or negotiate contracts with other providers at comparable rates could harm our business. Our reliance on others to provide essential services on our behalf also gives us less control over the efficiency, timeliness and quality of these services. In addition, our plans for developing and implementing our financial, information and billing systems rely to some extent on the design, development and delivery of products and services by third-party vendors. Our right to use these systems is dependent on license agreements with third-party vendors. Since we rely on third-party vendors to provide some of these services, any switch or disruption by our vendors could be costly and affect operating efficiencies.

***If we lose the right to install our equipment on wireless cell sites, or are unable to renew expiring leases for wireless cell sites on favorable terms or at all, our business and operating results could be adversely impacted.***

Our base stations are installed on leased cell site facilities or in connection with DAS systems. A significant portion of these cell sites are leased from a small number of large cell site and DAS system providers under master agreements governing the general terms of our use of that company's cell sites or DAS systems. If a master agreement with one of these cell site or DAS system providers were to terminate, the cell site or DAS system providers were to experience severe financial difficulties or file for bankruptcy or if one of these cell site or DAS system providers were unable to support our use of its cell sites or DAS systems, we would have to find new sites or rebuild the affected portion of our network. In addition, the concentration of our cell site leases and DAS systems with a limited number of cell site or DAS system providers could adversely affect our operating results and financial condition if we are unable to renew

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expiring leases or DAS system agreements with these companies either on terms comparable to those we have today or at all.

In addition, the tower industry has continued to consolidate. If any of the companies from which we lease towers or DAS systems were to consolidate with other tower or DAS systems companies, they may have the ability to raise prices which could materially affect our profitability. If any of the cell site leasing companies or DAS system providers with which we do business were to experience severe financial difficulties, or file for bankruptcy protection, our ability to use cell sites or DAS systems leased from that company could be adversely affected. If a material number of cell sites or DAS systems were no longer available for our use, our financial condition and operating results could be adversely affected.

***We may be unable to obtain the roaming and other services we need from other carriers to remain competitive.***

Many of our competitors have regional or national networks which enable them to offer automatic roaming and long distance telephone services to their subscribers at a lower cost than we can offer. We do not have a national network, and we must pay fees to other carriers who provide roaming services and who carry long distance calls made by our subscribers. We currently have roaming agreements with several other carriers which allow our customers to roam on those carriers' network. The roaming agreements, however, do not cover all geographic areas where our customers may seek service when they travel, generally cover voice but not data services, and at least one such agreement may be terminated on relatively short notice. In addition, we believe the rates charged by certain of the carriers to us in some instances are higher than the rates they charge to certain other roaming partners. The FCC has initiated a Notice of Proposed Rulemaking seeking comments on whether automatic roaming services are considered common carrier services, whether carriers have an obligation to offer automatic roaming services to other carriers, whether carriers have an obligation to provide non-voice automatic roaming services, and what rates a carrier may charge for roaming services. We are unable to predict with any certainty the likely outcome of this proceeding. The FCC previously has initiated roaming proceedings to address similar issues but repeatedly has failed to resolve these issues. Our current and future customers may desire that we offer automatic roaming services when they travel outside the areas we serve which we may be unable to obtain or provide cost effectively. If we are unable to obtain roaming agreements at reasonable rates, then we may be unable to effectively compete and may lose customers and revenues.

***A recent ruling from the Copyright Office of the Library of Congress may have an adverse effect on our distribution strategy.***

The Copyright Office of the Library of Congress, or the Copyright Office, recently released final rules on its triennial review of the exemptions to certain provisions of the Digital Millennium Copyright Act, or DMCA. A section of the DMCA prohibits anyone other than a copyright owner from circumventing technological measures employed to protect a copyrighted work, or access control. In addition, the DMCA provides that the Copyright Office may exempt certain activities which otherwise might be prohibited by that section of the DMCA for a period of three years when users are (or in the next three years are likely to be) adversely affected by the prohibition on their ability to make noninfringing uses of a class of copyrighted work. Many carriers, including us, routinely place software locks on wireless handsets, which prevent a customer from using a wireless handset sold by one carrier on another carrier's system. In its triennial review, the Copyright Office determined that these software locks on wireless handsets are access controls which adversely affect the ability of consumers to make noninfringing use of the software on their wireless handsets. As a result, the Copyright Office found that a person could circumvent such software locks and other firmware that enable wireless handsets to connect to a wireless telephone network when such circumvention is accomplished for the sole purpose of lawfully connecting the wireless handset to another wireless telephone network. A wireless carrier has filed suit in the United States District Court in Florida to reverse the Copyright Office's decision. This exemption is effective from November 27, 2006 through October 27, 2009 unless extended by the Copyright Office.



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This ruling, if upheld, could allow our customers to use their wireless handsets on networks of other carriers. This ruling may also allow our customers who are dissatisfied with our service to utilize the services of our competitors without having to purchase a new handset. The ability of our customers to leave our service and use their wireless handsets on other carriers' networks may have an adverse material impact on our business. In addition, since we provide a subsidy for handsets to our distribution partners that is incurred in advance, we may experience higher distribution costs resulting from wireless handsets not being activated or maintained on our network, which costs may be material.

***We may incur higher than anticipated intercarrier compensation costs, which could increase our costs and reduce our profit margin.***

When our customers use our service to call customers of other carriers, we generally are required to pay the carrier that serves the called party and any intermediary or transit carrier for the use of their network. Similarly, when a customer of another carrier calls one of our customers, that carrier generally is required to pay us for the use of our network. While we generally have been successful in negotiating agreements with other carriers that establish acceptable compensation arrangements, some carriers have claimed a right to unilaterally impose charges on us that we consider to be unreasonably high. The FCC has determined that certain unilateral termination charges imposed prior to April 2005 may be appropriate. We have requested clarification of this order. We cannot assure you that the FCC will rule in our favor. An adverse ruling or FCC inaction could result in some carriers successfully collecting such fees from us, which could increase our costs and affect our financial performance. In the meantime, certain carriers are threatening to pursue or have initiated claims against us for termination payments and the likely outcome of these claims is uncertain. A finding by the FCC that we are liable for additional terminating compensation payments could subject us to additional claims by other carriers. In addition, certain transit carriers have taken the position that they can charge market rates for transit services, which may in some instances be significantly higher than our current rates. We may be obligated to pay these higher rates and/or purchase services from others or engage in direct connection, which may result in higher costs which could materially affect our costs and financial results.

***Concerns about whether wireless telephones pose health and safety risks may lead to the adoption of new regulations, to lawsuits and to a decrease in demand for our services, which could increase our costs and reduce our revenues.***

Media reports and some studies have suggested that radio frequency emissions from wireless handsets are linked to various health concerns, including cancer, or interfere with various electronic medical devices, including hearing aids and pacemakers. Additional studies have been undertaken to determine whether the suggestions from those reports and studies are accurate. In addition, lawsuits have been filed against other participants in the wireless industry alleging various adverse health consequences as a result of wireless phone usage. While many of these lawsuits have been dismissed on various grounds, including a lack of scientific evidence linking wireless handsets with such adverse health consequences, future lawsuits could be filed based on new evidence or in different jurisdictions. If any such suits do succeed, or if plaintiffs are successful in negotiating settlements, it is likely additional suits would be filed. Additionally, certain states in which we offer or may offer service have passed or may pass legislation seeking to require that all wireless telephones include an earpiece that would enable the use of wireless telephones without holding them against the user's head. While it is not possible to predict whether any additional states in which we conduct business will pass similar legislation, such legislation could increase the cost of our wireless handsets and other operating expenses.

If consumers' health concerns over radio frequency emissions increase, consumers may be discouraged from using wireless handsets, and regulators may impose restrictions or increased requirements on the location and operation of cell sites or the use or design of wireless telephones. Such new restrictions or requirements could expose wireless

providers to further litigation, which, even if not successful, may be costly to defend, or could increase our cost of handsets and equipment. In addition, compliance with such new requirements, and the associated costs, could adversely affect our business. The actual or perceived risk of radio frequency

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emissions could also adversely affect us through a reduction in customers or a reduction in the availability of financing in the future.

In addition to health concerns, safety concerns have been raised with respect to the use of wireless handsets while driving. Certain states and municipalities in which we provide service or plan to provide service have passed laws prohibiting the use of wireless phones while driving or requiring the use of wireless headsets. If additional state and local governments in areas where we conduct business adopt regulations restricting the use of wireless handsets while driving, we could have reduced demand for our services.

***A system failure could cause delays or interruptions of service, which could cause us to lose customers.***

To be successful, we must provide our customers reliable service. Some of the risks to our network and infrastructure which may prevent us from providing reliable service include:

physical damage to outside plant facilities;

power surges or outages;

equipment failure;

vendor or supplier failures;

software defects;

human error;

disruptions beyond our control, including disruptions caused by terrorist activities, theft, or natural disasters; and

failures in operational support systems.

Network disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose customers and incur expenses. Further, our costs to replace or repair the network may be substantial, thus causing our costs to provide service to increase. We may also experience higher churn as our competitors systems may not experience similar problems.

***Unauthorized use of, or interference with, our network could disrupt service and increase our costs.***

We may incur costs associated with the unauthorized use of our network including administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraudulent use of our network may impact interconnection and long distance costs, capacity costs, administrative costs, fraud prevention costs and payments to other carriers for fraudulent roaming. Such increased costs could have a material adverse impact on our financial results.

***Security breaches related to our physical facilities, computer networks, and informational databases may cause harm to our business and reputation and result in a loss of customers.***

Our physical facilities and information systems may be vulnerable to physical break-ins, computer viruses, theft, attacks by hackers, or similar disruptive problems. If hackers gain improper access to our databases, they may be able

to steal, publish, delete or modify confidential personal information concerning our subscribers. In addition, misuse of our customer information could result in more substantial harm perpetrated by third-parties. This could damage our business and reputation and result in a loss of customers.

**Risks Related to Legal and Regulatory Matters**

*We are dependent on our FCC licenses, and our ability to provide service to our customers and generate revenues could be harmed by adverse regulatory action or changes to existing laws or rules.*

The FCC regulates most aspects of our business, including the licensing, construction, modification, operation, use, ownership, control, sale, roaming arrangements and interconnection arrangements of wireless

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communications systems, as do some state and local regulatory agencies. We can make no assurance that the FCC or the state and local agencies having jurisdiction over our business will not adopt regulations or take other actions that would adversely affect our business by imposing new costs or requiring changes in our current or planned operations, or that the Communications Act, from which the FCC obtains its authority, will not be amended in a manner materially adverse to us.

Taken together or individually, new or changed regulatory requirements affecting any or all of the wireless, local, and long distance industries may harm our business and restrict the manner in which we operate our business. The enactment of new adverse legislation, regulation or regulatory requirements may slow our growth and have a material adverse effect upon our business, results of operations and financial condition. We cannot assure you that changes in current or future regulations adopted by the FCC or state regulators, or other legislative, administrative or judicial initiatives relating to the communications industry, will not have a material adverse effect on our business, results of operations and financial condition. In addition, pending congressional legislative efforts to reform the Communications Act may cause major industry and regulatory changes that are difficult to predict and which may have material adverse consequences to us. In addition, additional or changed regulatory requirements could require us to change the way we do business, require us to make additional investments and incur additional expenses, all of which could materially adversely affect our business and financial results.

Some of our principal assets are our FCC licenses which we use to provide our services. The loss of any of these licenses could have a material adverse effect on our business. Our FCC licenses are subject to revocation if the FCC finds we are not in compliance with its rules or the Communications Act's requirements. We also could be subject to fines and forfeitures for such non-compliance, which could adversely affect our business. For example, absent a waiver, failure to comply with the FCC's Enhanced-911, or E-911, requirements, privacy rules, lighting and painting regulations, employment regulations, Customer Proprietary Network Information, or CPNI, protection rules, hearing aid-compatibility rules, number portability requirements, law enforcement cooperation rate averaging, anti-collusion rules, emergency preparedness and disaster recovery requirements, or other existing or new regulatory mandates could subject us to significant penalties or a revocation of our FCC licenses, which could have a material adverse effect on our business, results of operations and financial condition. A party to the 700 MHz proceeding has suggested that many carriers, including us, may have violated the anti-collusion rules during the recent Auction 66. We disagree with this suggestion as it relates to us. In addition, a failure to comply with these requirements or the FCC's construction requirements could result in revocation of the licenses and/or fines and forfeitures, any of which could have an adverse effect on our business.

***The structure of the transaction with Royal Street creates several risks because we do not control Royal Street and do not own or control the licenses it holds.***

We have agreements with Royal Street Communications that are intended to allow us to actively participate in the development of the Royal Street licenses and networks, and we have the right to acquire on a wholesale basis 85% of the services provided by the Royal Street systems and to resell these services on a retail basis under our brand in accordance with applicable laws and regulations. There are, nonetheless, risks inherent in the fact that we do not own or control Royal Street or the Royal Street licenses. C9 Wireless, LLC, or C9, an unaffiliated third party, has the ability to put all or part of its ownership interest in Royal Street to us, but, due to regulatory restrictions, we have no corresponding right to call C9's ownership interest in Royal Street Communications. We can give no assurance that C9 will exercise its put rights or, if it does, when such exercise may occur. Further, these put rights expire in June 2012. Subject to certain non-controlling investor protections in Royal Street Communications' limited liability company agreement, C9 also has control over the operations of Royal Street because it has the right to elect three of the five members of Royal Street Communications' management committee, which has the full power to direct the management of Royal Street. The FCC's rules also restrict our ability to acquire or control Royal Street licenses during the period that Royal Street must maintain its eligibility as a very small business designated entity, or DE, which is

currently through December 2010. Thus, we cannot be certain that the Royal Street licenses will be developed in a manner fully consistent with our business plan or that C9 will act in ways that benefit us.



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Royal Street acquired certain of its PCS licenses as a DE entitled to a 25% discount. As a result, Royal Street received a bidding credit equal to approximately \$94 million for its PCS licenses. If Royal Street is found to have lost its status as a DE it would be required to repay the FCC the amount of the bidding credit on a five-year straight-line basis beginning on the grant date of the license. If Royal Street were required to pay this amount, it could have a material adverse effect on us due to our non-controlling 85% limited liability company member interest in Royal Street. In addition, if Royal Street is found to have lost its status as a DE, it could lose some or all of the licenses only available to DEs which have not yet been constructed, which includes several of its licenses in Florida. If Royal Street lost those licenses, it could have a material adverse effect on us because we would lose access to portions of northern Florida.

Certain recent regulatory developments pertaining to the DE program indicate that the FCC plans to be proactive in assuring that DEs abide by the FCC's control requirements. The FCC has the right to audit the compliance of DEs with FCC rules governing their operations, and there have been recent indications that it intends to exercise that authority. In addition, the Royal Street business plan may become so closely aligned with our business plan that there is a risk the FCC may find Royal Street to have relinquished control over its licenses in violation of FCC requirements. If the FCC were to determine that Royal Street has failed to exercise the requisite control over its licenses, the result could be the loss of closed licenses, which are licenses that the FCC only offered to qualified DEs, the loss of bidding credits, which effectively lowered the purchase price for the open licenses, and fines and forfeitures, which amounts may be material.

In making the changes to the DE rules, the FCC concluded that certain relationships between a DE licensee and its investors would in the future be deemed impermissible material relationships based on a new FCC view that these relationships, by their very nature, are generally inconsistent with an applicant's or licensee's ability to achieve or maintain designated entity eligibility and inconsistent with Congress' legislative intent. The FCC cited wholesale service arrangements as an example of an impermissible material relationship, but indicated that previously approved arrangements of this nature would be allowed to continue. While the FCC has grandfathered the existing arrangements between Royal Street and us, there can be no assurance that any changes that may be required of those arrangements in the future will not cause the FCC to determine that the changes would trigger the loss of DE eligibility for Royal Street and require the reimbursement of the bidding credits received by Royal Street and loss of any licenses covering geographic areas that are not sufficiently constructed which were available initially only to DEs. Further, the FCC has opened a Notice of Further Proposed Rulemaking seeking to determine what additional changes, if any, may be required or appropriate to its DE program. There can be no assurance that these changes will not be applied to the current arrangements between Royal Street and us. Any of these results could be materially adverse to our business.

***We may not be able to continue to offer our services if the FCC does not renew our licenses when they expire.***

Our current PCS licenses began to expire in January 2007. We have filed applications to renew our PCS licenses for additional ten-year periods by filing renewal applications with the FCC when the filing windows were opened. A number of the renewal applications have been granted, including all of the licenses that expired in January and April 2007. One application is currently pending while the other is waiting to be filed for those licenses that are due to expire near the end of June 2007. Renewal applications are subject to FCC review and potentially public comment to ensure that licensees meet their licensing requirements and comply with other applicable FCC mandates. If we fail to file for renewal of any particular license at the appropriate time or fail to meet any regulatory requirements for renewal, including construction and substantial service requirements, we could be denied a license renewal and, accordingly, our ability to continue to provide service in the geographic area covered by such license would be adversely affected. In addition, many of our licenses are subject to interim or final construction requirements. While we or the prior licensee have met the five-year construction benchmark, there is no guarantee that the FCC will find our construction sufficient to meet the applicable construction requirement, in which case the FCC could terminate our license and our ability to continue to provide service in that license area would be adversely affected. For some of our

PCS licenses, we also have a 10 year construction obligation and for our AWS licenses we have a 15 year construction obligation. For certain PCS licenses and the AWS licenses, we are required to provide substantial service in

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order to renew our licenses. For all PCS and AWS licenses the FCC requires that a licensee provide substantial service in order to receive a renewal expectancy. There is no guarantee that the FCC will find our or the prior licensees' system construction to meet any ten-year build-out requirement or construction requirements for renewal. Additionally, while incumbent licensees may enjoy a certain renewal expectancy if they provide substantial service, there is no guarantee that the FCC will conclude that we are providing substantial service, that we are entitled to a renewal expectancy, or will renew all or any of our licenses, or that the FCC will not grant the renewal with conditions that could materially and adversely affect our business. Failure to have our licenses renewed would materially and adversely affect our business.

***The value of our licenses may drop in the future as a result of volatility in the marketplace and the sale of additional spectrum by the FCC.***

The market value of FCC licenses has been subject to significant volatility in the past and Congress has mandated that the FCC bring an additional substantial amount of spectrum to the market by auction in the next several years. The likely impact of these future auctions on license values is uncertain. For example, Congress has mandated that the FCC auction 60 MHz of spectrum in the 700 MHz band in early 2008 and another 40 MHz of AWS spectrum is in the process of being assigned for wireless broadband services and is expected to be auctioned in the future by the FCC. There can be no assurance of the market value of our FCC licenses or that the market value of our FCC licenses will not be volatile in the future. If the value of our licenses were to decline significantly, we could be forced to record non-cash impairment charges which could impact our ability to borrow additional funds. A significant impairment loss could have a material adverse effect on our operating income and on the carrying value of our licenses on our balance sheet.

***The FCC may license additional spectrum which may not be appropriate for or available to us or which may allow new competitors to enter our markets.***

The FCC periodically makes additional spectrum available for wireless use. For instance, the FCC recently allocated and auctioned an additional 90 MHz of spectrum for AWS. The AWS band plan made some licenses available in small (Metropolitan Statistical Area (MSA) and Rural Service Area (RSA)) license areas, although the predominant amount of spectrum remains allocated on a regional basis in combinations of 10 MHz and 20 MHz spectrum blocks. This band plan tended to favor large incumbent carriers with nationwide footprints and presented challenges for us in acquiring additional spectrum. The FCC also has allocated an additional 40 MHz of spectrum devoted to AWS. It is in the process of considering the channel assignment policies for 20 MHz of this spectrum and has indicated that it will initiate a further proceeding with regard to the remaining 20 MHz in the future. The FCC also is in the process of taking comments on the appropriate geographic license areas, channel blocks, service rules and construction and performance build-out obligations for an additional 60 MHz of spectrum in the 700 MHz band. Specifically, on April 27, 2007, the FCC issued a Report and Order and Further Notice of Proposed Rulemaking seeking comment on possible changes to the 700 MHz band plan, including possible changes in the service area and channel block sizes for the 60 MHz of as yet unauctioned 700 MHz spectrum. The FCC is also seeking comments on construction and performance build-out requirements, revisions to the 700 MHz guard bands, competitive bidding procedures and the service rules with respect to the 700 MHz spectrum. The FCC also is seeking comment on possible far-reaching sharing arrangements between commercial 700 MHz licensees and public safety users of 700 MHz spectrum. We, along with other small, regional and rural carriers, have previously filed comments advocating changes to the current 700 MHz band plan to create a greater number of licenses with smaller spectrum blocks and geographic area sizes. Several national wireless carriers have previously filed comments supporting larger license areas and other interested parties have made band plan and licensing proposals that differ from ours by favoring larger license areas, larger license blocks and the use of combinatorial bidding, which we do not favor, to enable applicants to more easily assemble a nationwide foot print. In addition, one commenter advocates reassigning 30 MHz of the 700 MHz band which now is allocated for commercial broadband use, to public safety use to create a nationwide, interoperable

broadband network that public safety users can access on a priority basis. The FCC is also seeking comment on a proposal to allocate 10 MHz of the 700 MHz band, which now is allocated for commercial broadband use, on a nationwide basis, in accordance with specific public safety rules that would force the licensee to fund the construction of a

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nationwide broadband infrastructure, offer service only on a wholesale basis, and provide public safety with priority access to the 10 MHz of spectrum during emergencies. In September 2006, the FCC also sought comment on proposals to increase the flexibility of guard band licensees in the 700 MHz spectrum. Furthermore, in December 2006, the FCC sought comment on the possible implementation of a nationwide broadband interoperable network in the 700 MHz band allocated for public safety use, which also could be used by commercial service providers on a secondary basis. We cannot predict the likely outcome of those proceedings or whether they will benefit or adversely affect us.

There are a series of risks associated with any new allocation of broadband spectrum by the FCC. First, there is no assurance that the spectrum made available by the FCC will be appropriate for or complementary to our business plan and system requirements. Second, depending upon the quantity, nature and cost of the new spectrum, it is possible that we will not be granted any of the new spectrum and, therefore, we may have difficulty in providing new services. This could adversely affect the valuation of the licenses we already hold. Third, we may be unable to purchase additional spectrum or the prices paid for such spectrum may negatively affect our ability to be competitive in the market. Fourth, new spectrum may allow new competitors to enter our markets and impact our ability to grow our business and compete effectively in our market. Fifth, new spectrum may be sold at prices lower than we paid at past auctions or in private transactions, thus adversely affecting the value of our existing assets. Sixth, the clearing obligations for existing licensees on new spectrum may take longer or cost more than anticipated. Seventh, our competitors may be able to use this new spectrum to provide products and services that we cannot provide using our existing spectrum. Eighth, there can be no assurance that our competitors will not use certain FCC programs, such as its designated entity program or the proposed nationwide interoperable networks for public safety use, to purchase or acquire spectrum at materially lower prices than what we are required to pay. Any of these risks, if they occur, may have a material adverse effect on our business.

***We are subject to numerous surcharges and fees from federal, state and local governments, and the applicability and amount of these fees is subject to great uncertainty and may prove to be material to our financial results.***

Telecommunications providers pay a variety of surcharges and fees on their gross revenues from interstate and intrastate services. Interstate surcharges include federal Universal Service Fund fees and common carrier regulatory fees. In addition, state regulators and local governments impose surcharges, taxes and fees on our services and the applicability of these surcharges and fees to our services is uncertain in many cases and jurisdictions may argue as to whether we have correctly assessed and remitted those monies. The division of our services between interstate services and intrastate services is a matter of interpretation and may in the future be contested by the FCC or state authorities. In addition, periodic revisions by state and federal regulators may increase the surcharges and fees we currently pay. The Federal government and many states apply transaction-based taxes to sales of our products and services and to our purchases of telecommunications services from various carriers. It is possible that our transaction based tax liabilities could change in the future. We may or may not be able to recover some or all of those taxes from our customers and the amount of taxes may deter demand for our services.

***Spectrum for which we have been granted licenses as a result of AWS Auction 66 is subject to certain legal challenges, which may ultimately result in the FCC revoking our licenses.***

We have paid the full purchase price of approximately \$1.4 billion to the FCC for the licenses we were granted as a result of Auction 66, even though there are ongoing uncertainties regarding some aspects of the final auction rules. In April 2006, the FCC adopted an Order relating to its DE program, or the DE Order. This Order was modified by the FCC in an Order on Reconsideration which largely upheld the revised DE rules but clarified that the FCC's revised unjust enrichment rules would only apply to licenses initially granted after April 25, 2006. Several interested parties filed an appeal in the U.S. Court of Appeals for the Third Circuit on June 7, 2006, of the DE Order. The appeal challenges the DE Order on both substantive and procedural grounds. Among other claims, the petitions contest the

FCC's effort to apply the revised rules to applications for the AWS Auction 66 and seeks to overturn the results of Auction 66. We are unable at this

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time to predict the likely outcome of the court action. We also are unable to predict the likelihood that the litigation will result in any changes to the DE Order or to the DE program, and, if there are changes, whether or not any such changes will be beneficial or detrimental to our interests. If the court overturns the results of Auction 66, there may be a delay in us receiving a refund of our payments. Further, the FCC may appeal any decision overturning Auction 66 and not refund any amounts paid until the appeal is final. In such instance, we may be forced to pay interest on the payments made to the FCC without receiving any interest on such payments from the FCC. If the results of Auction 66 were overturned and we receive a refund, the delay in the return of our money and the loss of any amounts spent to develop the licenses in the interim may affect our financial results and the loss of the licenses may affect our business plan. Additionally, such refund would be without interest. In the meantime we would have been obligated to pay interest to our lenders on the amounts we paid to the FCC during the interim period and such interest amounts may be material.

***We may be delayed in starting operations in the Auction 66 Markets because the incumbent licensees may have unreasonable demands for relocation or may refuse to relocate.***

The spectrum allocated for AWS currently is utilized by a variety of categories of existing licensees (Broadband Radio Service, Fixed Service) as well as governmental users. The FCC rules provide that a portion of the money raised in Auction 66 will be used to reimburse the relocation costs of certain governmental users from the AWS band. However, not all governmental users are obligated to relocate. To foster the relocation of non-governmental incumbent licensees, the FCC also adopted a transition and cost sharing plan under which incumbent users can be reimbursed for relocating out of the AWS band with the costs of relocation being shared by AWS licensees benefiting from the relocation. The FCC has established rules requiring the new AWS licensee and the non-governmental incumbent user to negotiate voluntarily for up to three years before the non-governmental incumbent licensee is subject to mandatory relocation.

We are not able to determine with any certainty the costs we may incur to relocate the non-governmental incumbent licenses in the Auction 66 Markets or the time it will take to clear the AWS spectrum in those areas.

If any federal government users delay or refuse to relocate out of the AWS band in a metropolitan area where we have been granted a license, we may be delayed or prevented from serving certain geographic areas or customers within the metropolitan area and such inability may have a material adverse effect on our financial performance, and our future prospects. In addition, if any of the incumbent users refuse to voluntarily relocate, we may be delayed in using the AWS spectrum granted to us and such delay may have a material adverse effect on our ability to serve the metropolitan areas, our financial performance, and our future prospects.

***The FCC may adopt rules requiring new point-to-multipoint emergency alert capabilities that would require us to make costly investments in new network equipment and consumer handsets.***

In 2004, the FCC initiated a proceeding to update and modernize its systems for distributing emergency broadcast alerts. Television stations, radio broadcasters and cable systems currently are required to maintain emergency broadcast equipment capable of retransmitting emergency messages received from a federal agency. As part of its attempts to modernize the emergency alert system, the FCC in its proceeding is addressing the feasibility of requiring wireless providers, such as us, to distribute emergency information through our wireless networks. Unlike broadcast and cable networks, however, our infrastructure and protocols like those of all other similarly-situated wireless broadband PCS carriers are optimized for the delivery of individual messages on a point-to-point basis, and not for delivery of messages on a point-to-multipoint basis, such as all subscribers within a defined geographic area. While multiple proposals have been discussed in the FCC proceeding, including limited proposals to use existing SMS capabilities on a short-term basis, the FCC has not yet ruled and therefore we are not able to assess the short- and long-term costs of meeting any future FCC requirements to provide emergency and alert service, should the FCC

adopt such requirements. Congress recently passed the Warning, Alert, and Response Network Act, or the Act, which was signed into law. In the Act, Congress provided for the establishment, within 60 days of enactment, of an advisory committee to provide recommendations to the FCC on, and the FCC is required to complete a proceeding to adopt, relevant



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technical standards, protocols, procedures and other technical requirements based on such recommendations necessary to enable alerting capability for commercial mobile radio service, or CMRS, providers that voluntarily elect to transmit emergency alerts. Under the Act, a CMRS carrier can elect not to participate in providing such alerting capability. If a CMRS carrier elects to participate, the carrier may not charge separately for the alerting capability and the CMRS carrier's liability related to or any harm resulting from the transmission of, or failure to transmit, an emergency is limited. Within a relatively short period of time after receiving the recommendations from the advisory committee, the FCC is obligated to complete its rulemaking implementing such rules. Adoption of such requirements, however, could require us to purchase new or additional equipment and may also require consumers to purchase new handsets. Until the FCC rules, we do not know if it will adopt such requirements, and if it does, what their impact will be on our network and service.

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**RESCISSION OFFER**

**Background**

Since January 2004, we granted options to purchase shares of our common stock pursuant to our Equity Compensation Plans. Except as to options to purchase shares of our common stock covered by this rescission offer, all such options currently held by optionees were granted in reliance on the exemptions from registration available under Rule 701, Section 4(2), or Rule 506 of the Securities Act.

Certain options to purchase our common stock granted during certain periods of 2004 and 2006 may not have been exempt from the registration and qualification requirements of the Securities Act or under the securities laws of certain states. Of such options, 924,454 remain outstanding with a weighted average exercise price per option of \$7.05. We issued these options to purchase shares of our common stock in reliance on Rule 701 under the Securities Act. However, we may not have been entitled to rely on Rule 701 and, as a result, the holders of such options may have a right to require us to repurchase those securities if we are found to be in violation of federal or state securities laws. The reasons we may not have been entitled to rely on Rule 701 are as follows:

First, companies subject to the periodic reporting requirements of the Exchange Act are not eligible to rely upon the Rule 701 exemption. We became subject to the reporting requirements of the Exchange Act in January 2004 as a result of our registration of certain of our debt securities, and we were subject to the reporting requirements of the Exchange Act for the remainder of 2004. As a result of being a reporting company in 2004, all options granted in 2004 were ineligible for the Rule 701 exemption.

Second, because we have rapidly expanded our operations and the size of our workforce since our inception, we have granted options to purchase shares of our common stock to a large number of participants under our Equity Compensation Plans. On December 31, 2005, options granted under our Equity Compensation Plans were held by more than 500 holders. As a result, we became subject to the registration requirements under Section 12(g) of the Exchange Act. In general, Section 12(g) of the Exchange Act (as supplemented by rules adopted by the SEC) requires every issuer having total assets of more than \$10 million and a class of equity security held of record by 500 or more persons to register that class of equity security under the Exchange Act. An issuer is required to comply with the registration requirements within 120 days after the end of the first fiscal year when it first meets the above-described total asset and record holder test. However, we failed to register under Section 12(g) of the Exchange Act by April 30, 2006 (the date we were required to do so). If we had filed a registration statement as required by Section 12(g), we would have become subject to the periodic reporting requirements of the Exchange Act. Accordingly, we may not have been eligible to rely on the exemption from registration under Rule 701 of the Securities Act or the corresponding exemption from qualification under California securities laws that requires compliance with Rule 701. Due to the unavailability of these exemptions and our failure to register under Section 12(g) following the end of our 2005 fiscal year, certain options granted between April 30, 2006 through September 30, 2006 may not have been exempt from registration under Rule 701 or exempt from qualification under the California securities laws. In November 2006, we realized that we were not in compliance with Section 12(g) of the Exchange Act and we ceased granting options in reliance on Rule 701 of the Securities Act.

We are offering to repurchase options to purchase our common stock to address these compliance issues under federal law and the California securities laws by allowing holders of options covered by this rescission offer to sell those securities back to us for 20% of the per share exercise price of the options multiplied by the number of shares of common stock subject to the options.

**Rescission Offer And Price**

We are offering to rescind certain option grants pursuant to our Equity Compensation Plans. By making this rescission offer, we are not waiving any applicable statutes of limitations or any other defenses available to us.

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More specifically, we are offering to rescind certain grants of options to purchase our common stock, which remain outstanding and are currently held by 334 persons. These consist of options to purchase 924,454 shares of our common stock at exercise prices per share ranging from \$1.57 to \$8.67. This offer will be made to current and former employees who received options pursuant to our Equity Compensation Plans that are subject to the rescission offer between January 1, 2004 and December 31, 2004 and between April 30, 2006 and September 30, 2006 and who are, or were at the time of grant, residents of a Rescission State.

If you accept our rescission offer with respect to unexercised options to purchase our common stock, we will repurchase all such unexercised and outstanding options at 20% of the per share exercise price multiplied by the number of shares subject to such options, plus the statutory rate of interest for your state, from the date of grant through the date that the rescission offer expires.

You will not be entitled to any payments for interest or otherwise unless you affirmatively elect to participate in the rescission offer.

### **Acceptance**

You may accept the rescission offer by completing and signing the notice of election form attached to the accompanying letter of offer to purchase securities, indicating the option grants to be repurchased on or before 5:00 p.m. Dallas, Texas time, on July 13, 2007, which is the expiration date of the rescission offer. All acceptances of the rescission offer will be deemed to be effective on the expiration date and the right to accept and participate in the rescission offer will terminate on the expiration date. Acceptances or rejections may be revoked in a written notice to us, to the attention of Damien Falgoust, Esq., 8144 Walnut Hill Lane, Suite 800, Dallas, Texas 75231, facsimile number: (866) 857-6303. Any such revocation is effective only if it is received before the expiration date of the rescission offer. Within 15 business days after the expiration date of the rescission offer, we will pay for any securities as to which the rescission offer has been validly accepted. If you are accepting the rescission offer, please also include in your return envelope a completed and signed election form indicating the grant date of each option that you are tendering for repurchase and the number of shares underlying the option.

The rescission offer will expire at 5:00 p.m., Dallas, Texas time, July 13, 2007. If you submit a notice of election form after the expiration time, regardless of whether your form is otherwise complete, your election will not be accepted, and you will be deemed to have rejected our rescission offer. We may waive any defects or irregularities with respect to the election to accept our rescission offer, but we are not required to do so and may not do so. Any acceptance, rejection or waiver of defects shall be at our sole discretion and shall be conclusive, final and binding. We undertake no duty to inform you if your election is defective.

Neither we nor our officers and directors make any recommendations to you with respect to the rescission offer contained herein. You are urged to read the rescission offer carefully and to make an independent evaluation with respect to its terms.

### **Rejection or Failure to Affirmatively Accept**

If you fail to accept, or if you affirmatively reject, the rescission offer by not returning the election form or by so indicating on the notice of election form attached to the accompanying letter of offer to purchase securities, you will retain ownership of the options to purchase shares of our common stock in accordance with the terms of our Equity Compensation Plans and you will not receive any cash for those securities in connection with the rescission offer. The common stock and any shares issuable upon the exercise of options will be registered and freely tradeable under the Securities Act, unless you are an affiliate of MetroPCS within the meaning of Rule 144 or Rule 145 of the Securities

Act, as the case may be. Any such shares will remain subject to any applicable terms and conditions of the original agreement under which the corresponding options were issued and any subsequent agreement relating to such options. In addition, you will remain subject to any market standoff agreements, lock-up arrangements with the underwriters of our initial public offering or contained in our Registration Rights Agreement, vesting restrictions, insider trading restrictions and any other transfer restrictions applicable to your shares.

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**Solicitation**

We have not retained, nor do we intend to retain, any person to make solicitations or recommendations to you in connection with the rescission offer.

**Effect of Rescission Offer**

It is unclear whether the rescission offer will terminate our liability, if any, for failure to register or qualify the issuance of the securities under federal or state securities laws. Accordingly, should the rescission offer be rejected by any or all offerees, option holders who reject our rescission offer may be able to seek rescission of the options in the future under the Securities Act and state securities laws. It is possible that an option holder could argue that the offer to rescind the issuance of outstanding options for an amount equal to 20% of the aggregate exercise price, plus interest does not represent an adequate remedy for the potential violation of the applicable securities laws in connection with the issuance of the option. If a court were to impose a greater remedy, we could be liable as a result of the potential securities violations for more than the offer made pursuant to this offering circular.

**Funding the Rescission Offer**

The rescission offer will be funded from our existing cash balances. If all persons eligible to participate accept our offer to repurchase options in full, our results of operations, cash balances and financial condition will not be affected materially. The maximum aggregate liability that we may be required to pay is approximately \$1.4 million.

**Directors and Officers**

None of our officers and directors hold unexercised options that are subject to the rescission offer. If eligible persons accept the rescission offer in full, our officers and directors would not materially increase their respective ownership interests in MetroPCS.

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**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

*The following is a summary of the material United States federal income tax consequences of the proposed rescission offer to holders of options to purchase shares of our common stock who accept such offer. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities are subject to change (possibly retroactively), and to differing interpretations, and as a result the United States federal income tax consequences may be different from those set forth below. In addition, this discussion does not purport to be a complete analysis of all the potential tax considerations that may be applicable to you in light of your individual circumstances, including those that may be relevant if you (i) hold shares of our common stock that are unvested or that are subject to hedging, conversion or constructive sale transactions, (ii) are subject to the alternative minimum tax provisions of the Internal Revenue Code, (iii) are a foreign person, or (iv) are not an employee of MetroPCS or one of our subsidiaries.*

We have not sought, and will not seek, a ruling from the Internal Revenue Service regarding the federal income tax consequences of the rescission offer. The following summary does not address the tax considerations arising under the laws of any foreign, state or local jurisdiction. **Accordingly, each holder of options subject to the rescission offer should consult with his or her own tax advisor with respect to the particular tax consequences that may result as a consequence of accepting the rescission offer.**

If you accept the rescission offer with respect to your unexercised options, any amounts paid to you will be treated as taxable compensation income for United States income and employment tax purposes in the year received. We will withhold certain income and payroll taxes from any payment made to you as required by law, including FICA and Medicare taxes, and other applicable employment taxes. For United States federal income tax withholding purposes, we will treat any payment as a supplemental wage payment, and withhold at a flat rate of 25% (unless such payment, together with any other supplemental wages paid to you during the calendar year, exceed \$1 million, in which case the withholding rate would be 35%). To the extent that you recognize ordinary income as a result of amounts paid to you in connection with the rescission of your unexercised options, we will generally be entitled to a corresponding federal income tax deduction.

**You are urged to consult your tax advisor with respect to the application of the United States federal income tax laws to your particular situation, as well as any tax consequences of the rescission of your unexercised options and/or shares issued upon the exercise of options under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.**

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Any statements made in this offering circular that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including statements that may relate to our plans, objectives, strategies, goals, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. These forward-looking statements often include words such as anticipate, expect, suggests, plan, believe, intend, estimates, targets, projects, forecast, and other similar expressions. These forward-looking statements are contained throughout this offering circular, including the Offering Circular Summary, Risk Factors, Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business.

We base these forward-looking statements or projections on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this offering circular, you should understand that these forward-looking statements or projections are not guarantees of future performance or results. Although we believe that these forward-looking statements and projections are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect our actual financial results, performance or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements and projections. Factors that may materially affect such forward-looking statements and projections include:

the highly competitive nature of our industry;

the rapid technological changes in our industry;

our ability to maintain adequate customer care and manage our churn rate;

our ability to sustain the growth rates we have experienced to date;

our ability to access the funds necessary to build and operate our Auction 66 Markets;

the costs associated with being a public company and our ability to comply with the internal financial and disclosure control and reporting obligations of public companies;

our ability to manage our rapid growth, train additional personnel and improve our financial and disclosure controls and procedures;

our ability to secure the necessary spectrum and network infrastructure equipment;

our ability to clear the Auction 66 Market spectrum of incumbent licensees;

our ability to adequately enforce or protect our intellectual property rights;

governmental regulation of our services and the costs of compliance and our failure to comply with such regulations;



our capital structure, including our indebtedness amounts;

changes in consumer preferences or demand for our products;

our inability to attract and retain key members of management; and

other factors described in this offering circular under Risk Factors.

The forward-looking statements and projections are subject to and involve risks, uncertainties and assumptions and you should not place undue reliance on these forward-looking statements and projections. All future written and oral forward-looking statements and projections attributable to us or persons acting on our behalf are expressly qualified in their entirety by our cautionary statements. We do not intend to, and do not

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undertake a duty to, update any forward-looking statement or projection in the future to reflect the occurrence of events or circumstances, except as required by law.

**MARKET AND OTHER DATA**

Market data and other statistical information used throughout this offering circular are based on independent industry publications, government publications, reports by market research firms and other published independent sources. Some data and other information is also based on our good faith estimates, which are derived from our review of internal surveys and independent sources, including information provided to us by the U.S. Census Bureau. Although we believe these sources are reliable, we have not independently verified the data or information obtained from these sources. By including such market data and information, we do not undertake a duty to provide such data or information in the future or to update such data or information when such data or information is updated.

**DIVIDEND POLICY**

We have never paid or declared any regular dividends on our common stock and do not intend to declare or pay regular dividends on our common stock in the foreseeable future. The terms of our senior secured credit facility restrict our ability to declare or pay dividends. We generally intend to retain the future earnings, if any, to invest in our business. Subject to Delaware law, our board of directors will determine the payment of future dividends on our common stock, if any, and the amount of any dividends in light of:

any applicable contractual restrictions limiting our ability to pay dividends;

our earnings and cash flows;

our capital requirements;

our financial condition; and

other factors our board of directors deems relevant.

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We have provided in the table below our consolidated cash, cash equivalents and short-term investments and capitalization as of March 31, 2007 on an actual basis and on an as adjusted basis giving effect to:

the exercise of 1,022,625 options at a weighted average exercise price of \$3.68 by the selling stockholders identified in the prospectus dated April 18, 2007 related to our initial public offering in April 2007;

the recent consummation of our initial public offering in April 2007, which consisted of the sale by us of 37,500,000 shares of common stock at a price per share of \$23 (less underwriting discounts and commissions). Upon consummation of the initial public offering all shares of our Series D and Series E preferred stock, including accrued but unpaid dividends as of April 23, 2007, were converted into shares of common stock; and

The issuance of \$400,000,000 in aggregate principal amount of additional 9 1/4% senior notes due 2014 in June 2007.

This table should be read in conjunction with Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this offering circular.

	<b>As of March 31, 2007</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(In thousands)</b>	
Cash, cash equivalents and short-term investments	\$ 539,671	\$ 1,782,981
Long-Term Debt:		
Senior secured credit facility	1,592,000	1,592,000
Senior notes	1,000,000	1,423,500
<b>Total Long-Term Debt</b>	<b>\$ 2,592,000</b>	<b>\$ 3,015,500</b>
Series D Preferred Stock(1)	\$ 448,665	\$
Series E Preferred Stock(2)	\$ 51,960	\$
Stockholders' Equity:		
Preferred stock(3)	\$	\$
Common stock(4)	16	35
Additional paid-in capital	170,980	1,493,776
Retained earnings	275,919	275,919
Accumulated other comprehensive income	(992)	(992)
<b>Total Stockholders' Equity</b>	<b>\$ 445,923</b>	<b>\$ 1,768,738</b>
<b>Total Capitalization</b>	<b>\$ 3,538,548</b>	<b>\$ 4,784,238</b>

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- (1) Par value \$0.0001 per share, 4,000,000 shares designated and 3,500,993 shares issued and outstanding, actual; no shares designated, issued or outstanding, as adjusted.
- (2) Par value \$0.0001 per share, 500,000 shares designated and 500,000 shares issued and outstanding, actual; no shares designated, issued or outstanding, as adjusted.
- (3) Par value \$0.0001 per share, 25,000,000 shares authorized, 4,000,000 of which have been designated as Series D Preferred Stock and 500,000 of which have been designated as Series E Preferred Stock, no shares of preferred stock other than Series D & E Preferred Stock issued and outstanding, actual; 100,000,000 shares authorized but no shares issued or outstanding, as adjusted.
- (4) Par value \$0.0001 per share, 300,000,000 shares authorized and 157,135,815 shares issued and outstanding, actual; 1,000,000,000 shares authorized and 346,621,084 issued and outstanding, as adjusted.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

The following tables set forth selected consolidated financial data. We derived our selected consolidated financial data as of and for the years ended December 31, 2004, 2005 and 2006 from our consolidated financial statements, which were audited by Deloitte & Touche LLP. We derived our selected consolidated financial data as of and for the years ended December 31, 2002 and 2003 from our consolidated financial statements. We derived our selected consolidated financial data as of and for the three months ended March 31, 2006 and 2007 from our unaudited condensed consolidated financial statements. You should read the selected consolidated financial data in conjunction with

Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this offering circular.

	<b>Year Ended December 31,</b>					<b>Three Months Ended</b>	
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>March 31,</b>	<b>2007</b>
	<b>(In thousands, except share and per share data)</b>						
<b>Statement of Operations Data:</b>							
Revenues:							
Service revenues	\$ 102,293	\$ 369,851	\$ 616,401	\$ 872,100	\$ 1,290,947	\$ 275,416	\$ 439,516
Equipment revenues	27,048	81,258	131,849	166,328	255,916	54,045	97,170
Total revenues	129,341	451,109	748,250	1,038,428	1,546,863	329,461	536,686
Operating expenses:							
Cost of service (excluding depreciation and amortization disclosed separately below)	63,567	122,211	200,806	283,212	445,281	92,489	145,335
Cost of equipment	106,508	150,832	222,766	300,871	476,877	100,911	173,308
Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below)	55,161	94,073	131,510	162,476	243,618	51,437	72,937
Depreciation and amortization	21,472	42,428	62,201	87,895	135,028	27,260	39,380
(Gain) loss on disposal of assets	(279,659)	392	3,209	(218,203)	8,806	10,365	3,050
Total operating expenses	(32,951)	409,936	620,492	616,251	1,309,610	282,462	434,010

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Income from operations	162,292	41,173	127,758	422,177	237,253	46,999	102,676
Other expense (income):							
Interest expense	6,720	11,115	19,030	58,033	115,985	20,884	48,976
Accretion of put option in majority-owned subsidiary			8	252	770	157	238
Interest and other income	(964)	(996)	(2,472)	(8,658)	(21,543)	(4,572)	(7,157)
Loss (gain) on extinguishment of debt	703	(603)	(698)	46,448	51,518	(217)	
Total other expense	6,459	9,516	15,868	96,075	146,730	16,252	42,057
Income before provision for income taxes and cumulative effect of change in accounting principle	155,833	31,657	111,890	326,102	90,523	30,747	60,619
Provision for income taxes	(25,528)	(16,179)	(47,000)	(127,425)	(36,717)	(12,377)	(24,267)
Income before cumulative effect of change in accounting principle	130,305	15,478	64,890	198,677	53,806	18,370	36,352
Cumulative effect of change in accounting, net of tax		(120)					
Net income	130,305	15,358	64,890	198,677	53,806	18,370	36,352
Accrued dividends on Series D Preferred Stock	(10,619)	(18,493)	(21,006)	(21,006)	(21,006)	(5,180)	(5,180)
Accrued dividends on Series E Preferred Stock				(1,019)	(3,000)	(740)	(740)
Accretion on Series D Preferred Stock	(473)	(473)	(473)	(473)	(473)	(118)	(118)
Accretion on Series E Preferred Stock				(114)	(339)	(85)	(85)
Net income (loss) applicable to Common Stock	\$ 119,213	\$ (3,608)	\$ 43,411	\$ 176,065	\$ 28,988	\$ 12,247	\$ 30,229

Basic net income (loss) per common share(1):														
Income (loss) before cumulative effect of change in accounting principle	\$	0.72	\$	(0.03)	\$	0.18	\$	0.71	\$	0.11	\$	0.04	\$	0.11
Cumulative effect of change in accounting, net of tax				(0.00)										
Basic net income (loss) per common share	\$	0.72	\$	(0.03)	\$	0.18	\$	0.71	\$	0.11	\$	0.04	\$	0.11

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	Year Ended December 31,						Three Months Ended	
	2002	2003	2004	2005	2006	2006	2007	
	(In thousands, except share and per share data)							
Adjusted net income (loss) per common share(1):								
Basic	\$ 0.52	\$ (0.03)	\$ 0.15	\$ 0.62	\$ 0.10	\$ 0.04	\$ 0.00	
Diluted	\$ 0.52	\$ (0.03)	\$ 0.15	\$ 0.62	\$ 0.10	\$ 0.04	\$ 0.00	
Weighted average shares(1):								
Basic	108,709,302	109,331,885	126,722,051	135,352,396	155,820,381	155,174,314	157,035,100	
Diluted	150,218,097	109,331,885	150,633,686	153,610,589	159,696,608	159,287,504	163,447,800	
Other financial data:								
Cash provided by operating activities	\$ (50,672)	\$ 112,605	\$ 150,379	\$ 283,216	\$ 364,761	\$ 65,628	\$ 111,500	
Cash used in investment	(88,311)	(306,868)	(190,881)	(905,228)	(1,939,665)	(138,545)	(74,100)	



ivities							
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ivities	157,039	201,951	(5,433)	712,244	1,623,693	23,967	32,3

	2002	2003	As of December 31,		2006	As of March 31,	
			2004	2005		2006	2007

(In thousands)

**Balance Sheet****Data:**

Cash, cash equivalents & short-term investments	\$ 60,724	\$ 254,838	\$ 59,441	\$ 503,131	\$ 552,149	\$ 449,239	\$ 539,671
Property and equipment, net	352,799	485,032	636,368	831,490	1,256,162	961,271	1,363,786
Total assets	554,705	898,939	965,396	2,158,981	4,153,122	2,266,700	4,272,212
Long-term debt (including current maturities)	51,649	195,755	184,999	905,554	2,596,000	903,454	2,592,000
Series D Cumulative Convertible Redeemable Participating Preferred Stock	294,423	378,926	400,410	421,889	443,368	427,186	448,665
Series E Cumulative Convertible Redeemable Participating Preferred Stock				47,796	51,135	48,620	51,960
Stockholders equity	69,397	71,333	125,434	367,906	413,245	383,051	445,923

(1) See Notes 17 and 8 to the annual and interim consolidated financial statements, respectively, included elsewhere in this offering circular for an explanation of the calculation of basic and diluted net income (loss) per common share. The calculation of basic and diluted net income (loss) per common share for the years ended December 31, 2002 and 2003 is not included in Note 17 to the consolidated financial statements.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this offering circular. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results contemplated in these forward-looking statements as a result of factors including, but not limited to, those under Risk Factors and Liquidity and Capital Resources.

**Company Overview**

Except as expressly stated, the financial condition and results of operations discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations are those of MetroPCS Communications, Inc. and its consolidated subsidiaries.

We are a wireless telecommunications carrier that currently offers wireless broadband personal communication services, or PCS, primarily in the greater Atlanta, Dallas/Ft. Worth, Detroit, Miami, San Francisco, Sacramento and Tampa/Sarasota/Orlando metropolitan areas. We launched service in the greater Atlanta, Miami and Sacramento metropolitan areas in the first quarter of 2002; in San Francisco in September 2002; in Tampa/Sarasota in October 2005; in Dallas/Ft. Worth in March 2006; in Detroit in April 2006; and Orlando in November 2006. In 2005, Royal Street Communications, LLC, or Royal Street Communications, and together with its subsidiaries, Royal Street, a company in which we own 85% of the limited liability company member interests and with which we have a wholesale arrangement allowing us to sell MetroPCS-branded services to the public, was granted licenses by the Federal Communications Commission, or FCC, in Los Angeles and various metropolitan areas throughout northern Florida. Royal Street is in the process of constructing its network infrastructure in its licensed metropolitan areas. We commenced commercial services in Orlando and certain portions of northern Florida in November 2006 and we are targeting to begin offering services in Los Angeles in the third quarter of 2007 through our arrangements with Royal Street.

As a result of the significant growth we have experienced since we launched operations, our results of operations to date are not necessarily indicative of the results that can be expected in future periods. Moreover, we expect that our number of customers will continue to increase, which will continue to contribute to increases in our revenues and operating expenses. In November 2006, we were granted advanced wireless services, or AWS, licenses covering a total unique population of approximately 117 million for an aggregate purchase price of approximately \$1.4 billion. Approximately 69 million of the total licensed population associated with our Auction 66 licenses represents expansion opportunities in geographic areas outside of our Core and Expansion Markets, which we refer to as our Auction 66 Markets. These new expansion opportunities in our Auction 66 Markets cover six of the 25 largest metropolitan areas in the United States. The balance of our Auction 66 Markets, which cover a population of approximately 48 million, supplements or expands the geographic boundaries of our existing operations in Dallas/Ft. Worth, Detroit, Los Angeles, San Francisco and Sacramento. We currently plan to focus on building out approximately 40 million of the total population in our Auction 66 Markets with a primary focus on the New York, Philadelphia, Boston and Las Vegas metropolitan areas. Of the approximate 40 million total population, we are targeting launch of operations with a covered population of approximately 30 to 32 million by late 2008 or early 2009. Our initial launch dates will vary in our Auction 66 Markets and our launch dates in the larger metropolitan areas may be accomplished in phases. Total estimated expenditures, including capital expenditures, to become free cash flow positive, defined as Adjusted EBITDA less capital expenditures is \$875 million to \$1.0 billion based on an estimated covered population of approximately 30 to 32 million. We are currently finalizing our preliminary network designs in

our Auction 66 Markets, which most likely may entail a more extensive use of DAS systems and potentially greater cell site density than we have deployed in the past. This, along with other factors, could result in an increase in the total capital expenditures per covered population to initially launch operations, however, we would not expect the estimate of total cash expenditures to reach free cash flow positive to be materially impacted. We believe that our existing cash, cash equivalents and short-term investments, proceeds from MetroPCS Communications recently completed initial public offering, proceeds

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from the recent sale by MetroPCS Wireless, Inc. of \$400 million principal amount of 91/4% additional senior notes due 2014, and our anticipated cash flows from operations will be sufficient to fully fund this planned expansion.

We sell products and services to customers through our Company-owned retail stores as well as indirectly through relationships with independent retailers. We offer service which allows our customers to place unlimited local calls from within our local service area and to receive unlimited calls from any area while in our local service area, through flat rate monthly plans starting at \$30 per month. For an additional \$5 to \$20 per month, our customers may select a service plan that offers additional services, such as unlimited nationwide long distance service, voicemail, caller ID, call waiting, text messaging, mobile Internet browsing, push e-mail and picture and multimedia messaging. We offer flat rate monthly plans at \$30, \$35, \$40, \$45 and \$50. All of these plans require payment in advance for one month of service. If no payment is made in advance for the following month of service, service is discontinued at the end of the month that was paid for by the customer. For additional fees, we also provide international long distance and text messaging, ringtones, games and content applications, unlimited directory assistance, ring back tones, nationwide roaming and other value-added services. As of March 31, 2007, over 85% of our customers have selected either our \$40 or \$45 rate plans. Our flat rate plans differentiate our service from the more complex plans and long-term contract requirements of traditional wireless carriers. In addition the above products and services are offered by us in the Royal Street markets. Our arrangements with Royal Street are based on a wholesale model under which we purchase network capacity from Royal Street to allow us to offer our standard products and services in the Royal Street markets to MetroPCS customers under the MetroPCS brand name.

## **Critical Accounting Policies and Estimates**

The following discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. You should read this discussion and analysis in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this offering circular. The preparation of these consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

### ***Revenue Recognition***

Our wireless services are provided on a month-to-month basis and are paid in advance. We recognize revenues from wireless services as they are rendered. Amounts received in advance are recorded as deferred revenue. Suspending service for non-payment is known as hotlining. We do not recognize revenue on hotlined customers.

Revenues and related costs from the sale of accessories are recognized at the point of sale. The cost of handsets sold to indirect retailers are included in deferred charges until they are sold to and activated by customers. Amounts billed to indirect retailers for handsets are recorded as accounts receivable and deferred revenue upon shipment by us and are recognized as equipment revenues when service is activated by customers.

Our customers have the right to return handsets within a specified time or after a certain amount of use, whichever occurs first. We record an estimate for returns as contra-revenue at the time of recognizing revenue. Our assessment of estimated returns is based on historical return rates. If our customers' actual returns are not consistent with our estimates of their returns, revenues may be different than initially recorded.

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Effective July 1, 2003, we adopted Emerging Issues Task Force ( EITF ) No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*, ( EITF No. 00-21 ), which is being applied on a prospective basis. EITF No. 00-21 also supersedes certain guidance set forth in U.S. Securities and Exchange Commission Staff Accounting Bulletin Number 101, *Revenue Recognition in Financial Statements*, ( SAB 101 ). SAB 101 was amended in December 2003 by Staff Accounting Bulletin Number 104, *Revenue Recognition*. The consensus addresses the accounting for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. Revenue arrangements with multiple deliverables are divided into separate units of accounting and the consideration received is allocated among the separate units of accounting based on their relative fair values.

We determined that the sale of wireless services through our direct and indirect sales channels with an accompanying handset constitutes revenue arrangements with multiple deliverables. Upon adoption of EITF No. 00-21, we began dividing these arrangements into separate units of accounting, and allocating the consideration between the handset and the wireless service based on their relative fair values. Consideration received for the handset is recognized as equipment revenue when the handset is delivered and accepted by the customer. Consideration received for the wireless service is recognized as service revenues when earned.

### ***Allowance for Uncollectible Accounts Receivable***

We maintain allowances for uncollectible accounts for estimated losses resulting from the inability of our independent retailers to pay for equipment purchases and for amounts estimated to be uncollectible for intercarrier compensation. We estimate allowances for uncollectible accounts from independent retailers based on the length of time the receivables are past due, the current business environment and our historical experience. If the financial condition of a material portion of our independent retailers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. In circumstances where we are aware of a specific carrier's inability to meet its financial obligations to us, we record a specific allowances for intercarrier compensation against amounts due, to reduce the net recognized receivable to the amount we reasonably believe will be collected. Total allowance for uncollectible accounts receivable as of March 31, 2007 was approximately 8% of the total amount of gross accounts receivable.

### ***Inventories***

We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value or replacement cost based upon assumptions about future demand and market conditions. Total inventory reserves for obsolescent and unmarketable inventory were not significant as of March 31, 2007. If actual market conditions are less favorable than those projected, additional inventory write-downs may be required.

### ***Deferred Income Tax Asset and Other Tax Reserves***

We assess our deferred tax asset and record a valuation allowance, when necessary, to reduce our deferred tax asset to the amount that is more likely than not to be realized. We have considered future taxable income, taxable temporary differences and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to earnings in the period we made that determination.

We establish reserves when, despite our belief that our tax returns are fully supportable, we believe that certain positions may be challenged and ultimately modified. We adjust the reserves in light of changing facts and circumstances. Our effective tax rate includes the impact of income tax related reserve positions and changes to

income tax reserves that we consider appropriate. A number of years may elapse before a particular matter for which we have established a reserve is finally resolved. Unfavorable settlement of any particular issue may require the use of cash or a reduction in our net operating loss carryforwards. Favorable resolution would be recognized as a reduction to the effective rate in the year of resolution. Tax reserves as of March 31,

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2007 were \$24.8 million of which \$4.5 million and \$20.3 million are presented on the consolidated balance sheet in accounts payable and accrued expenses and other long-term liabilities, respectively.

***Property and Equipment***

Depreciation on property and equipment is applied using the straight-line method over the estimated useful lives of the assets once the assets are placed in service, which are ten years for network infrastructure assets including capitalized interest, three to seven years for office equipment, which includes computer equipment, three to seven years for furniture and fixtures and five years for vehicles. Leasehold improvements are amortized over the shorter of the remaining term of the lease and any renewal periods reasonably assured or the estimated useful life of the improvement. The estimated life of property and equipment is based on historical experience with similar assets, as well as taking into account anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation expense in future periods. Likewise, if the anticipated technological or other changes occur more slowly than anticipated, the life of the assets could be extended based on the life assigned to new assets added to property and equipment. This could result in a reduction of depreciation expense in future periods.

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include significant underperformance relative to historical or projected future operating results or significant changes in the manner of use of the assets or in the strategy for our overall business. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. When we determine that the carrying value of a long-lived asset is not recoverable, we measure any impairment based upon a projected discounted cash flow method using a discount rate we determine to be commensurate with the risk involved and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. If actual results are not consistent with our assumptions and estimates, we may be exposed to an additional impairment charge associated with long-lived assets. The carrying value of property and equipment was approximately \$1.4 billion as of March 31, 2007.

***FCC Licenses and Microwave Relocation Costs***

We operate broadband PCS networks under licenses granted by the FCC for a particular geographic area on spectrum allocated by the FCC for broadband PCS services. In addition, in November 2006, we acquired a number of AWS licenses which can be used to provide services comparable to the PCS services provided by us, and other advanced wireless services. The PCS licenses included and the AWS licenses include the obligation to relocate existing fixed microwave users of our licensed spectrum if our spectrum interfered with their systems and/or reimburse other carriers (according to FCC rules) that relocated prior users if the relocation benefits our system. Additionally, we incurred costs related to microwave relocation in constructing our PCS network. The PCS and AWS licenses and microwave relocation costs are recorded at cost. 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, the renewal of PCS and AWS licenses is generally a routine matter without substantial cost and we have determined that no legal, regulatory, contractual, competitive, economic, or other factors currently exist that limit the useful life of our PCS and AWS licenses. The carrying value of FCC licenses and microwave relocation costs was approximately \$2.1 billion as of March 31, 2007.

Our primary indefinite-lived intangible assets are our FCC licenses. Based on the requirements of Statement of Financial Accounting Standards ( SFAS ) No. 142, *Goodwill and other Intangible Assets*, ( SFAS No. 142 ) we test investments in our FCC licenses for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value of our FCC licenses might be impaired. We perform our annual FCC license



impairment test as of each September 30th. The impairment test consists of a comparison of the estimated fair value with the carrying value. We estimate the fair value of our FCC licenses using a discounted cash flow model. Cash flow projections and assumptions, although subject to a degree of

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uncertainty, are based on a combination of our historical performance and trends, our business plans and management's estimate of future performance, giving consideration to existing and anticipated competitive economic conditions. Other assumptions include our weighted average cost of capital and long-term rate of growth for our business. We believe that our estimates are consistent with assumptions that marketplace participants would use to estimate fair value. We corroborate our determination of fair value of the FCC licenses, using the discounted cash flow approach described above, with other market-based valuation metrics. Furthermore, we segregate our FCC licenses by regional clusters for the purpose of performing the impairment test because each geographical region is unique. An impairment loss would be recorded as a reduction in the carrying value of the related indefinite-lived intangible asset and charged to results of operations. Historically, we have not experienced significant negative variations between our assumptions and estimates when compared to actual results. However, if actual results are not consistent with our assumptions and estimates, we may be required to record to an impairment charge associated with indefinite-lived intangible assets. Although we do not expect our estimates or assumptions to change significantly in the future, the use of different estimates or assumptions within our discounted cash flow model when determining the fair value of our FCC licenses or using a methodology other than a discounted cash flow model could result in different values for our FCC licenses and may affect any related impairment charge. The most significant assumptions within our discounted cash flow model are the discount rate, our projected growth rate and management's future business plans. A change in management's future business plans or disposition of one or more FCC licenses could result in the requirement to test certain other FCC licenses. If any legal, regulatory, contractual, competitive, economic or other factors were to limit the useful lives of our indefinite-lived FCC licenses, we would be required to test these intangible assets for impairment in accordance with SFAS No. 142 and amortize the intangible asset over its remaining useful life.

For the license impairment test performed as of September 30, 2006, the fair value of the FCC licenses was in excess of its carrying value. A 10% change in the estimated fair value of the FCC licenses would not have impacted the results of our annual license impairment test.

***Share-Based Payments***

We account for share-based awards exchanged for employee services in accordance with SFAS No. 123(R), *Share-Based Payment*, ( SFAS No. 123(R) ). Under SFAS No. 123(R), share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. We adopted SFAS No. 123(R) on January 1, 2006. Prior to 2006, we recognized stock-based compensation expense for employee share-based awards based on their intrinsic value on the date of grant pursuant to Accounting Principles Board ( APB ) Opinion No. 25, *Accounting for Stock Issued to Employees*, ( APB No. 25 ) and followed the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, ( SFAS No. 148 ), which amends the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation*, ( SFAS No. 123 ).

We adopted SFAS No. 123(R) using the modified prospective transition method. Under the modified prospective transition method, prior periods are not revised for comparative purposes. The valuation provisions of SFAS No. 123(R) apply to new awards and to awards that are outstanding on the effective date and subsequently modified or cancelled. Compensation expense, net of estimated forfeitures, for awards outstanding at the effective date is recognized over the remaining service period using the compensation cost calculated under SFAS No. 123 in prior periods.

We have granted nonqualified stock options. Most of our stock option awards include a service condition that relates only to vesting. The stock option awards generally vest in one to four years from the grant date. Compensation expense is amortized on a straight-line basis over the requisite service period for the entire award, which is generally the maximum vesting period of the award.

The determination of the fair value of stock options using an option-pricing model is affected by our common stock valuation as well as assumptions regarding a number of complex and subjective variables. The methods used to determine these variables are generally similar to the methods used prior to 2006 for purposes of our pro forma information under SFAS No. 148. Factors that our Board of Directors considers in

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determining the fair market value of our common stock, include the recommendation of our finance and planning committee and of management based on certain data, including discounted cash flow analysis, comparable company analysis and comparable transaction analysis, as well as contemporaneous valuation reports. The volatility assumption is based on a combination of the historical volatility of our common stock and the volatilities of similar companies over a period of time equal to the expected term of the stock options. The volatilities of similar companies are used in conjunction with our historical volatility because of the lack of sufficient relevant history equal to the expected term. The expected term of employee stock options represents the weighted-average period the stock options are expected to remain outstanding. The expected term assumption is estimated based primarily on the stock options vesting terms and remaining contractual life and employees expected exercise and post-vesting employment termination behavior. The risk-free interest rate assumption is based upon observed interest rates on the grant date appropriate for the term of the employee stock options. The dividend yield assumption is based on the expectation of no future dividend payouts by us.

As share-based compensation expense under SFAS No. 123(R) is based on awards ultimately expected to vest, it is reduced for estimated forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We recorded stock-based compensation expense of approximately \$14.5 million and \$4.2 million for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively.

The value of the options is determined by using a Black-Scholes pricing model that includes the following variables: 1) exercise price of the instrument, 2) fair market value of the underlying stock on date of grant, 3) expected life, 4) estimated volatility and 5) the risk-free interest rate. We utilized the following weighted-average assumptions in estimating the fair value of the options grants for the years ended December 31, 2006 and 2005:

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Expected dividends	0.00%	0.00%
Expected volatility	35.04%	50.00%
Risk-free interest rate	4.64%	4.24%
Expected lives in years	5.00	5.00
Weighted-average fair value of options:		
Granted at below fair value	\$ 10.16	\$
Granted at fair value	\$ 3.75	\$ 3.44
Weighted-average exercise price of options:		
Granted at below fair value	\$ 1.49	\$
Granted at fair value	\$ 9.95	\$ 7.13

The Black-Scholes model requires the use of subjective assumptions including expectations of future dividends and stock price volatility. Such assumptions are only used for making the required fair value estimate and should not be considered as indicators of future dividend policy or stock price appreciation. Because changes in the subjective assumptions can materially affect the fair value estimate, and because employee stock options have characteristics significantly different from those of traded options, the use of the Black-Scholes option pricing model may not provide a reliable estimate of the fair value of employee stock options.

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During the years ended December 31, 2005 and 2006 and the three months ended March 31, 2007, the following awards were granted under our Option Plans:

<b>Grants Made During the Quarter Ended</b>	<b>Number of Options Granted</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Market Value per Share</b>	<b>Weighted Average Intrinsic Value per Share</b>
March 31, 2005	60,000	\$ 6.31	\$ 6.31	\$ 0.00
June 30, 2005				
September 30, 2005	4,922,385	\$ 7.14	\$ 7.14	\$ 0.00
December 31, 2005	856,149	\$ 7.15	\$ 7.15	\$ 0.00
March 31, 2006	2,869,989	\$ 7.15	\$ 7.15	\$ 0.00
June 30, 2006	534,525	\$ 7.54	\$ 7.54	\$ 0.00
September 30, 2006	418,425	\$ 8.67	\$ 8.67	\$ 0.00
December 31, 2006	7,546,854	\$ 10.81	\$ 11.33	\$ 0.53
March 31, 2007	1,008,300	\$ 11.33	\$ 11.33	\$ 0.00

Compensation expense is recognized over the requisite service period for the entire award, which is generally the maximum vesting period of the award.

**Customer Recognition and Disconnect Policies**

When a new customer subscribes to our service, the first month of service and activation fee is included with the handset purchase. Under GAAP, we are required to allocate the purchase price to the handset and to the wireless service revenue. Generally, the amount allocated to the handset will be less than our cost, and this difference is included in Cost Per Gross Addition, or CPGA. We recognize new customers as gross customer additions upon activation of service. Prior to January 23, 2006, we offered our customers the Metro Promise, which allowed a customer to return a newly purchased handset for a full refund prior to the earlier of 7 days or 60 minutes of use. Beginning on January 23, 2006, we expanded the terms of the Metro Promise to allow a customer to return a newly purchased handset for a full refund prior to the earlier of 30 days or 60 minutes of use. Customers who return their phones under the Metro Promise are reflected as a reduction to gross customer additions. Customers' monthly service payments are due in advance every month. Our customers must pay their monthly service amount by the payment date or their service will be suspended, or hotlined, and the customer will not be able to make or receive calls on our network. However, a hotlined customer is still able to make E-911 calls in the event of an emergency. There is no service grace period. Any call attempted by a hotlined customer is routed directly to our interactive voice response system and customer service center in order to arrange payment. If the customer pays the amount due within 30 days of the original payment date then the customer's service is restored. If a hotlined customer does not pay the amount due within 30 days of the payment date the account is disconnected and counted as churn. Once an account is disconnected we charge a \$15 reconnect fee upon reactivation to reestablish service and the revenue associated with this fee is deferred and recognized over the estimated life of the customer.

**Revenues**

We derive our revenues from the following sources:

*Service.* We sell wireless broadband PCS services. The various types of service revenues associated with wireless broadband PCS for our customers include monthly recurring charges for airtime, monthly recurring charges for optional features (including nationwide long distance and text messaging, ringtones, games and content applications, unlimited directory assistance, ring back tones, mobile Internet browsing, push e-mail and nationwide roaming) and charges for long distance service. Service revenues also include intercarrier compensation and nonrecurring activation service charges to customers.

*Equipment.* We sell wireless broadband PCS handsets and accessories that are used by our customers in connection with our wireless services. This equipment is also sold to our independent retailers to facilitate distribution to our customers.

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### **Costs and Expenses**

Our costs and expenses include:

*Cost of Service.* The major components of our cost of service are:

*Cell Site Costs.* We incur expenses for the rent of cell sites, network facilities, engineering operations, field technicians and related utility and maintenance charges.

*Intercarrier Compensation.* We pay charges to other telecommunications companies for their transport and termination of calls originated by our customers and destined for customers of other networks. These variable charges are based on our customers' usage and generally applied at pre-negotiated rates with other carriers, although some carriers have sought to impose such charges unilaterally.

*Variable Long Distance.* We pay charges to other telecommunications companies for long distance service provided to our customers. These variable charges are based on our customers' usage, applied at pre-negotiated rates with the long distance carriers.

*Cost of Equipment.* We purchase wireless broadband PCS handsets and accessories from third-party vendors to resell to our customers and independent retailers in connection with our services. We subsidize the sale of handsets to encourage the sale and use of our services. We do not manufacture any of this equipment.

*Selling, General and Administrative Expenses.* Our selling expense includes advertising and promotional costs associated with marketing and selling to new customers and fixed charges such as retail store rent and retail associates salaries. General and administrative expense includes support functions including, technical operations, finance, accounting, human resources, information technology and legal services. We record stock-based compensation expense in cost of service and selling, general and administrative expenses associated with employee stock options which is measured at the date of grant, based on the estimated fair value of the award. Prior to the adoption of SFAS No. 123(R), we recorded stock-based compensation expense at the end of each reporting period with respect to our variable stock options.

*Depreciation and Amortization.* Depreciation is applied using the straight-line method over the estimated useful lives of the assets once the assets are placed in service, which are ten years for network infrastructure assets and capitalized interest, three to seven years for office equipment, which includes computer equipment, three to seven years for furniture and fixtures and five years for vehicles. Leasehold improvements are amortized over the term of the respective leases, which includes renewal periods that are reasonably assured, or the estimated useful life of the improvement, whichever is shorter.

*Interest Expense and Interest Income.* Interest expense includes interest incurred on our borrowings, amortization of debt issuance costs and amortization of discounts and premiums on long-term debt. Interest income is earned primarily on our cash and cash equivalents.

*Income Taxes.* As a result of our operating losses and accelerated depreciation available under federal tax laws, we have paid no significant federal and state income taxes through March 31, 2007.

### **Seasonality**

Our customer activity is influenced by seasonal effects related to traditional retail selling periods and other factors that arise from our target customer base. Based on historical results, we generally expect net customer additions to be strongest in the first and fourth quarters. Softening of sales and increased customer turnover, or churn, in the second and third quarters of the year usually combine to result in fewer net customer additions. However, sales activity and churn can be strongly affected by the launch of new markets and promotional activity, which have the ability to reduce or outweigh certain seasonal effects.



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### **Operating Segments**

Operating segments are defined by SFAS No. 131 *Disclosure About Segments of an Enterprise and Related Information*, ( SFAS No. 131 ), as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is the Chairman of the Board, President and Chief Executive Officer.

As of March 31, 2007, we had eight operating segments based on geographic region within the United States: Atlanta, Dallas/Ft. Worth, Detroit, Miami, San Francisco, Sacramento, Tampa/Sarasota/Orlando and Los Angeles. Each of these operating segments provide wireless voice and data services and products to customers in its service areas or is currently constructing a network in order to provide these services. These services include unlimited local and long distance calling, voicemail, caller ID, call waiting, text messaging, picture and multimedia messaging, international long distance and text messaging, ringtones, games and content applications, unlimited directory assistance, ring back tones, nationwide roaming, mobile Internet browsing, push e-mail and other value-added services.

We aggregate our operating segments into two reportable segments: Core Markets and Expansion Markets.

Core Markets, which include Atlanta, Miami, San Francisco, and Sacramento, are aggregated because they are reviewed on an aggregate basis by the chief operating decision maker, they are similar in respect to their products and services, production processes, class of customer, method of distribution, and regulatory environment and currently exhibit similar financial performance and economic characteristics.

Expansion Markets, which include Dallas/Ft. Worth, Detroit, Tampa/Sarasota/Orlando and Los Angeles, are aggregated because they are reviewed on an aggregate basis by the chief operating decision maker, they are similar in respect to their products and services, production processes, class of customer, method of distribution, and regulatory environment and have similar expected long-term financial performance and economic characteristics.

General corporate overhead, which includes expenses such as corporate employee labor costs, rent and utilities, legal, accounting and auditing expenses, is allocated equally across all operating segments. Corporate marketing and advertising expenses are allocated equally to the operating segments, beginning in the period during which we launch service in that operating segment. Expenses associated with our national data center are allocated based on the average number of customers in each operating segment. All intercompany transactions between reportable segments have been eliminated in the presentation of operating segment data.

Interest expense, interest income, gain/loss on extinguishment of debt and income taxes are not allocated to the segments in the computation of segment operating profit for internal evaluation purposes.

### **Results of Operations**

#### ***Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006***

Set forth below is a summary of certain financial information by reportable operating segment for the periods indicated:

**Three Months Ended**

<b>Reportable Operating Segment Data</b>	<b>March 31,</b>		<b>Change</b>
	<b>2007</b>	<b>2006</b>	
	<b>(In thousands)</b>		
REVENUES:			
Service revenues:			
Core Markets	\$ 336,934	\$ 264,597	27%
Expansion Markets	102,582	10,819	**
Total	\$ 439,516	\$ 275,416	60%

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<b>Reportable Operating Segment Data</b>	<b>Three Months Ended March 31,</b>		<b>Change</b>
	<b>2007</b>	<b>2006</b>	
	<b>(In thousands)</b>		
Equipment revenues:			
Core Markets	\$ 68,268	\$ 50,047	36%
Expansion Markets	28,902	3,998	**
Total	\$ 97,170	\$ 54,045	80%
OPERATING EXPENSES:			
Cost of service (excluding depreciation and amortization disclosed separately below)(1):			
Core Markets	\$ 100,440	\$ 78,932	27%
Expansion Markets	44,707	13,557	**
Other(3)	188		**
Total	\$ 145,335	\$ 92,489	57%
Cost of equipment:			
Core Markets	\$ 113,240	\$ 90,928	25%
Expansion Markets	60,068	9,983	**
Total	\$ 173,308	\$ 100,911	72%
Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below)(1):			
Core Markets	\$ 43,296	\$ 37,475	16%
Expansion Markets	28,838	13,962	**
Other(3)	803		**
Total	\$ 72,937	\$ 51,437	42%
Adjusted EBITDA (Deficit)(2):			
Core Markets	\$ 150,322	\$ 109,120	38%
Expansion Markets	(121)	(22,685)	**
Other(3)	(884)		**
Depreciation and amortization:			
Core Markets	\$ 28,105	\$ 25,007	12%
Expansion Markets	10,063	1,547	**
Other(3)	1,212	706	72%
Total	\$ 39,380	\$ 27,260	44%
Stock-based compensation expense:			
Core Markets	\$ 2,095	\$ 1,811	16%
Expansion Markets	2,009		**

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Other(3)		107		**
Total		\$ 4,211	\$ 1,811	133%
Income (loss) from operations:				
Core Markets		\$ 117,225	\$ 72,055	63%
Expansion Markets		(12,186)	(24,350)	50%
Other(3)		(2,363)	(706)	(235)%
Total		\$ 102,676	\$ 46,999	118%

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\*\* Not meaningful.

- (1) Cost of service and selling, general and administrative expenses include stock-based compensation expense. For the three months ended March 31, 2007, cost of service includes \$0.2 million and selling, general and administrative expenses includes \$4.0 million of stock-based compensation expense. For the three months ended March 31, 2006, selling, general and administrative expenses includes \$1.8 million of stock-based compensation expense.
- (2) Core and Expansion Markets Adjusted EBITDA (Deficit) is presented in accordance with SFAS No. 131 as it is the primary financial measure utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth.
- (3) Other includes expenses associated with the AWS licenses we were granted in November 2006 as a result of FCC Auction 66. These expenses are presented in the Other column as utilization of the Auction 66 AWS licenses in our operations has not commenced and we have not allocated the Auction 66 AWS licenses to a reportable segment as of March 31, 2007.

*Service Revenues:* Service revenues increased \$164.1 million, or 60%, to \$439.5 million for the three months ended March 31, 2007 from \$275.4 million for the three months ended March 31, 2006. The increase is due to increases in Core Markets and Expansion Markets service revenues as follows:

*Core Markets.* Core Markets service revenues increased \$72.3 million, or 27%, to \$336.9 million for the three months ended March 31, 2007 from \$264.6 million for the three months ended March 31, 2006. The increase in service revenues is primarily attributable to net additions of approximately 429,000 customers for the twelve months ended March 31, 2007, which accounted for \$55.2 million of the Core Markets increase, coupled with the migration of existing customers to higher priced rate plans accounting for \$17.1 million of the Core Markets increase.

*Expansion Markets.* Expansion Markets service revenues increased \$91.8 million to \$102.6 million for the three months ended March 31, 2007 from \$10.8 million for the three months ended March 31, 2006. The increase in service revenues is primarily attributable to the launch of the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. These new markets contributed to net additions of approximately 796,000 customers for the twelve months ended March 31, 2007, which accounted for \$75.2 million of the Expansion Markets increase, coupled with the migration of existing customers to higher priced rate plans accounting for \$16.6 million of the Expansion Markets increase.

The increase in customers migrating to higher priced rate plans is primarily the result of our emphasis on offering additional services under our \$45 rate plan which includes unlimited nationwide long distance and various unlimited data features. This migration is expected to continue as our higher priced rate plans become more attractive to our existing customer base.

*Equipment Revenues:* Equipment revenues increased \$43.1 million, or 80%, to \$97.2 million for the three months ended March 31, 2007 from \$54.1 million for the three months ended March 31, 2006. The increase is due to increases in Core Markets and Expansion Markets equipment revenues as follows:

*Core Markets.* Core Markets equipment revenues increased \$18.2 million, or 36%, to \$68.3 million for the three months ended March 31, 2007 from \$50.1 million for the three months ended March 31, 2006. The

increase in equipment revenues is primarily attributable to the sale of higher priced handset models accounting for \$14.7 million of the increase, coupled with the increase in gross customer additions of approximately 31,000 customers for the three months ended March 31, 2007 as compared to the same period in 2006, which accounted for \$3.5 million of the increase.

*Expansion Markets.* Expansion Markets equipment revenues increased \$24.9 million to \$28.9 million for the three months ended March 31, 2007 from \$4.0 million for the three months ended March 31, 2006. The increase in equipments revenues is primarily attributable to the launch of the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion

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of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. These new markets contributed to gross additions of approximately 287,000 customers for the three months ended March 31, 2007 as compared to the same period in 2006, which accounted for \$16.2 million of the Expansion Markets increase, coupled with the sale of higher priced handset models accounting for \$8.7 million of the Expansion Markets increase.

The increase in handset model availability is primarily the result of our emphasis on enhancing our product offerings and appealing to our customer base in connection with our wireless services.

*Cost of Service:* Cost of service increased \$52.8 million, or 57%, to \$145.3 million for the three months ended March 31, 2007 from \$92.5 million for the three months ended March 31, 2006. The increase is due to increases in Core Markets and Expansion Markets cost of service as follows:

*Core Markets.* Core Markets cost of service increased \$21.5 million, or 27%, to \$100.4 million for the three months ended March 31, 2007 from \$78.9 million for the three months ended March 31, 2006. The increase was primarily attributable to a \$9.8 million increase in FUSF fees, a \$2.5 million increase in cell site and switch facility lease expense, a \$2.4 million increase in customer service expense, a \$1.9 million increase in long distance costs, a \$1.6 million increase in E-911 fees and a \$1.1 million increase in data services expense, all of which are as a result of the 21% growth in our Core Markets customer base and the addition of approximately 325 cell sites to our existing network infrastructure during the twelve months ended March 31, 2007.

*Expansion Markets.* Expansion Markets cost of service increased \$31.1 million to \$44.7 million for the three months ended March 31, 2007 from \$13.6 million for the three months ended March 31, 2006. The increase was primarily attributable to the launch of the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. These new markets contributed to net additions of approximately 796,000 customers during the twelve months ended March 31, 2007. The increase in cost of service is primarily attributable to a \$6.2 million increase in cell site and switch facility lease expense, a \$4.7 million increase in customer service expense, a \$4.7 million increase in intercarrier compensation, a \$4.1 million increase in long distance costs, a \$2.9 million increase in employee costs, a \$1.9 million increase in billing expenses and a \$1.8 million increase in data services.

*Cost of Equipment:* Cost of equipment increased \$72.4 million, or 72%, to \$173.3 million for the three months ended March 31, 2007 from \$100.9 million for the three months ended March 31, 2006. The increase is due to increases in Core Markets and Expansion Markets cost of equipment as follows:

*Core Markets.* Core Markets cost of equipment increased \$22.3 million, or 25%, to \$113.2 million for the three months ended March 31, 2007 from \$90.9 million for the three months ended March 31, 2006. The increase in equipment costs is primarily attributable to the sale of higher cost handset models accounting for \$15.9 million of the increase. The increase in gross customer additions during the three months ended March 31, 2007 of approximately 31,000 customers as well as the sale of new handsets to existing customers accounted for \$6.4 million of the Core Markets increase.

*Expansion Markets.* Expansion Markets cost of equipment increased \$50.1 million to \$60.1 million for the three months ended March 31, 2007 from \$10.0 million for the three months ended March 31, 2006. These costs were primarily attributable to the launch of the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. These new markets contributed to gross additions of approximately 287,000 customers for the three months ended March 31, 2007 as compared to the same period in 2006 which

accounted for \$40.5 million of the Expansion Markets increase, coupled with the sale of new handsets to existing customers accounting for \$9.6 million of the Expansion Markets increase.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased \$21.5 million, or 42%, to \$72.9 million for the three months ended March 31, 2007 from \$51.4 million for the



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three months ended March 31, 2006. The increase is due to increases in Core Markets and Expansion Markets selling, general and administrative expenses as follows:

*Core Markets.* Core Markets selling, general and administrative expenses increased \$5.8 million, or 16%, to \$43.3 million for the three months ended March 31, 2007 from \$37.5 million for the three months ended March 31, 2006. Selling expenses increased by \$1.8 million, or approximately 12% for the three months ended March 31, 2007 compared to the three months ended March 31, 2006. General and administrative expenses increased \$4.0 million, or approximately 18% for the three months ended March 31, 2007 compared to the same period in 2006. The increase in selling expenses is primarily due to an increase in employee costs which were incurred to support the growth in the Core Markets, coupled with an increase in general and administrative expenses, which were higher during the three months ended March 31, 2007 primarily due to an increase in insurance cost as well as an increase in various administrative expenses.

*Expansion Markets.* Expansion Markets selling, general and administrative expenses increased \$14.9 million to \$28.9 million for the three months ended March 31, 2007 from \$14.0 million for the three months ended March 31, 2006. Selling expenses increased by \$8.0 million for the three months ended March 31, 2007 compared to the three months ended March 31, 2006. This increase is related to employees costs as well as an increase in marketing and advertising expenses associated with the growth in the Expansion Markets. General and administrative expenses increased by \$6.9 million for the three months ended March 31, 2007 compared to the same period in 2006 due to labor, rent, legal and professional fees and various administrative expenses incurred in relation to the growth in the Expansion Markets as well as the build-out expenses related to the Los Angeles metropolitan area.

*Depreciation and Amortization.* Depreciation and amortization expense increased \$12.1 million, or 44%, to \$39.4 million for the three months ended March 31, 2007 from \$27.3 million for the three months ended March 31, 2006. The increase is primarily due to increases in Core Markets and Expansion Markets depreciation expense as follows:

*Core Markets.* Core Markets depreciation and amortization expense increased \$3.1 million, or 12%, to \$28.1 million for the three months ended March 31, 2007 from \$25.0 million for the three months ended March 31, 2006. The increase related primarily to an increase in network infrastructure assets placed into service during the twelve months ended March 31, 2007. We added approximately 325 cell sites in our Core Markets during this period to increase the capacity of our existing network and expand our footprint.

*Expansion Markets.* Expansion Markets depreciation and amortization expense increased \$8.5 million to \$10.0 million for the three months ended March 31, 2007 from \$1.5 million for the three months ended March 31, 2006. The increase is attributable to network infrastructure assets placed into service as a result of the launch of the Dallas/Ft. Worth metropolitan area, the Detroit metropolitan area and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area.

*Stock-Based Compensation Expense.* Stock-based compensation expense increased \$2.4 million, or 133%, to \$4.2 million for the three months ended March 31, 2007 from \$1.8 million for the three months ended March 31, 2006. The increase is primarily due to increases in Core Markets and Expansion Markets stock-based compensation expense as follows:

*Core Markets.* Markets stock-based compensation expense increased \$0.3 million, or 16%, to \$2.1 million for the three months ended March 31, 2007 from \$1.8 million for the three months ended March 31, 2006. The increase is primarily related to an increase in stock options granted throughout the twelve months ended March 31, 2007.



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*Expansion Markets.* Expansion Markets stock-based compensation expense increased \$2.0 million for the three months ended March 31, 2007. This expense is attributable to stock options granted to employees in our Expansion Markets.

<b>Consolidated Data</b>	<b>Three Months Ended March 31,</b>		<b>Change</b>
	<b>2007</b>	<b>2006</b>	
	<b>(In thousands)</b>		
Loss on disposal of assets	\$ 3,050	\$ 10,365	(71)%
Gain on extinguishment of debt		(217)	(100)%
Interest expense	48,976	20,884	135%
Provision for income taxes	24,267	12,377	96%
Net income	36,352	18,370	98%

*Loss on Disposal of Assets.* Loss on disposal of assets decreased \$7.3 million, or 71%, to \$3.1 million for the three months ended March 31, 2007 from \$10.4 million for the three months ended March 31, 2006. During the three months ended March 31, 2006, certain network technology related to our cell sites in certain markets was retired and replaced with new technology.

*Gain on Extinguishment of Debt.* During the three months ended March 31, 2006, we extinguished microwave clearing obligations resulting in a gain on extinguishment of debt in the amount of \$0.2 million.

*Interest Expense.* Interest expense increased \$28.1 million, or 135%, to \$49.0 million for the three months ended March 31, 2007 from \$20.9 million for the three months ended March 31, 2006. The increase in interest expense was primarily due to increased average principal balance outstanding as a result of borrowings of \$1.6 billion under our senior secured credit facility and \$1.0 billion under our 9 1/4% senior notes during the fourth quarter of 2006. The average debt outstanding under our previous debt facilities for the three months ending March 31, 2006 was \$904.3 million. The weighted average interest rate decreased to 8.24% for the three months ended March 31, 2007 compared to 10.40% for the three months ended March 31, 2006 as a result of the borrowing rates under the senior secured credit facility, 9 1/4% senior notes and the interest rate hedge. The increase in interest expense was partially offset by the capitalization of \$5.6 million of interest during the three months ended March 31, 2007, compared to \$2.0 million of interest capitalized during the same period in 2006. We capitalize interest costs associated with our FCC licenses and property and equipment during the construction of a new market. The amount of such capitalized interest depends on the carrying values of the FCC licenses and construction in progress involved in those markets and the duration of the construction process. We expect capitalized interest to be significant during the construction of the markets associated with the AWS licenses we were granted in November 2006 as a result of Auction 66.

*Provision for Income Taxes.* Income tax expense for the three months ended March 31, 2007 increased to \$24.3 million, which is approximately 40% of our income before provision for income taxes. For the three months ended March 31, 2006 the provision for income taxes was \$12.4 million, or approximately 40% of income before provision for income taxes.

*Net Income.* Net income increased \$18.0 million, or 98%, to \$36.4 million for the three months ended March 31, 2007 compared to \$18.4 million for the three months ended March 31, 2006. The increase is primarily attributable to an increase in operating income in the Dallas/Ft. Worth, Detroit and the Tampa/Sarasota/Orlando metropolitan areas. The increase in operating income was achieved through cost benefits due to the increasing scale of our business in

these markets. In addition, growth in average customers of approximately 55% during the twelve months ended March 31, 2007 contributed to an increase in net income during the first three months of 2007. However, these benefits have been partially offset by an increase in interest expense due to an increased average principal balance outstanding as a result of borrowings of \$1.6 billion under our senior secured credit facility and \$1.0 billion under our 9 1/4% senior notes during the fourth quarter of 2006.

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Set forth below is a summary of certain financial information by reportable operating segment for the periods indicated:

<b>Reportable Operating Segment Data</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>
	<b>(In thousands)</b>		
<b>REVENUES:</b>			
Service revenues:			
Core Markets	\$ 1,138,019	\$ 868,681	31%
Expansion Markets	152,928	3,419	**
Total	\$ 1,290,947	\$ 872,100	48%
Equipment revenues:			
Core Markets	\$ 208,333	\$ 163,738	27%
Expansion Markets	47,583	2,590	**
Total	\$ 255,916	\$ 166,328	54%
<b>OPERATING EXPENSES:</b>			
Cost of service (excluding depreciation and amortization disclosed separately below)(1):			
Core Markets	\$ 338,923	\$ 271,437	25%
Expansion Markets	106,358	11,775	**
Total	\$ 445,281	\$ 283,212	57%
Cost of equipment:			
Core Markets	\$ 364,281	\$ 293,702	24%
Expansion Markets	112,596	7,169	**
Total	\$ 476,877	\$ 300,871	59%
Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below)(1):			
Core Markets	\$ 158,100	\$ 153,321	3%
Expansion Markets	85,518	9,155	**
Total	\$ 243,618	\$ 162,476	50%
Adjusted EBITDA (Deficit)(2):			
Core Markets	\$ 492,773	\$ 316,555	56%
Expansion Markets	(97,214)	(22,090)	**
Depreciation and amortization:			
Core Markets	\$ 109,626	\$ 84,436	30%

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Expansion Markets	21,941	2,030	**
Other	3,461	1,429	142%
Total	\$ 135,028	\$ 87,895	54%
Stock-based compensation expense:			
Core Markets	\$ 7,725	\$ 2,596	198%
Expansion Markets	6,747		**
Total	\$ 14,472	\$ 2,596	457%

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<b>Reportable Operating Segment Data</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>
	<b>(In thousands)</b>		
Income (loss) from operations:			
Core Markets	\$ 367,109	\$ 219,777	67%
Expansion Markets	(126,387)	(24,370)	**
Other	(3,469)	226,770	(102)%
Total	\$ 237,253	\$ 422,177	(44)%

\*\* Not meaningful. The Expansion Markets reportable segment had no significant operations during 2005.

- (1) Cost of service and selling, general and administrative expenses include stock-based compensation expense. For the year ended December 31, 2006, cost of service includes \$1.3 million and selling, general and administrative expenses includes \$13.2 million of stock-based compensation expense.
- (2) Core and Expansion Markets Adjusted EBITDA (deficit) is presented in accordance with SFAS No. 131 as it is the primary financial measure utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Operating Segments.

*Service Revenues:* Service revenues increased \$418.8 million, or 48%, to \$1,290.9 million for the year ended December 31, 2006 from \$872.1 million for the year ended December 31, 2005. The increase is due to increases in Core Markets and Expansion Markets service revenues as follows:

*Core Markets.* Core Markets service revenues increased \$269.3 million, or 31%, to \$1,138.0 million for the year ended December 31, 2006 from \$868.7 million for the year ended December 31, 2005. The increase in service revenues is primarily attributable to net additions of approximately 430,000 customers accounting for \$199.2 million of the Core Markets increase, coupled with the migration of existing customers to higher price rate plans accounting for \$70.1 million of the Core Markets increase.

The increase in customers migrating to higher priced rate plans is primarily the result of our emphasis on offering additional services under our \$45 rate plan which includes unlimited nationwide long distance and various unlimited data features. In addition, this migration is expected to continue as our higher priced rate plans become more attractive to our existing customer base.

*Expansion Markets.* Expansion Markets service revenues increased \$149.5 million to \$152.9 million for the year ended December 31, 2006 from \$3.4 million for the year ended December 31, 2005. These revenues were attributable to the launch of the Tampa/Sarasota metropolitan area in October 2005, the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. Net additions in the Expansion Markets totaled approximately 587,000 customers for the year ended December 31, 2006.

*Equipment Revenues:* Equipment revenues increased \$89.6 million, or 54%, to \$255.9 million for the year ended December 31, 2006 from \$166.3 million for the year ended December 31, 2005. The increase is due to increases in Core Markets and Expansion Markets equipment revenues as follows:

*Core Markets.* Core Markets equipment revenues increased \$44.6 million, or 27%, to \$208.3 million for the year ended December 31, 2006 from \$163.7 million for the year ended December 31, 2005. The increase in equipment revenues is primarily attributable to the sale of higher priced handset models accounting for \$30.2 million of the increase, coupled with the increase in gross customer additions during the year of approximately 130,000 customers, which accounted for \$14.4 million of the increase.

*Expansion Markets.* Expansion Markets equipment revenues increased \$45.0 million to \$47.6 million for the year ended December 31, 2006 from \$2.6 million for the year ended December 31, 2005. These revenues were attributable to the launch of the Tampa/Sarasota metropolitan area in October 2005, the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the



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expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. Gross additions in the Expansion Markets totaled approximately 730,000 customers for the year ended December 31, 2006.

The increase in handset model availability is primarily the result of our emphasis on enhancing our product offerings and appealing to our customer base in connection with our wireless services.

*Cost of Service:* Cost of Service increased \$162.1 million, or 57%, to \$445.3 million for the year ended December 31, 2006 from \$283.2 million for the year ended December 31, 2005. The increase is due to increases in Core Markets and Expansion Markets cost of service as follows:

*Core Markets.* Core Markets cost of service increased \$67.5 million, or 25%, to \$338.9 million for the year ended December 31, 2006 from \$271.4 million for the year ended December 31, 2005. The increase in cost of service was primarily attributable to a \$14.8 million increase in federal universal service fund, or FUSF, fees, a \$13.2 million increase in long distance costs, a \$7.7 million increase in cell site and switch facility lease expense, a \$6.4 million increase in customer service expense, a \$5.9 million increase in intercarrier compensation, and a \$4.3 million increase in employee costs, all of which are a result of the 23% growth in our Core Markets customer base and the addition of approximately 350 cell sites to our existing network infrastructure.

*Expansion Markets.* Expansion Markets cost of service increased \$94.6 million to \$106.4 million for the year ended December 31, 2006 from \$11.8 million for the year ended December 31, 2005. These increases were attributable to the launch of the Tampa/Sarasota metropolitan area in October 2005, the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. The increase in cost of service was primarily attributable to a \$22.3 million increase in cell site and switch facility lease expense, a \$13.8 million increase in employee costs, a \$9.3 million increase in intercarrier compensation, \$8.2 million in long distance costs, \$8.2 million in customer service expense and \$3.5 million in billing expenses.

*Cost of Equipment:* Cost of equipment increased \$176.0 million, or 59%, to \$476.9 million for the year ended December 31, 2006 from \$300.9 million for the year ended December 31, 2005. The increase is due to increases in Core Markets and Expansion Markets cost of equipment as follows:

*Core Markets.* Core Markets cost of equipment increased \$70.6 million, or 24%, to \$364.3 million for the year ended December 31, 2006 from \$293.7 million for the year ended December 31, 2005. The increase in equipment costs is primarily attributable to the sale of higher cost handset models accounting for \$44.7 million of the increase. The increase in gross customer additions during the year of approximately 130,000 customers as well as the sale of new handsets to existing customers accounted for \$25.9 million of the increase.

*Expansion Markets.* Expansion Markets costs of equipment increased \$105.4 million to \$112.6 million for the year ended December 31, 2006 from \$7.2 million for the year ended December 31, 2005. These costs were primarily attributable to the launch of the Tampa/Sarasota metropolitan area in October 2005, the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased \$81.1 million, or 50%, to \$243.6 million for the year ended December 31, 2006 from \$162.5 million for the year ended December 31, 2005. The increase is due to increases in Core Markets and Expansion Markets selling, general and administrative expenses as follows:

*Core Markets.* Core Markets selling, general and administrative expenses increased \$4.8 million, or 3%, to \$158.1 million for the year ended December 31, 2006 from \$153.3 million for the year ended December 31, 2005. Selling expenses increased by \$10.7 million, or approximately 18% for the year ended December 31, 2006 compared to year ended December 31, 2005. General and administrative

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expenses decreased by \$5.9 million, or approximately 6% for the year ended December 31, 2006 compared to the year ended December 31, 2005. The increase in selling expenses is primarily due to an increase in advertising and market research expenses which were incurred to support the growth in the Core Markets. This increase in selling expenses was offset by a decrease in general and administrative expenses, which were higher in 2005 because they included approximately \$5.9 million in legal and accounting expenses associated with an internal investigation related to material weaknesses in our internal control over financial reporting as well as financial statement audits related to our restatement efforts.

*Expansion Markets.* Expansion Markets selling, general and administrative expenses increased \$76.3 million to \$85.5 million for the year ended December 31, 2006 from \$9.2 million for the year ended December 31, 2005. Selling expenses increased \$31.5 million for the year ended December 31, 2006 compared to the year ended December 31, 2005. This increase in selling expenses was related to marketing and advertising expenses associated with the launch of the Dallas/Ft. Worth metropolitan area, the Detroit metropolitan area, and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area. General and administrative expenses increased by \$44.8 million for the year ended December 31, 2006 compared to the same period in 2005 due to labor, rent, legal and professional fees and various administrative expenses incurred in relation to the launch of the Dallas/Ft. Worth metropolitan area, Detroit metropolitan area, and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area as well as build-out expenses related to the Los Angeles metropolitan area.

*Depreciation and Amortization.* Depreciation and amortization expense increased \$47.1 million, or 54%, to \$135.0 million for the year ended December 31, 2006 from \$87.9 million for the year ended December 31, 2005. The increase is primarily due to increases in Core Markets and Expansion Markets depreciation and amortization expense as follows:

*Core Markets.* Core Markets depreciation and amortization expense increased \$25.2 million, or 30%, to \$109.6 million for the year ended December 31, 2006 from \$84.4 million for the year ended December 31, 2005. The increase related primarily to an increase in network infrastructure assets placed into service during the year ended December 31, 2006. We added approximately 350 cell sites in our Core Markets during this period to increase the capacity of our existing network and expand our footprint.

*Expansion Markets.* Expansion Markets depreciation and amortization expense increased \$19.9 million to \$21.9 million for the year ended December 31, 2006 from \$2.0 million for the year ended December 31, 2005. The increase related to network infrastructure assets that were placed into service as a result of the launch of the Dallas/Ft. Worth metropolitan area, the Detroit metropolitan area, and expansion of the Tampa/Sarasota area to include the Orlando metropolitan area.

*Stock-Based Compensation Expense.* Stock-based compensation expense increased \$11.9 million, or 457%, to \$14.5 million for the year ended December 31, 2006 from \$2.6 million for the year ended December 31, 2005. The increase is primarily due to increases in Core Markets and Expansion Markets stock-based compensation expense as follows:

*Core Markets.* Core Markets stock-based compensation expense increased \$5.1 million, or 198%, to \$7.7 million for the year ended December 31, 2006 from \$2.6 million for the year ended December 31, 2005. The increase is primarily related to the adoption of SFAS No. 123(R) on January 1, 2006. In addition, in December 2006, we amended the stock option agreements of a former member of our board of directors to extend the contractual life of 405,054 vested options to purchase common stock until December 31, 2006. This amendment resulted in the recognition of additional stock-based compensation expense of approximately \$4.1 million in the fourth quarter of 2006.



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*Expansion Markets.* Expansion Markets stock-based compensation expense was \$6.8 million for the year ended December 31, 2006. This expense is attributable to stock options granted to employees in our Expansion Markets which are being accounted for under SFAS No. 123(R) as of January 1, 2006.

<b>Consolidated Data</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>
	<b>(In thousands)</b>		
Loss (gain) on disposal of assets	\$ 8,806	\$ (218,203)	104%
Loss on extinguishment of debt	51,518	46,448	11%
Interest expense	115,985	58,033	100%
Provision for income taxes	36,717	127,425	(72)%
Net income	53,806	198,677	(73)%

*Loss (Gain) on Disposal of Assets.* In May 2005, we completed the sale of a 10 MHz portion of our 30 MHz PCS license in the San Francisco-Oakland-San Jose basic trading area for cash consideration of \$230.0 million. The sale of PCS spectrum resulted in a gain on disposal of asset in the amount of \$228.2 million.

*Loss on Extinguishment of Debt.* In November 2006, we repaid all amounts outstanding under our first and second lien credit agreements and the exchangeable secured and unsecured bridge credit agreements. As a result, we recorded a loss on extinguishment of debt in the amount of approximately \$42.7 million of the first and second lien credit agreements and an approximately \$9.4 million loss on the extinguishment of the exchangeable secured and unsecured bridge credit agreements. In May 2005, we repaid all of the outstanding debt under our FCC notes, 103/4% senior notes and bridge credit agreement. As a result, we recorded a \$1.9 million loss on the extinguishment of the FCC notes; a \$34.0 million loss on extinguishment of the 103/4% senior notes; and a \$10.4 million loss on the extinguishment of the bridge credit agreement.

*Interest Expense.* Interest expense increased \$58.0 million, or 100%, to \$116.0 million for the year ended December 31, 2006 from \$58.0 million for the year ended December 31, 2005. The increase in interest expense was primarily due to increased average principal balance outstanding as a result of additional borrowings of \$150.0 million under our first and second lien credit agreements in the fourth quarter of 2005, \$200.0 million under the secured bridge credit facility in the third quarter of 2006 and an additional \$1,300.0 million under the secured and unsecured bridge credit facilities in the fourth quarter of 2006. Interest expense also increased due to the weighted average interest rate increasing to 10.30% for the year ended December 31, 2006 compared to 8.92% for the year ended December 31, 2005. The increase in interest expense was partially offset by the capitalization of \$17.5 million of interest during the year ended December 31, 2006, compared to \$3.6 million of interest capitalized during the same period in 2005. We capitalize interest costs associated with our FCC licenses and property and equipment beginning with pre-construction period administrative and technical activities, which includes obtaining leases, zoning approvals and building permits. The amount of such capitalized interest depends on the carrying values of the FCC licenses and construction in progress involved in those markets and the duration of the construction process. With respect to our FCC licenses, capitalization of interest costs ceases at the point in time in which the asset is ready for its intended use, which generally coincides with the market launch date. In the case of our property and equipment, capitalization of interest costs ceases at the point in time in which the network assets are placed into service. We expect capitalized interest to be significant during the construction of our additional Expansion Markets and related network assets.

*Provision for Income Taxes.* Income tax expense for the year ended December 31, 2006 decreased to \$36.7 million, which is approximately 41% of our income before provision for income taxes. For the year ended December 31, 2005 the provision for income taxes was \$127.4 million, or approximately 39% of income before provision for income

taxes. The year ended December 31, 2005 included a gain on the sale of a 10 MHz portion of our 30 MHz PCS license in the San Francisco-Oakland-San Jose basic trading area in the amount of \$228.2 million.

*Net Income.* Net income decreased \$144.9 million, or 73%, to \$53.8 million for the year ended December 31, 2006 compared to \$198.7 million for the year ended December 31, 2005. The significant decrease is primarily attributable to our non-recurring sale of a 10 MHz portion of our 30 MHz PCS license in

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the San Francisco-Oakland-San Jose basic trading area in May 2005 for cash consideration of \$230.0 million. The sale of PCS spectrum resulted in a gain on disposal of asset in the amount of \$139.2 million, net of income taxes. Net income for the year ended December 31, 2006, excluding the tax effected impact of the gain on the sale of the PCS license, decreased approximately 10%. The decrease in net income, excluding the tax effected impact of the gain on the sale of spectrum, is primarily due to the increase in operating losses in our Expansion Markets. This increase in operating losses in our Expansion Markets is attributable to the launch of the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006, and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006 as well as build-out expenses related to the Los Angeles metropolitan area.

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

Set forth below is a summary of certain financial information by reportable operating segment for the periods indicated. For the year ended December 31, 2004, the consolidated financial information represents the Core Markets reportable operating segment, as the Expansion Markets reportable operating segment had no operations until 2005.

<b>Reportable Operating Segment Data</b>	<b>2005</b>	<b>2004</b>	<b>Change</b>
	<b>(In thousands)</b>		
<b>REVENUES:</b>			
Service revenues:			
Core Markets	\$ 868,681	\$ 616,401	41%
Expansion Markets	3,419		**
Total	\$ 872,100	\$ 616,401	41%
Equipment revenues:			
Core Markets	\$ 163,738	\$ 131,849	24%
Expansion Markets	2,590		**
Total	\$ 166,328	\$ 131,849	26%
<b>OPERATING EXPENSES:</b>			
Cost of service (excluding depreciation and amortization disclosed separately below):			
Core Markets	\$ 271,437	\$ 200,806	35%
Expansion Markets	11,775		**
Total	\$ 283,212	\$ 200,806	41%
Cost of equipment:			
Core Markets	\$ 293,702	\$ 222,766	32%
Expansion Markets	7,169		**
Total	\$ 300,871	\$ 222,766	35%
Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below)(1):			

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Core Markets	\$ 153,321	\$ 131,510	17%
Expansion Markets	9,155		**
Total	\$ 162,476	\$ 131,510	24%
Adjusted EBITDA (Deficit)(2):			
Core Markets	\$ 316,555	\$ 203,597	55%
Expansion Markets	(22,090)		**
Depreciation and amortization:			
Core Markets	\$ 84,436	\$ 61,286	38%
Expansion Markets	2,030		**



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<b>Reportable Operating Segment Data</b>	<b>2005</b>	<b>2004</b>	<b>Change</b>
	<b>(In thousands)</b>		
Other	1,429	915	56%
Total	\$ 87,895	\$ 62,201	41%
Non-cash compensation expense:			
Core Markets	\$ 2,596	\$ 10,429	(75)%
Expansion Markets			**
Total	\$ 2,596	\$ 10,429	(75)%
Income (loss) from operations:			
Core Markets	\$ 219,777	\$ 128,673	71%
Expansion Markets	(24,370)		**
Other	226,770	(915)	**
Total	\$ 422,177	\$ 127,758	230%

\*\* Not meaningful. The Expansion Markets reportable segment had no operations until 2005.

- (1) Selling, general and administrative expenses include non-cash compensation expense disclosed separately.
- (2) Core and Expansion Markets Adjusted EBITDA is presented in accordance with SFAS No. 131 as it is the primary financial measure utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth. See Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Operating Segments.

*Service Revenues.* Service revenues increased \$255.7 million, or 41%, to \$872.1 million for the year ended December 31, 2005 from \$616.4 million for the year ended December 31, 2004. The increase is due to increases in Core Markets and Expansion Markets service revenues as follows:

*Core Markets.* Core Markets service revenues increased \$252.3 million, or 41%, to \$868.7 million for the year ended December 31, 2005 from \$616.4 million for the year ended December 31, 2004. The increase in service revenues is primarily attributable to net additions of approximately 473,000 customers during the year ended December 31, 2005. Also, during 2005, we expanded our service plan options to include a \$45 plan which includes unlimited nationwide long distance, unlimited directory assistance and various unlimited data features, which contributed to the wider acceptance of higher priced rate plans across our customer base and resulted in increased service revenues as evidenced by our increase in ARPU for the year ended December 31, 2005.

*Expansion Markets.* Expansion Markets service revenues were \$3.4 million for the year ended December 31, 2005. These revenues are attributable to the launch of the Tampa/Sarasota metropolitan area in October 2005. Net additions in the Tampa/Sarasota metropolitan area totaled approximately 53,000 customers during the year ended December 31, 2005.

*Equipment Revenues.* Equipment revenues increased \$34.5 million, or 26%, to \$166.3 million for the year ended December 31, 2005 from \$131.8 million for the year ended December 31, 2004. The increase is due to increases in Core Markets and Expansion Markets equipment revenues as follows:

*Core Markets.* Core Markets equipment revenues increased \$31.9 million, or 24%, to \$163.7 million for the year ended December 31, 2005 from \$131.8 million for the year ended December 31, 2004. The increase in revenues was attributable to an increase in sales to new customers of \$32.6 million, a 60% increase over 2004. During the year ended December 31, 2005, Core Markets gross customer additions increased 30% to approximately 1,478,500 customers compared to 2004.

*Expansion Markets.* Expansion Markets equipment revenues were \$2.6 million for the year ended December 31, 2005. These revenues are attributable to approximately 53,600 gross customer additions due to the launch of the Tampa/Sarasota metropolitan area in October 2005.

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*Cost of Service.* Cost of service increased \$82.4 million, or 41%, to \$283.2 million for the year ended December 31, 2005 from \$200.8 million for the year ended December 31, 2004. The increase is due to increases in Core Markets and Expansion Markets cost of service as follows:

*Core Markets.* Core Markets cost of service increased \$70.6 million, or 35%, to \$271.4 million for the year ended December 31, 2005 from \$200.8 million for the year ended December 31, 2004. The increase was attributable to an increase in employee costs, cell site and switch facility lease expense and repair and maintenance expense as a result of the 34% growth in our customer base and the addition of 315 cell sites to our existing network infrastructure.

*Expansion Markets.* Expansion Markets cost of service was \$11.8 million for the year ended December 31, 2005. These expenses are attributable to the launch of the Tampa/Sarasota metropolitan area in October 2005, which contributed net additions of approximately 53,000 customers during 2005. Additionally, employee costs, cell site and switch facility lease expense and repair and maintenance expense increased as a result of the addition of this Expansion Markets.

*Cost of Equipment.* Cost of equipment increased \$78.1 million, or 35%, to \$300.9 million for the year ended December 31, 2005 from \$222.8 million for the year ended December 31, 2004. The increase is due to increases in Core Markets and Expansion Markets cost of equipment as follows:

*Core Markets.* Core Markets cost of equipment increased \$70.9 million, or 32%, to \$293.7 million for the year ended December 31, 2005 from \$222.8 million for the year ended December 31, 2004. The increase in cost of equipment is due to the 30% increase in gross customer additions during 2005 compared to the year ended December 31, 2004.

*Expansion Markets.* Expansion Markets cost of equipment was \$7.2 million for the year ended December 31, 2005. This cost is attributable to the launch of the Tampa/Sarasota metropolitan area in October 2005, which resulted in approximately 53,600 activations during 2005.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased \$31.0 million, or 24%, to \$162.5 million for the year ended December 31, 2005 from \$131.5 million for the year ended December 31, 2004. The increase is due to increases in Core Markets and Expansion Markets selling, general and administrative expenses as follows:

*Core Markets.* Core Markets selling, general and administrative expenses increased \$21.8 million, or 17%, to \$153.3 million for the year ended December 31, 2005 from \$131.5 million for the year ended December 31, 2004. Selling expenses increased by \$6.3 million, or 12% for the year ended December 31, 2005 compared to 2004. General and administrative expenses increased by \$15.5 million, or 20%, during 2005 compared to 2004. The significant increase in general and administrative expenses was primarily driven by increases in corporate overhead expenses included in Core Markets general and administrative expenses. During 2005, corporate overhead expenses included increases in accounting and auditing fees of \$4.9 million and increases in professional service fees of \$3.6 million due to substantial legal and accounting expenses associated with an internal investigation related to material weaknesses in our internal control over financial reporting as well as financial statement audits related to our restatement efforts. We also experienced a \$6.6 million increase in corporate payroll expenses due to new employee additions necessary to support the growth in our business. These increases were offset by a \$7.8 million decrease in non-cash compensation expense.

*Expansion Markets.* Expansion Markets selling, general and administrative expenses were \$9.2 million for the year ended December 31, 2005. Selling expenses were \$3.5 million and general and administrative expenses were \$5.7 million for 2005. These expenses are comprised of marketing and advertising expenses as well as labor, rent, professional fees and various administrative expenses associated with the launch of the Tampa/Sarasota metropolitan area in October 2005 and build-out of the Dallas/Ft. Worth and Detroit metropolitan areas.

*Depreciation and Amortization.* Depreciation and amortization expense increased \$25.7 million, or 41%, to \$87.9 million for the year ended December 31, 2005 from \$62.2 million for the year ended December 31,

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2004. The increase is primarily due to increases in Core Markets and Expansion Markets depreciation expense as follows:

*Core Markets.* Core Markets depreciation and amortization expense increased \$23.1 million, or 38%, to \$84.4 million for the year ended December 31, 2005 from \$61.3 million for the year ended December 31, 2004. The increase related primarily to an increase in network infrastructure assets placed into service during the 2005, compared to the year ended December 31, 2004. We added 315 cell sites in our Core Markets during the year ended December 31, 2005 to increase the capacity of our existing network and expand our footprint.

*Expansion Markets.* Expansion Markets depreciation and amortization expense was \$2.0 million for the year ended December 31, 2005. This expense is attributable to network infrastructure assets placed into service as a result of the launch of the Tampa/Sarasota metropolitan area.

<b>Consolidated Data</b>	<b>2005</b>	<b>2004</b>	<b>Change</b>
	<b>(In thousands)</b>		
(Gain) loss on disposal of assets	\$ (218,203)	\$ 3,209	
Loss (gain) on extinguishment of debt	46,448	(698)	
Interest expense	58,033	19,030	205%
Provision for income taxes	127,425	47,000	171%
Net income	198,677	64,890	206%

*(Gain) Loss on Disposal of Assets.* In May 2005, we completed the sale of a 10 MHz portion of our 30 MHz PCS license in the San Francisco-Oakland-San Jose basic trading area for cash consideration of \$230.0 million. The sale of PCS spectrum resulted in a gain on disposal of asset in the amount of \$228.2 million.

*Loss (Gain) on Extinguishment of Debt.* In May 2005, we repaid all of the outstanding debt under our FCC notes, Senior Notes and bridge credit agreement. As a result, we recorded a \$1.9 million loss on the extinguishment of the FCC notes; a \$34.0 million loss on extinguishment of the Senior Notes; and a \$10.4 million loss on the extinguishment of the bridge credit agreement.

*Interest Expense.* Interest expense increased \$39.0 million, or 205%, to \$58.0 million for the year ended December 31, 2005 from \$19.0 million for the year ended December 31, 2004. The increase was primarily attributable to \$40.9 million in interest expense related to our Credit Agreements that were executed on May 31, 2005 as well as the amortization of the deferred debt issuance costs in the amount of \$3.6 million associated with the Credit Agreements. On May 31, 2005, we paid all of our outstanding obligations under our FCC notes and Senior Notes, which generally had lower interest rates than our Credit Agreements.

*Provision for Income Taxes.* Income tax expense for year ended December 31, 2005 increased to \$127.4 million, which is approximately 39% of our income before provision for income taxes. For the year ended December 31, 2004 the provision for income taxes was \$47.0 million, or approximately 42% of income before provision for income taxes. The increase in our income tax expense in 2005 was attributable to our increased operating profits. The decrease in the effective tax rate from 2004 to 2005 relates primarily to the increase in book income which lowers the effective rate of tax items included in the calculation.

**Performance Measures**

In managing our business and assessing our financial performance, we supplement the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the wireless industry. These metrics include average revenue per user per month, or ARPU, which measures service revenue per customer; cost per gross customer addition, or CPGA, which measures the average cost of acquiring a new customer; cost per user per month, or CPU, which measures the non-selling cost of operating our business on a per customer basis; and churn, which measures turnover in our customer base. For a reconciliation of Non-GAAP performance measures and a further discussion of the measures, please read [Reconciliation of Non-GAAP Financial Measures](#) below.

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The following table shows metric information for years ended December 31, 2004, 2005 and 2006 and the three months ended March 31, 2006 and 2007:

	Year Ended December 31,			Three Months Ended March 31,	
	2004	2005	2006	2006	2007
Customers:					
End of period	1,398,732	1,924,621	2,940,986	2,170,059	3,395,203
Net additions	421,833	525,889	1,016,365	245,438	454,217
Churn:					
Average Monthly Rate	4.9%	5.1%	4.6%	4.4%	4.0%
ARPU	\$ 41.13	\$ 42.40	\$ 42.98	\$ 43.12	\$ 43.75
CPGA	\$ 103.78	\$ 102.70	\$ 117.58	\$ 106.26	\$ 108.80
CPU	\$ 18.95	\$ 19.57	\$ 19.65	\$ 20.11	\$ 18.56

*Customers.* Net customer additions were 454,217 for the three months ended March 31, 2007, compared to 245,438 for the three months ended March 31, 2006, an increase of 85%. Total customers were 3,395,203 as of March 31, 2007, an increase of 56% over the customer total as of March 31, 2006 and 15% over the customer total as of December 31, 2006. Net customer additions were 1,016,365 for the year ended December 31, 2006, compared to 525,889 for the year ended December 31, 2005, an increase of 93%. Total customers were 2,940,986 as of December 31, 2006, an increase of 53% over the customer total as of December 31, 2005. Total customers as of December 31, 2005 were 1,924,621, an increase of 38% over the total customers as of December 31, 2004. These increases are primarily attributable to the continued demand for our service offering and the launch of our services in the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006.

*Churn.* As we do not require a long-term service contract, our churn percentage is expected to be higher than traditional wireless carriers that require customers to sign a one- to two-year contract with significant early termination fees. Average monthly churn represents (a) the number of customers who have been disconnected from our system during the measurement period less the number of customers who have reactivated service, divided by (b) the sum of the average monthly number of customers during such period. We classify delinquent customers as churn after they have been delinquent for 30 days. In addition, when an existing customer establishes a new account in connection with the purchase of an upgraded or replacement phone and does not identify themselves as an existing customer, we count that phone leaving service as a churn and the new phone entering service as a gross customer addition. Churn for the three months ended March 31, 2007 was 4.0% compared to 4.4% for the three months ended March 31, 2006. Based upon a change in the allowable return period from 7 days to 30 days, we revised our definition of gross customer additions to exclude customers that discontinue service in the first 30 days of service. This revision reduces deactivations and gross customer additions commencing March 23, 2006, and reduces churn. We estimated that churn computed under the original 7 day allowable return period would have been 4.5% and 4.5% for the three months ended March 31, 2007 and 2006, respectively. Average monthly churn rate for selected traditional wireless carriers ranges from 1.0% to 2.6% for post-pay customers and over 6.0% for pre-pay customers based on public filings or press releases.

*Average Revenue Per User.* ARPU represents (a) service revenues less activation revenues, E-911, Federal Universal Service Fund, or FUSF, and vendor's compensation charges for the measurement period, divided by (b) the sum of the average monthly number of customers during such period. ARPU was \$43.75 and \$43.12 for the three months ended

March 31, 2007 and 2006, respectively, an increase of \$0.63, or 1%. ARPU was \$42.98 and \$42.40 for the years ended December 31, 2006 and 2005, respectively, an increase of \$0.58, or 1.4%. ARPU increased \$1.27, or approximately 3.1%, during 2005 from \$41.13 for the year ended December 31, 2004. The increase in ARPU was primarily the result of attracting customers to higher priced service plans, which include unlimited nationwide long distance for \$40 per month as well as unlimited nationwide long distance and certain calling and data features on an unlimited basis for \$45 per month.





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End of period	1,398,732	1,871,665	2,300,958	2,055,550	2,484,811
Net additions	421,833	472,933	429,293	183,885	183,853
Core Markets Adjusted EBITDA	\$ 203,597	\$ 316,555	\$ 492,773	\$ 109,120	\$ 150,322
Core Markets Adjusted EBITDA as a Percent of Service Revenues	33.0%	36.4%	43.3%	41.2%	44.6%

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We launched our service initially in 2002 in the greater Miami, Atlanta, Sacramento and San Francisco metropolitan areas. Our Core Markets have a licensed population of approximately 25 million, of which our networks currently cover approximately 22 million. In addition, we had positive adjusted earnings before interest, taxes, depreciation and amortization, gain/loss on disposal of assets, accretion of put option in majority-owned subsidiary, gain/loss on extinguishment of debt and non-cash stock-based compensation, or Adjusted EBITDA, in our Core Markets after only four full quarters of operations.

*Customers.* Net customer additions in our Core Markets were 183,853 for the three months ended March 31, 2007, compared to 183,885 for the three months ended March 31, 2006. Total customers were 2,484,811 as of March 31, 2007, an increase of 21% over the customer total as of March 31, 2006 and 8% over the customer total as of December 31, 2006. Net customer additions in our Core Markets were 429,293 for the year ended December 31, 2006, compared to 472,933 for the year ended December 31, 2005. Total customers were 2,300,958 as of December 31, 2006, an increase of 23% over the customer total as of December 31, 2005. Net customer additions in our Core Markets were 472,933 for the year ended December 31, 2005, bringing our total customers to 1,871,665 as of December 31, 2005, an increase of 34% over the total customers as of December 31, 2004. These increases are primarily attributable to the continued demand for our service offering.

*Adjusted EBITDA.* Adjusted EBITDA is presented in accordance with SFAS No. 131 as it is the primary performance metric for which our reportable segments are evaluated and it is utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth. For the three months ended March 31, 2007, Core Markets Adjusted EBITDA was \$150.3 million compared to \$109.1 million for the same period in 2006. For the year ended December 31, 2006, Core Markets Adjusted EBITDA was \$492.8 million compared to \$316.6 million for the year ended December 31, 2005. For the year ended December 31, 2004, Core Markets Adjusted EBITDA was \$203.6 million. We continue to experience increases in Core Markets Adjusted EBITDA as a result of continued customer growth and cost benefits due to the increasing scale of our business in the Core Markets.

*Adjusted EBITDA as a Percent of Service Revenues.* Adjusted EBITDA as a percent of service revenues is calculated by dividing Adjusted EBITDA by total service revenues. Core Markets Adjusted EBITDA as a percent of service revenues for the three months ended March 31, 2007 and 2006 was 45% and 41%, respectively. Core Markets Adjusted EBITDA as a percent of service revenues for the year ended December 31, 2006 and 2005 was 43% and 36%, respectively. Core Markets Adjusted EBITDA as a percent of service revenues for the year ended December 31, 2004 was 33%. Consistent with the increase in Core Markets Adjusted EBITDA, we continue to experience corresponding increases in Core Markets Adjusted EBITDA as a percent of service revenues due to the growth in service revenues as well as cost benefits due to the increasing scale of our business in the Core Markets.

**Expansion Markets Performance Measures**

Set forth below is a summary of certain key performance measures for the periods indicated for our Expansion Markets:

Year Ended December 31,			Three Months Ended March 31,	
2004	2005	2006	2006	2007
(Dollars in thousands)				

Expansion Markets Customers:

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End of period	52,956	640,028	114,509	910,392
Net additions	52,956	587,072	61,553	270,364
Expansion Markets Adjusted EBITDA (Deficit)	\$ (22,090)	\$ (97,214)	\$ (22,685)	\$ (121)

*Customers.* Net customer additions in our Expansion Markets were 270,364 for the three months ended March 31, 2007, compared to 61,553 for the three months ended March 31, 2006. Total customers were 910,392 as of March 31, 2007, an increase of 695% over the customer total as of March 31, 2006 and a 42% over the customer total as of December 31, 2006. Net customer additions in our Expansion Markets were 587,072 for the

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year ended December 31, 2006. Total customers were 640,028 as of December 31, 2006 compared to 52,956 for the year ended December 31, 2005. The increase in customers was primarily attributable to the launch of the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. Net customer additions in our Expansion Markets were 52,956 for the year ended December 31, 2005, which was attributable to the launch of the Tampa/Sarasota metropolitan area in October 2005.

*Adjusted EBITDA Deficit.* Adjusted EBITDA is presented in accordance with SFAS No. 131 as it is the primary performance metric for which our reportable segments are evaluated and it is utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth. For the three months ended March 31, 2007, Expansion Markets Adjusted EBITDA deficit was \$0.1 million compared to \$22.7 million for the same period in 2006. The decrease in Adjusted EBITDA deficit for the three months ended March 31, 2007, when compared to the same period in 2006, was attributable to the growth in service revenues in the Dallas/Ft. Worth, Detroit and Tampa/Sarasota/Orlando metropolitan areas as well as the achievement of costs benefits due to the increasing scale of our business in these metropolitan areas. For the year ended December 31, 2006, Expansion Markets Adjusted EBITDA deficit was \$97.2 million compared to \$22.1 million for the year ended December 31, 2005. The increase in Adjusted EBITDA deficit during 2006, when compared to 2005, was attributable to the launch of the Tampa/Sarasota metropolitan area in October 2005, the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006 as well as expenses associated with the construction of the Los Angeles metropolitan area.

**Reconciliation of Non-GAAP Financial Measures**

We utilize certain financial measures and key performance indicators that are not calculated in accordance with GAAP to assess our financial and operating performance. A non-GAAP financial measure is defined as a numerical measure of a company's financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the statement of income or statement of cash flows; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the comparable measure so calculated and presented.

ARPU, CPGA, and CPU are non-GAAP financial measures utilized by our management to judge our ability to meet our liquidity requirements and to evaluate our operating performance. We believe these measures are important in understanding the performance of our operations from period to period, and although every company in the wireless industry does not define each of these measures in precisely the same way, we believe that these measures (which are common in the wireless industry) facilitate key liquidity and operating performance comparisons with other companies in the wireless industry. The following tables reconcile our non-GAAP financial measures with our financial statements presented in accordance with GAAP.

**ARPU** We utilize ARPU to evaluate our per-customer service revenue realization and to assist in forecasting our future service revenues. ARPU is calculated exclusive of activation revenues, as these amounts are a component of our costs of acquiring new customers and are included in our calculation of CPGA. ARPU is also calculated exclusive of E-911, FUSF and vendor's compensation charges, as these are generally pass through charges that we collect from our customers and remit to the appropriate government agencies.

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Average number of customers for any measurement period is determined by dividing (a) the sum of the average monthly number of customers for the measurement period by (b) the number of months in such period. Average monthly number of customers for any month represents the sum of the number of customers on the first day of the month and the last day of the month divided by two. The following table shows the calculation of ARPU for the periods indicated.

	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	2006	2007
	(In thousands, except average number of customers and ARPU)				
<b>Calculation of Average Revenue Per User (ARPU):</b>					
Service revenues	\$ 616,401	\$ 872,100	\$ 1,290,947	\$ 275,416	\$ 439,516
Less:					
Activation revenues	(7,874)	(6,808)	(8,297)	(1,923)	(2,459)
E-911, FUSF and vendor s compensation charges	(12,522)	(26,221)	(45,640)	(8,958)	(20,271)
Net service revenues	\$ 596,005	\$ 839,071	\$ 1,237,010	\$ 264,535	\$ 416,786
Divided by: Average number of customers	1,207,521	1,649,208	2,398,682	2,045,110	3,175,284
ARPU	\$ 41.13	\$ 42.40	\$ 42.98	\$ 43.12	\$ 43.75

**CPGA** We utilize CPGA to assess the efficiency of our distribution strategy, validate the initial capital invested in our customers and determine the number of months to recover our customer acquisition costs. This measure also allows us to compare our average acquisition costs per new customer to those of other wireless broadband PCS providers. Activation revenues and equipment revenues related to new customers are deducted from selling expenses in this calculation as they represent amounts paid by customers at the time their service is activated that reduce our acquisition cost of those customers. Additionally, equipment costs associated with existing customers, net of related revenues, are excluded as this measure is intended to reflect only the acquisition costs related to new customers. The following table reconciles total costs used in the calculation of CPGA to selling expenses, which we consider to be the most directly comparable GAAP financial measure to CPGA.

	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	2006	2007
	(In thousands, except gross customer additions and CPGA)				
<b>Calculation of Cost Per Gross Addition (CPGA):</b>					
Selling expenses	\$ 52,605	\$ 62,396	\$ 104,620	\$ 20,298	\$ 30,106
Less: Activation revenues	(7,874)	(6,808)	(8,297)	(1,923)	(2,459)
Less: Equipment revenues	(131,849)	(166,328)	(255,916)	(54,045)	(97,170)

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Add: Equipment revenue not associated with new customers	54,323	77,010	114,392	24,864	42,009
Add: Cost of equipment	222,766	300,871	476,877	100,911	173,308
Less: Equipment costs not associated with new customers	(72,200)	(109,803)	(155,930)	(35,364)	(55,169)
Gross addition expenses	\$ 117,771	\$ 157,338	\$ 275,746	\$ 54,741	\$ 90,625
Divided by: Gross customer additions	1,134,762	1,532,071	2,345,135	515,153	832,983
CPGA	\$ 103.78	\$ 102.70	\$ 117.58	\$ 106.26	\$ 108.80

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CPU CPU is cost of service and general and administrative costs (excluding applicable non-cash stock-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)) exclusive of E-911, FUSF and vendor's compensation charges, divided by the sum of the average monthly number of customers during such period. CPU does not include any depreciation and amortization expense. Management uses CPU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CPU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless providers. We believe investors use CPU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless providers. Other wireless carriers may calculate this measure differently. The following table reconciles total costs used in the calculation of CPU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CPU.

	<b>Year Ended December 31,</b>			<b>Three Months Ended</b>	
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>March 31,</b>	<b>2007</b>
	<b>(In thousands, except average number of customers and CPU)</b>				

**Calculation of Cost Per User (CPU):**

Cost of service	\$ 200,806	\$ 283,212	\$ 445,281	\$ 92,489	\$ 145,335
Add: General and administrative expense	78,905	100,080	138,998	31,139	42,831
Add: Net loss on equipment transactions unrelated to initial customer acquisition	17,877	32,791	41,538	10,500	13,160
Less: Non-cash compensation expense included in cost of service and general and administrative expense	(10,429)	(2,596)	(14,472)	(1,811)	(4,211)
Less: E-911, FUSF and vendor's compensation revenues	(12,522)	(26,221)	(45,640)	(8,958)	(20,271)
<b>Total costs used in the calculation of CPU</b>	<b>\$ 274,637</b>	<b>\$ 387,266</b>	<b>\$ 565,705</b>	<b>\$ 123,359</b>	<b>\$ 176,844</b>
Divided by: Average number of customers	1,207,521	1,649,208	2,398,682	2,045,110	3,175,284
<b>CPU</b>	<b>\$ 18.95</b>	<b>\$ 19.57</b>	<b>\$ 19.65</b>	<b>\$ 20.11</b>	<b>\$ 18.56</b>

**Liquidity and Capital Resources**

Our principal sources of liquidity are our existing cash, cash equivalents and short-term investments, cash generated from operations, proceeds from the sale of 91/4% our senior notes in November 2006 and June 2007, our senior



secured credit facility and MetroPCS Communications recently completed initial public offering. At March 31, 2007, we had a total of approximately \$539.7 million in cash, cash equivalents and short-term investments. On April 24, 2007, MetroPCS Communications consummated an initial public offering of its common stock. MetroPCS Communications sold 37,500,000 shares of common stock at a price per share of \$23.00 (less underwriting discounts and commissions), which resulted in net proceeds to MetroPCS Communications of approximately \$820 million. In addition, selling stockholders sold an aggregate of 20,000,000 shares of common stock, including 7,500,000 shares sold pursuant to the exercise by the underwriters of their over-allotment option. MetroPCS Communications did not receive any proceeds from the sale of shares of common stock by the selling stockholders; however, MetroPCS Communications did receive proceeds of approximately \$3.8 million from the exercise of options to acquire common stock which was sold in the initial public offering. Concurrent with the initial public offering by MetroPCS Communications, all outstanding shares of preferred stock of MetroPCS Communications, including accrued but unpaid dividends

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as of April 23, 2007, were converted into 150,962,644 shares of common stock. We intend to use the net proceeds from the initial public offering primarily to build-out our network and launch our services in certain of our recently acquired Auction 66 Markets as well as for general corporate purposes. On June 6, 2007, MetroPCS Wireless, Inc. consummated the sale of the additional senior notes in the aggregate principal amount of \$400 million. The proceeds from the sale were approximately \$421.1 million, which we intend to use for general corporate purposes, including financing our participation in and acquisition of licenses in the upcoming 700 MHz auction.

Our strategy has been to offer our services in major metropolitan areas and their surrounding areas, which we refer to as clusters. We are seeking opportunities to enhance our current market clusters and to provide service in new geographic areas. From time to time, we may purchase spectrum and related assets from third parties or the FCC. We participated as a bidder in FCC Auction 66 and in November 2006 we were granted eight licenses for a total aggregate purchase price of approximately \$1.4 billion.

As a result of the acquisition of the spectrum licenses from Auction 66 and the opportunities that these licenses provide for us to expand our operations into major metropolitan markets, we will require significant additional capital in the future to finance the construction and initial operating costs associated with such licenses, including clearing costs associated with non-governmental incumbent licenses which we currently estimate to be between approximately \$40 million and \$60 million. We generally do not intend to commence the construction of any individual license area until we have sufficient funds available to provide for the related construction and operating costs associated with such license area. We currently plan to focus on building out approximately 40 million of the total population in our Auction 66 Markets with a primary focus on the New York, Philadelphia, Boston and Las Vegas metropolitan areas. Of the approximate 40 million total population, we are targeting launch of operations with a covered population of approximately 30 to 32 million by late 2008 or early 2009. Our initial launch dates will vary in our Auction 66 Markets and our launch dates in the larger metropolitan areas may be accomplished in phases. Total estimated expenditures, including capital expenditures, to become free cash flow positive, defined as Adjusted EBITDA less capital expenditures is \$875 million to \$1.0 billion based on an estimated covered population of approximately 30 to 32 million. We are currently finalizing our preliminary network designs in our Auction 66 Markets, which most likely may entail a more extensive use of DAS systems and potentially greater cell site density than we have deployed in the past. This, along with other factors, could result in an increase in the total capital expenditures per covered population to initially launch operations, however, we would not expect the estimate of total cash expenditures to reach free cash flow positive to be materially impacted. We believe that our existing cash, cash equivalents and short-term investments, proceeds from MetroPCS Communications' recently completed initial public offering, the recent sale of the additional senior notes and our anticipated cash flows from operations will be sufficient to fully fund this planned expansion. Moreover, we have made no commitments for capital expenditures and we have the ability to reduce the rate of capital expenditure deployment.

The construction of our network and the marketing and distribution of our wireless communications products and services have required, and will continue to require, substantial capital investment. Capital outlays have included license acquisition costs, capital expenditures for construction of our network infrastructure, costs associated with clearing and relocating non-governmental incumbent licenses, funding of operating cash flow losses incurred as we launch services in new metropolitan areas and other working capital costs, debt service and financing fees and expenses. Our capital expenditures for the first three months of 2007 were approximately \$156.2 million and aggregate capital expenditures for 2006 were approximately \$550.7 million. These expenditures were primarily associated with the construction of the network infrastructure in our Expansion Markets and our efforts to increase the service area and capacity of our existing Core Markets network through the addition of cell sites and switches. We believe the increased service area and capacity in existing markets will improve our service offering, helping us to attract additional customers and increase revenues. In addition, we believe our new Expansion Markets have attractive demographics which will result in increased revenues.

As of March 31, 2007, we owed an aggregate of approximately \$2.6 billion under our senior secured credit facility and 9 1/4% senior notes. On February 20, 2007, MetroPCS Wireless, Inc. entered into an amendment to the senior secured credit facility. Under the amendment, the margin used to determine the

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senior secured credit facility interest rate was reduced to 2.25% from 2.50%. On June 6, 2007, MetroPCS Wireless, Inc. sold an additional \$400 million principal amount of 9 1/4% senior notes due 2014.

Our senior secured credit facility calculates consolidated Adjusted EBITDA as: consolidated net income *plus* depreciation and amortization; gain (loss) on disposal of assets; non-cash expenses; gain (loss) on extinguishment of debt; provision for income taxes; interest expense; and certain expenses of MetroPCS Communications *minus* interest and other income and non-cash items increasing consolidated net income.

We consider Adjusted EBITDA, as defined above, to be an important indicator to investors because it provides information related to our ability to provide cash flows to meet future debt service, capital expenditures and working capital requirements and fund future growth. We present this discussion of Adjusted EBITDA because covenants in our senior secured credit facility contain ratios based on this measure. If our Adjusted EBITDA were to decline below certain levels, covenants in our senior secured credit facility that are based on Adjusted EBITDA, including our maximum senior secured leverage ratio covenant, may be violated and could cause, among other things, an inability to incur further indebtedness and in certain circumstances a default or mandatory prepayment under our senior secured credit facility. Our maximum senior secured leverage ratio is required to be less than 4.5 to 1.0 based on Adjusted EBITDA plus the impact of certain new markets. The lenders under our senior secured credit facility use the senior secured leverage ratio to measure our ability to meet our obligations on our senior secured debt by comparing the total amount of such debt to our Adjusted EBITDA, which our lenders use to estimate our cash flow from operations. The senior secured leverage ratio is calculated as the ratio of senior secured indebtedness to Adjusted EBITDA, as defined by our senior secured credit facility. For the twelve months ended March 31, 2007, our senior secured leverage ratio was 2.91 to 1.0, which means for every \$1.00 of Adjusted EBITDA we had \$2.91 of senior secured indebtedness. In addition, consolidated Adjusted EBITDA is also utilized, among other measures, to determine management's compensation levels. Adjusted EBITDA is not a measure calculated in accordance with GAAP, and should not be considered a substitute for, operating income (loss), net income (loss), or any other measure of financial performance reported in accordance with GAAP. In addition, Adjusted EBITDA should not be construed as an alternative to, or more meaningful than cash flows from operating activities, as determined in accordance with GAAP.

The following table shows the calculation of our consolidated Adjusted EBITDA, as defined in our senior secured credit facility, for the years ended December 31, 2004, 2005 and 2006 and for the three months ended March 31, 2006 and 2007.

	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	2006	2007
	(In thousands)				
<b>Calculation of Consolidated Adjusted EBITDA:</b>					
Net income	\$ 64,890	\$ 198,677	\$ 53,806	\$ 18,370	\$ 36,352
Adjustments:					
Depreciation and amortization	62,201	87,895	135,028	27,260	39,380
Loss (gain) on disposal of assets	3,209	(218,203)	8,806	10,365	3,050
Non-cash compensation expense(1)	10,429	2,596	14,472	1,811	4,211
Interest expense	19,030	58,033	115,985	20,884	48,976
Accretion of put option in majority-owned subsidiary(1)	8	252	770	157	238
Interest and other income	(2,472)	(8,658)	(21,543)	(4,572)	(7,157)

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(Gain) loss on extinguishment of debt	(698)	46,448	51,518	(217)	
Provision for income taxes	47,000	127,425	36,717	12,377	24,267
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 203,597</b>	<b>\$ 294,465</b>	<b>\$ 395,559</b>	<b>\$ 86,435</b>	<b>\$ 149,317</b>

(1) Represents a non-cash expense as defined by our senior secured credit facility.

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In addition, for further information, the following table reconciles consolidated Adjusted EBITDA, as defined in our senior secured credit facility, to cash flows from operating activities for the years ended December 31, 2004, 2005 and 2006 and for the three months ended March 31, 2006 and 2007.

	Year Ended December 31,			Three Months Ended	
	2004	2005	2006	2006	2007
	(In thousands)				
<b>Reconciliation of Net Cash Provided by Operating Activities to Consolidated Adjusted EBITDA:</b>					
Net cash provided by operating activities	\$ 150,379	\$ 283,216	\$ 364,761	\$ 65,628	\$ 111,572
Adjustments:					
Interest expense	19,030	58,033	115,985	20,884	48,976
Non-cash interest expense	(2,889)	(4,285)	(6,964)	(379)	(1,096)
Interest and other income	(2,472)	(8,658)	(21,543)	(4,572)	(7,157)
Provision for uncollectible accounts receivable	(125)	(129)	(31)	138	(127)
Deferred rent expense	(3,466)	(4,407)	(7,464)	(1,415)	(2,039)
Cost of abandoned cell sites	(1,021)	(725)	(3,783)	(230)	(1,796)
Accretion of asset retirement obligation	(253)	(423)	(769)	(133)	(282)
Loss (gain) on sale of investments	(576)	190	2,385	299	959
Provision for income taxes	47,000	127,425	36,717	12,377	24,267
Deferred income taxes	(44,441)	(125,055)	(32,341)	(11,753)	(23,611)
Changes in working capital	42,431	(30,717)	(51,394)	5,591	(349)
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 203,597</b>	<b>\$ 294,465</b>	<b>\$ 395,559</b>	<b>\$ 86,435</b>	<b>\$ 149,317</b>

**Operating Activities**

Cash provided by operating activities was \$111.6 million during the three months ended March 31, 2007 compared to \$65.6 million during the three months ended March 31, 2006. The increase was primarily attributable to a 98% increase in net income during the three months ended March 31, 2007 compared to the three months ended March 31, 2006. The timing of payments on accounts payable and accrued expenses in the three months ended March 31, 2007, as well as an increase in deferred revenues as a result of the approximately 56% increase in customers at March 31, 2007 compared March 31, 2006 also contributed to the increase in cash provided by operating activities.

Cash provided by operating activities was \$364.8 million during the year ended December 31, 2006 compared to \$283.2 million for the year ended December 31, 2005. The increase was primarily attributable to the timing of payments on accounts payable and accrued expenses for the year ended December 31, 2006 as well as an increase in deferred revenues due to an approximately 53% increase in customers during the year ended December 31, 2006 compared to the year ended December 31, 2005.

Cash provided by operating activities was \$283.2 million during the year ended December 31, 2005 compared to cash provided by operating activities of \$150.4 million during the year ended December 31, 2004. The increase was

primarily attributable to a significant increase in net income, including a \$228.2 million gain on the sale of a 10 MHz portion of our 30MHz PCS license for the San Francisco Oakland San Jose basic trading area, and the timing of payments on accounts payable and accrued expenses in the year ended December 31, 2005, partially offset by interest payments on the Credit Agreements that were executed in May 2005.

***Investing Activities***

Cash used in investing activities was \$74.1 million during the three months ended March 31, 2007 compared to \$138.5 million during the three months ended March 31, 2006. The decrease was due primarily

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to a \$77.4 million increase in net proceeds from investments, partially offset by a \$21.5 million increase in purchases of property and equipment which was related to the construction of the Expansion Markets.

Cash used in investing activities was \$1.9 billion during the year ended December 31, 2006 compared to \$905.2 million during the year ended December 31, 2005. The increase was due primarily to an \$887.7 million increase in purchases of FCC licenses and a \$284.3 million increase in purchases of property and equipment, partially offset by a \$355.5 million decrease in net purchases of investments.

Cash used in investing activities was \$905.2 million during the year ended December 31, 2005 compared to \$190.9 million during the year ended December 31, 2004. This increase was due primarily to a \$416.9 million increase in the purchase of FCC licenses, an increase in purchases of investments in the amount of \$580.8 million, and a \$27.5 million increase in purchases of property and equipment, partially offset by proceeds of \$230.0 million from the sale of a 10 MHz portion of our 30 MHz PCS license for the San Francisco-Oakland-San Jose basic trading area.

### ***Financing Activities***

Cash provided by financing activities was \$32.4 million during the three months ended March 31, 2007 compared to \$24.0 million during the three months ended March 31, 2006. This increase was due primarily to the timing of book overdraft liabilities, partially offset by increased payments for debt issuance costs and principal related to the senior secured credit facility as well as costs associated with MetroPCS Communications' initial public offering that was completed in April 2007.

Cash provided by financing activities was \$1.6 billion for the year ended December 31, 2006 compared to \$712.2 million for the year ended December 31, 2005. The increase was due primarily to net proceeds from the senior secured credit facility and the 9 1/4% senior notes.

Cash provided by financing activities during the year ended December 31, 2005 was \$712.2 million, compared to cash used in financing activities of \$5.4 million for the year ended December 31, 2004. The increase during 2005 is mainly attributable to proceeds from borrowings under our Credit Agreements of \$902.9 million as well as net proceeds from the issuance of Series E Preferred Stock in the amount of \$46.7 million. These proceeds are partially offset by various transactions including repayment of the FCC notes in the amount of \$33.4 million, repayment of the Senior Notes in the amount of \$178.9 million, which included a premium of \$28.9 million, and payment of debt issuance costs in the amount of \$29.5 million.

### ***First and Second Lien Credit Agreements***

On November 3, 2006, we paid the lenders under the first and second lien credit agreements \$931.5 million plus accrued interest of \$8.6 million to extinguish the aggregate outstanding principal balance under the first and second lien credit agreements. As a result, we recorded a loss on extinguishment of debt in the amount of approximately \$42.7 million.

On November 21, 2006, we terminated the interest rate cap agreement that was required by our first and second lien credit agreements. We received approximately \$4.3 million upon termination of the agreement. The proceeds from the termination of the agreement approximated its carrying value.

### ***Bridge Credit Facilities***

In July 2006, MetroPCS II, Inc., or MetroPCS II, an indirect wholly-owned subsidiary of MetroPCS Communications, Inc. (which has since merged into MetroPCS Wireless, Inc.), entered into an Exchangeable Senior Secured Credit



Agreement and Guaranty Agreement, dated as of July 13, 2006, or the secured bridge credit facility. The aggregate credit commitments available under the secured bridge credit facility were \$1.25 billion and were fully funded.

On November 3, 2006, MetroPCS II repaid the aggregate outstanding principal balance under the secured bridge credit facility of \$1.25 billion and accrued interest of \$5.9 million. As a result, MetroPCS II recorded a loss on extinguishment of debt of approximately \$7.0 million.

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In October 2006, MetroPCS IV, Inc., an indirect wholly-owned subsidiary of MetroPCS Communications, Inc. (which has since merged into MetroPCS Wireless, Inc.), entered into an additional Exchangeable Senior Unsecured Bridge Credit Facility, or the unsecured bridge credit facility. The aggregate credit commitments available under the unsecured bridge credit facility were \$250 million and were fully funded.

On November 3, 2006, MetroPCS IV, Inc. repaid the aggregate outstanding principal balance under the unsecured bridge credit facility of \$250.0 million and accrued interest of \$1.2 million. As a result, MetroPCS IV, Inc. recorded a loss on extinguishment of debt of approximately \$2.4 million.

***Senior Secured Credit Facility***

MetroPCS Wireless, Inc., an indirect wholly-owned subsidiary of MetroPCS Communications, Inc., entered into the senior secured credit facility on November 3, 2006. The senior secured credit facility consists of a \$1.6 billion term loan facility and a \$100 million revolving credit facility. The term loan facility is repayable in quarterly installments in annual aggregate amounts equal to 1% of the initial aggregate principal amount of \$1.6 billion. The term loan facility will mature seven years following the date of its execution in November 2006. The revolving credit facility will mature five years following the date of its execution in November 2006.

The facilities under the senior secured credit agreement are guaranteed by MetroPCS Communications, Inc., MetroPCS, Inc. and each of MetroPCS Wireless, Inc.'s direct and indirect present and future wholly-owned domestic subsidiaries. The facilities are not guaranteed by Royal Street or its subsidiaries, but MetroPCS Wireless, Inc. has pledged the promissory note given by Royal Street in connection with amounts borrowed by Royal Street from MetroPCS Wireless, Inc. and we pledged the limited liability company member interests we hold in Royal Street. The senior secured credit facility contains customary events of default, including cross defaults. The obligations are also secured by the capital stock of MetroPCS Wireless, Inc. as well as substantially all of the present and future assets of MetroPCS Wireless, Inc. and each of its direct and indirect present and future wholly-owned subsidiaries (except as prohibited by law and certain permitted exceptions).

Under the senior secured credit agreement, MetroPCS Wireless, Inc. will be subject to certain limitations, including limitations on its ability to incur additional debt, make certain restricted payments, sell assets, make certain investments or acquisitions, grant liens and pay dividends. MetroPCS Wireless, Inc. is also subject to certain financial covenants, including maintaining a maximum senior secured consolidated leverage ratio and, under certain circumstances, maximum consolidated leverage and minimum fixed charge coverage ratios. There is no prohibition on our ability to make investments in or loan money to Royal Street.

Amounts outstanding under our senior secured credit facility bear interest at a LIBOR rate plus a margin as set forth in the facility and the terms of the senior secured credit facility require us to enter into interest rate hedging agreements that fix the interest rate in an amount equal to at least 50% of our outstanding indebtedness, including the notes.

On November 21, 2006, MetroPCS Wireless, Inc. entered into a three-year interest rate protection agreement to manage its interest rate risk exposure and fulfill a requirement of its senior secured credit facility. The agreement covers a notional amount of \$1.0 billion and effectively converts this portion of MetroPCS Wireless, Inc.'s variable rate debt to fixed rate debt at an annual rate of 7.169%. The quarterly interest settlement periods begin on February 1, 2007. The interest rate protection agreement expires on February 1, 2010.

On February 20, 2007, MetroPCS Wireless, Inc. entered into an amendment to the senior secured credit facility. Under the amendment, the margin used to determine the senior secured credit facility interest rate was reduced to 2.25% from 2.50%.

***9 1/4% Senior Notes Due 2014***

On November 3, 2006, MetroPCS Wireless, Inc. consummated the sale of \$1.0 billion principal amount of its 9 1/4% initial senior notes due 2014. On June 6, 2007, MetroPCS Wireless, Inc. consummated the sale of

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an additional \$400 million principal amount of 91/4% additional senior notes. The 91/4% senior notes are unsecured obligations and are guaranteed by MetroPCS Communications, Inc., MetroPCS, Inc., and all of MetroPCS Wireless, Inc.'s direct and indirect wholly-owned domestic restricted subsidiaries, but are not guaranteed by Royal Street or its subsidiaries. Interest is payable on the 91/4% senior notes on May 1 and November 1 of each year, beginning with May 1, 2007. MetroPCS Wireless, Inc. may, at its option, redeem some or all of the 91/4% senior notes at any time on or after November 1, 2010 for the redemption prices set forth in the indenture governing the 91/4% senior notes. In addition, MetroPCS Wireless, Inc. may also redeem up to 35% of the aggregate principal amount of the 91/4% senior notes with the net cash proceeds of certain sales of equity securities, including the sale of common stock.

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

*Capital Expenditures.* We and Royal Street expect to incur approximately \$650 million in capital expenditures for the year ending December 31, 2007 in our Core and Expansion Markets. In addition we expect to incur approximately \$175 million in capital expenditures for the year ending December 31, 2007 in our Auction 66 Markets.

During the three months ended March 31, 2007, we and Royal Street incurred \$156.2 million in capital expenditures. These capital expenditures were primarily for the expansion and improvement of our existing network infrastructure and costs associated with the construction of the Los Angeles Expansion Market that we expect to launch in the third quarter of 2007.

During the year ended December 31, 2006, we had \$550.7 million in capital expenditures. These capital expenditures were primarily for the expansion and improvement of our existing network infrastructure and costs associated with the construction of the Dallas/Ft. Worth, Detroit and Orlando Expansion Markets that we launched in 2006, as well as the Los Angeles Expansion Market.

*Other Acquisitions and Dispositions.* On April 19, 2004, we acquired four PCS licenses for an aggregate purchase price of \$11.5 million. The PCS licenses cover 15 MHz of spectrum in each of the basic trading areas of Modesto, Merced, Eureka, and Redding, California.

On October 29, 2004, we acquired two PCS licenses for an aggregate purchase price of \$43.5 million. The PCS licenses cover 10 MHz of spectrum in each of the basic trading areas of Tampa-St. Petersburg-Clearwater, Florida, and Sarasota-Bradenton, Florida.

On November 28, 2004, we executed a license purchase agreement by which we agreed to acquire 10 MHz of PCS spectrum in the basic trading area of Detroit, Michigan and certain counties of the basic trading area of Dallas/Ft. Worth, Texas for \$230.0 million pursuant to a two-step, tax-deferred, like-kind exchange transaction under Section 1031 of the Internal Revenue Code of 1986, as amended.

On December 20, 2004, we acquired a PCS license for a purchase price of \$8.5 million. The PCS license covers 20 MHz of PCS spectrum in the basic trading area of Daytona Beach, Florida.

On May 11, 2005, we completed the sale of a 10 MHz portion of our 30 MHz PCS license in the San Francisco Oakland San Jose basic trading area for cash consideration of \$230.0 million. The sale was structured as a like-kind exchange under Section 1031 of the Internal Revenue Code of 1986, as amended, through which our right, title and interest in and to the divested PCS spectrum was exchanged for the PCS spectrum acquired in Dallas/Ft. Worth, Texas and Detroit, Michigan through a license purchase agreement for an aggregate purchase price of \$230.0 million. The purchase of the PCS spectrum in Dallas/Ft. Worth and Detroit was accomplished in two steps with the first step of the exchange occurring on February 23, 2005 and the second step occurring on May 11, 2005 when we consummated the sale of 10 MHz of PCS spectrum for the San Francisco Oakland San Jose basic trading area. The sale of PCS

spectrum resulted in a gain on disposal of asset in the amount of \$228.2 million.

On July 7, 2005, we acquired a 10 MHz F-Block PCS license for Grayson and Fannin counties in the basic trading area of Sherman-Denison, Texas for an aggregate purchase price of \$0.9 million.

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On August 12, 2005, we closed on the purchase of a 10 MHz F-Block PCS license in the basic trading area of Bakersfield, California for an aggregate purchase price of \$4.0 million.

On December 21, 2005, the FCC granted Royal Street 10 MHz of PCS spectrum in each of the Los Angeles, California; Orlando, Lakeland-Winter Haven, Jacksonville, Melbourne-Titusville, and Gainesville, Florida basic trading areas. Royal Street, as the high bidder in Auction 58, had paid approximately \$294.0 million to the FCC for these PCS licenses.

On August 7, 2006, we acquired a 10 MHz PCS license in the basic trading area of Ocala, Florida in exchange for a 10 MHz portion of our 30 MHz PCS license in the basic trading area of Athens, Georgia. We paid \$0.2 million at the closing of this agreement.

On November 29, 2006, we were granted AWS licenses as a result of FCC Auction 66, for a total aggregate purchase price of approximately \$1.4 billion. These new licenses cover six of the 25 largest metropolitan areas in the United States. The east coast expansion opportunities include the entire east coast corridor from Philadelphia to Boston, including New York City, as well as the entire states of New York, Connecticut and Massachusetts. In the western United States, the new expansion opportunities include the San Diego, Portland, Seattle and Las Vegas metropolitan areas. The balance supplements or expands the geographic boundaries of our existing operations in Dallas/Ft. Worth, Detroit, Los Angeles, San Francisco and Sacramento.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**Contractual Obligations and Commercial Commitments**

The following table provides aggregate information about our contractual obligations as of December 31, 2006. See Note 10 to our annual consolidated financial statements included elsewhere in this offering circular.

	Total	Payments Due by Period			More Than 5 Years
		Less Than 1 Year	1-3 Years	3-5 Years	
(In thousands)					
<b>Contractual Obligations:</b>					
Long-term debt, including current portion	\$ 2,596,000	\$ 16,000	\$ 32,000	\$ 32,000	\$ 2,516,000
Interest expense on long-term debt(1)	1,601,613	218,185	436,370	436,370	510,688
Operating leases	728,204	88,639	180,873	179,277	279,415
Total cash contractual obligations	\$ 4,925,817	\$ 322,824	\$ 649,243	\$ 647,647	\$ 3,306,103

(1) Interest expense on long-term debt includes future interest payments on outstanding obligations under our senior secured credit facility and 91/4% senior notes. The senior secured credit facility bears interest at a floating rate tied to a fixed spread to the London Inter Bank Offered Rate. The interest expense presented in this table is

based on the rates at December 31, 2006 which was 7.875% for the senior secured credit facility.

**Inflation**

We believe that inflation has not materially affected our operations.

**Effect of New Accounting Standards**

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, ( SFAS No. 157 ), which defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We will be required to adopt SFAS No. 157 in the first quarter of fiscal year 2008. We have not completed our evaluation of the effect of SFAS No. 157.

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In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*, ( SFAS No. 159 ), which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We will be required to adopt SFAS No. 159 on January 1, 2008. We have not completed our evaluation of the effect of SFAS No. 159.

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

Market risk is the potential loss arising from adverse changes in market prices and rates, including interest rates. We do not routinely enter into derivatives or other financial instruments for trading, speculative or hedging purposes, unless it is required by our credit agreements. We do not currently conduct business internationally, so we are generally not subject to foreign currency exchange rate risk.

As of March 31, 2007, we had approximately \$1.6 billion in outstanding indebtedness under our senior secured credit facility that bears interest at floating rates based on the London Inter Bank Offered Rate, or LIBOR, plus 2.25%. The interest rate on the outstanding debt under our senior secured credit facility as of March 31, 2007 was 7.389%. On November 21, 2006, to manage our interest rate risk exposure and fulfill a requirement of our senior secured credit facility, we entered into a three-year interest rate protection agreement. This agreement covers a notional amount of \$1.0 billion and effectively converts this portion of our variable rate debt to fixed rate debt at an annual rate of 7.169%. The quarterly interest settlement periods began on February 1, 2007. The interest rate swap agreement expires in 2010. If market LIBOR rates increase 100 basis points over the rates in effect at March 31, 2007, annual interest expense on the approximately \$592.0 million in variable rate debt would increase approximately \$5.9 million.

## **Change in Accountants**

On June 13, 2005, PricewaterhouseCoopers LLP, or PwC, our independent auditor for 2002 and 2003, declined to stand for re-election as our independent registered public accounting firm. PwC's tenure as our independent registered public accounting firm was to end upon completion of the financial statement audit for 2004. On January 4, 2006, PwC was dismissed by us from performing the audit for the year ended December 31, 2004. Our audit committee participated in and approved the decision to change its independent registered public accounting firm for the audit for the year ended December 31, 2004.

PwC's reports on our consolidated financial statements as of and for the year ended December 31, 2003 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principle. During the fiscal year ended December 31, 2003 and through January 4, 2006, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of PwC, would have caused PwC to make reference thereto in their reports on the financial statements for such years.

As defined in Item 304(a)(1)(v) of Regulation S-K of the SEC, there was a reportable event related to five material weaknesses in our internal control over financial reporting for the fiscal year ended December 31, 2004. The material weaknesses related to deficiencies in our information technology and accounting control environments, insufficient tone at the top, a lack of automation in the revenue reporting process and deficiencies in our accounting for income taxes. The subject matter of the material weaknesses was discussed with PwC by our management and audit committee of the board of directors. We authorized PwC to fully respond to the inquiries of our newly appointed independent auditor, Deloitte & Touche, LLP, or Deloitte.



In August 2005, Deloitte was appointed by the audit committee of MetroPCS Communications board of directors as its independent auditor for the audit of the fiscal year ending December 31, 2005. On January 4, 2006, Deloitte was appointed by the audit committee of MetroPCS Communications board of directors as its independent auditor for the audit of the fiscal year ended December 31, 2004.

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**BUSINESS**

**General**

We offer wireless broadband personal communication services, or PCS, on a no long-term contract, flat rate, unlimited usage basis in selected major metropolitan markets in the United States. Since we launched our wireless service in 2002 we have been among the fastest growing wireless broadband PCS providers in the United States as measured by growth in subscribers and revenues. We reached one million customers in January 2004, 1.5 million customers in February 2005, two million customers in February 2006, 2.5 million customers in August 2006 and three million customers in January 2007. We currently offer our services in the greater San Francisco, Miami, Tampa/Sarasota/Orlando, Atlanta, Sacramento, Dallas/Ft. Worth, and Detroit metropolitan areas, which include a total licensed population of approximately 43 million. We launched service in the Miami, Atlanta and Sacramento metropolitan areas in the first quarter of 2002; in San Francisco in September 2002; in Tampa/Sarasota in October 2005; in Dallas/Ft. Worth in March 2006; in Detroit in April 2006; and, through a wholesale arrangement with Royal Street, in Orlando and portions of northern Florida in November 2006. In 2005, Royal Street Communications, a company in which we own a non-controlling 85% limited liability company member interest, but only elect two of the five members of the management committee, was granted licenses by the FCC for the Los Angeles basic trading area and various basic trading areas throughout northern Florida. Royal Street is in the process of building infrastructure in Los Angeles and is targeting to commence commercial service in the third quarter of 2007. We have a wholesale arrangement that will allow us to sell MetroPCS-branded service to the public on up to 85% of the service capacity provided by the Royal Street systems.

Our wireless services target a mass market which we believe is largely underserved by traditional wireless carriers. Our service, branded under the MetroPCS name, allows customers to place unlimited local calls from within our service area, and to receive unlimited calls from any area while in our local service areas, under simple and affordable flat monthly rate service plans starting at \$30 per month. For an additional \$5 to \$20 per month, our customers may select a service plan that offers additional services, such as the ability to place unlimited long distance calls from within our local service calling area to any number in the continental United States or unlimited voicemail, caller ID, call waiting, text messaging, mobile Internet browsing, push e-mail and picture and multimedia messaging. For additional fees, we also provide international long distance and text messaging, ringtones, ring back tones, downloads, games and content applications, mobile Internet browsing, unlimited directory assistance and other value-added services. Our customers also have access, on a prepaid basis, to nationwide roaming. Our service plans differentiate our service from the more complex plans and long-term contracts required by most other traditional wireless carriers. Our customers pay for our service in advance, eliminating any customer-related credit exposure.

As of December 31, 2006, our customers in all metropolitan areas averaged approximately 2,000 minutes of use per month, compared to approximately 875 minutes per month for customers of the national wireless carriers. We believe that average monthly usage by our customers also exceeds the average monthly usage for typical wireline customers. Average usage by our customers indicates that a substantial number of our customers use our services as their primary telecommunications service, and our customer surveys indicate that a significant number of our customers use us as their primary or sole telecommunications service provider.

**Competitive Strengths**

Our business model has many competitive strengths that we believe distinguish us from our primary wireless broadband PCS competitors and will allow us to execute our business strategy successfully, including:

*Our Fixed Price Unlimited Service Plans.* We believe our service offering that provides unlimited usage from within a local calling area represents a compelling value proposition for our customers that differs from the offerings of the national wireless broadband PCS carriers and traditional wireline carriers. Our service model results in average per minute costs to our customers that are significantly lower than the average per minute costs of other traditional wireless broadband PCS carriers. We believe that many prospective customers

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refrain from subscribing to, or extensively utilizing, traditional wireless communications services because of high prices, long-term contract requirements, confusing calling plans and significant cash deposit requirements for credit challenged customers. Our simple, cost-effective rate plans, combined with our pay in advance no long-term contract service model, allow us to attract many of these customers.

*Our Densely Populated Markets.* We believe the high relative population density of our markets results in increased efficiencies in network deployment, operations and product distribution. We believe we have one of the highest aggregate population densities of any major wireless carrier in the United States in our Core and Expansion Markets. The aggregate population density across the licensed areas we currently serve and plan to serve in our Core Markets and Expansion Markets is approximately 339 people per square mile, which is nearly four times higher than the national average of 84 people per square mile. Our high relative population density and efficient network design resulted in cumulative capital expenditures per covered person as of December 31, 2006 of approximately \$41.00, which we believe enhances our overall return on capital. The opportunities on which we plan to focus initially in our Auction 66 Markets will have population density characteristics similar to our Core and Expansion Markets.

*Our Cost Leadership Position.* We believe we are one of the lowest cost providers of wireless broadband PCS services in the United States, which allows us to offer our services at affordable prices while maintaining cash profits per customer as a percentage of revenues per customer that are among the highest in the wireless industry. For the year ended December 31, 2006 and the three months ended March 31, 2007, our CPU was \$19.65 and \$18.56, respectively, which represents an average cost per minute of service on our network of approximately one cent. For the year ended December 31, 2006 and the three months ended March 31, 2007, our CPGA was \$117.58 and \$108.80, respectively, which we believe to be among the lowest in the industry. We believe our operating strategy, network design and rapidly increasing scale, together with the high relative population density of our markets, will continue to contribute to our cost leadership position. For a discussion of CPU and CPGA, and their respective reconciliations to cost of service and selling expenses, please read *Summary Historical Financial and Operating Data* and *Management's Discussion and Analysis of Financial Condition and Results of Operations - Reconciliation of Non-GAAP Financial Measures*.

*Our Spectrum Portfolio.* We hold or have access to wireless licenses covering a population of approximately 140 million in the United States. These licenses cover 9 of the top 12 and 14 of the top 25 most populous metropolitan areas in the United States, including New York (#1), Los Angeles (#2), San Francisco (#4), Dallas/Ft. Worth (#5), Philadelphia (#6), Atlanta (#9), Detroit (#10), Boston (#11), Miami (#12), Seattle (#15), San Diego (#16), Tampa (#20), Sacramento (#24) and Portland (#25), as well as Las Vegas (#31).

*Our Advanced CDMA Network.* We deploy an advanced CDMA network in each of our Core and Expansion Markets that is designed to provide the capacity necessary to satisfy the usage requirements of our customers. We believe CDMA technology provides us with substantially more voice and data capacity per MHz of spectrum than other commonly deployed wireless broadband PCS technology. We believe that the combination of our network technology, network design and spectrum depth will continue to allow us to serve efficiently the high usage demands of our rapidly growing customer base into the future.

## **Business Strategy**

We believe the following components of our business strategy provide the foundation for our continued rapid growth:

*Continue to Target Underserved Customer Segments in our Markets.* We target a mass market which we believe is largely underserved by traditional wireless carriers. We believe that our rapid growth to over 3.0 million customers since our initial service launch in 2002 demonstrates the substantial demand in the United States for our innovative wireless services. We believe our rapid adoption rates and customer mix indicate that our service is expanding the

overall size of the wireless market and better meeting the needs of many existing wireless users. Our average monthly usage by our customers for all markets is approximately 2,000 minutes per month, and our recent customer surveys indicate that over 80% of our customers use us as their primary phone service and that over 50% of our customers have eliminated their traditional landline

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phone service. Approximately 65% of our customers are first time wireless users, while the balance have switched to our service from another wireless carrier.

*Offer Affordable, Fixed Price Unlimited Service Plans With No Long-Term Service Contract Requirement.* We plan to continue to offer our fixed price, unlimited wireless service plans, which we believe represent an attractive and differentiated offering to a large segment of the population. Our service is designed to provide mobile functionality while eliminating the gap between traditional wireless and wireline pricing. We believe this stimulates the demand for our wireless service, contributes to the continuing growth of our subscriber base and will increase the overall wireless adoption levels in our markets.

*Remain One of the Lowest Cost Wireless Service Providers in the United States.* We believe our operating strategy, network design and high relative population density in our markets have enabled us to become, and will enable us to continue to be, one of the lowest cost providers of wireless broadband PCS services in the United States. We also believe our rapidly increasing scale will allow us to continue to drive our per-customer operating costs down in the future. In addition, we will seek to maintain operating costs per customer that are substantially below the operating costs of our national wireless broadband PCS competitors. We believe our industry leading cost position provides us and will continue to provide us with a sustainable competitive advantage.

*Expand into Attractive Markets.* We have been successful in acquiring or gaining access to spectrum in a number of new metropolitan areas which share the high relative population density and customer characteristics of our Core Markets. We believe our early experience in Tampa/Sarasota, Dallas/Ft. Worth and Detroit, where, as of December 31, 2006, we have added approximately 640,000 new subscribers since the launch of service, demonstrates our ability to successfully expand our service into new metropolitan areas. We may in the future choose means, other than purchasing spectrum, to acquire or gain access to new metropolitan areas. See Competition.

## **Company History**

General Wireless, Inc., or GWI, was formed in 1994 for the purpose of bidding on, acquiring and operating broadband PCS licenses as a very small business under the FCC's designated entity rules. In 1995, GWI formed GW1, Inc. as a wholly-owned subsidiary, and shortly afterwards changed GW1, Inc.'s name to GWI PCS, Inc., or GWI PCS. In 1996, GWI PCS participated in the FCC's C-Block auctions of broadband PCS spectrum licenses and was declared the high bidder on licenses for the Miami, Atlanta, Sacramento and San Francisco metropolitan areas. In 1999, GWI PCS changed its name to MetroPCS Wireless, Inc. and GWI changed its name to MetroPCS, Inc.

In March 2004, MetroPCS, Inc. formed MetroPCS Communications as a wholly-owned subsidiary of MetroPCS, Inc. and in July 2004 a wholly-owned subsidiary of MetroPCS Communications, Inc., MPCS HoldCo Merger Sub, Inc., merged into MetroPCS, Inc. and MetroPCS, Inc. was the surviving corporation. As a result of this merger, MetroPCS, Inc. became a wholly-owned subsidiary of MetroPCS Communications, Inc. In August 2006, MetroPCS Communications, Inc. formed MetroPCS V, Inc., as a wholly-owned subsidiary which indirectly, through a series of no longer existing wholly-owned subsidiaries, held all of the common stock of MetroPCS Wireless, Inc.

In November 2006, as part of the restructuring associated with the issuance of the initial senior notes and the senior secured credit facility, MetroPCS, Inc. was merged into MetroPCS Wireless, Inc., with MetroPCS Wireless, Inc. surviving, and MetroPCS V, Inc. was renamed MetroPCS, Inc. MetroPCS Wireless, Inc.'s business constitutes substantially all of the business of MetroPCS Communications, Inc. and its wholly-owned subsidiary, and parent of MetroPCS Wireless, Inc., MetroPCS, Inc. (formerly known as MetroPCS V, Inc.), and we continue to conduct business under the MetroPCS brand.

## **Products and Services**

*Voice Services.* We provide affordable, reliable, high-quality wireless broadband PCS services through the service plans detailed in the chart below. All service plans are paid-in-advance and do not require a

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long-term contract. Our lowest priced \$30 per month service plan allows our customers to place unlimited local calls but without the ability to add additional features. For an additional \$5 to \$20 per month, a subscriber may select a service plan which provides more flexibility and options such as nationwide long distance calling, unlimited text messaging (domestic and international), voicemail, caller ID, call waiting, picture and multimedia messaging, mobile Internet browsing, push e-mail, data and other a la carte options on a prepaid basis. Our most popular service plans currently are our unlimited \$40 and \$45 service plans which offer unlimited local and long distance calling, text and picture messaging, enhanced voice mail, caller ID, call waiting and 3-way calling. As of March 31, 2007, over 85% of our customers had selected either our \$40 or \$45 service plans. On February 22, 2007 we introduced our new \$50 service plan which includes unlimited mobile Internet browsing and push e-mail in addition to the services included in our \$45 service plan. It is too early to judge the impact that this new service plan will have on our current service plan mix.

**MetroPCS Service Plans**

<b>Product</b>	<b>\$30/Month</b>	<b>\$35/Month</b>	<b>\$40/Month</b>	<b>\$45/Month</b>	<b>\$50/Month</b>
Unlimited local calling	X	X	X	X	X
Unlimited nationwide long distance calling(1)			X	X	X
Unlimited domestic text messaging				X	X
Unlimited picture messaging				X	X
Enhanced voicemail				X	X
3-way calling				X	X
Caller ID				X	X
Call waiting				X	X
Mobile Internet browsing					X
Push e-mail					X
Additional calling features available		X	X	X	X

(1) Includes only the continental United States.

Currently, in our San Francisco, Sacramento, and Dallas/Ft. Worth metropolitan areas we have added to the \$35 service plan unlimited long distance in the continental United States, to the \$40 service plan unlimited short message and multimedia message services, and to the \$45 service plan unlimited mobile Internet browsing and international short message service.

Our local outbound calling areas extend in most cases beyond the boundaries of our actual license area. For example, customers in our San Francisco and Sacramento markets may place unlimited local calls while inside our service area to areas throughout the majority of northern California without incurring toll charges. Our wireline competitors generally would impose toll charges for calls within this area, while our service treats these as local calls.

Customers who travel outside of our coverage area may roam onto other wireless networks in two ways. First, a customer may purchase service directly from a manual roaming provider in that area by providing the provider with a credit card number, which allows that provider to bill the customer directly for any roaming charges. If the customer chooses this option, we incur no costs, nor do we receive any revenues. Second, a customer may subscribe to our nationwide roaming service, branded as TravelTalk, under which we provide voice roaming service through agreements with other wireless carriers. We launched our TravelTalk roaming service on a prepaid basis in April



2006. Under this option, the customer makes a deposit in a prepaid account and may access our nationwide roaming service when traveling outside our local service area. We incur costs for providing, and earn revenue from, this nationwide roaming service in excess of our costs. Due to charges imposed by our roaming suppliers, our nationwide roaming service is not cost effective for customers who travel frequently outside our local service area, but the ability to roam nationwide on a prepaid basis expands the market to those customers that may find occasional roaming beneficial.

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*Data Services.* Our data services include:

services provided through the Binary Runtime Environment for Wireless, or BREW, platform, including ringtones, games and content applications;

text messaging services (domestic and international), which allow the customer to send and receive alphanumeric messages that the handset can receive, store and display on demand;

multimedia messaging services, which allow the customer to send and receive messages containing photographs;

mobile Internet browsing; and

push e-mail.

*Custom Calling Features.* We offer other custom calling features, including caller ID, call waiting, three-way calling, distinctive ringtones, ring back tones and voicemail.

*Advanced Handsets.* We sell a variety of handsets manufactured by nationally recognized handset manufacturers for use on our network, including models that provide color screens, camera phones and other features facilitating digital data. All of the handsets we offer are CDMA 1XRTT compliant and are capable of providing the location data mandated by the FCC's wireless E-911 rules and regulations.

## **Core and Expansion Markets**

Our strategy has been to offer our services in major metropolitan markets and their surrounding areas, which we refer to as clusters. Within our Core Markets we operate three separate clusters, which include Georgia (Atlanta), South Florida (Miami) and Northern California (San Francisco and Sacramento). We initially launched our service in South Florida, Georgia and the Sacramento area of Northern California in the first quarter of 2002 and launched the San Francisco metropolitan area in September of 2002. These Core Market clusters have a licensed population of approximately 26 million of which our networks currently cover approximately 22 million. Our Core Market clusters have an average population density of 271 people per square mile, compared to the national average of 84, enjoy average annualized population growth of 1.8% compared to the national average of 1.1% and have a median household income of \$53,000 compared to a national average of \$47,000.

Beginning in the second half of 2004, we began to acquire licenses opportunistically for new markets that shared characteristics similar to our existing Core Markets. In addition to these acquisitions, we also entered into agreements with Royal Street Communications, a company in which we own a non-controlling 85% limited liability company member interest, which was granted broadband PCS licenses by the FCC in December 2005 following FCC Auction 58. For a discussion of Royal Street and Auction 58, please see Auction 58 and Royal Street. We have a wholesale agreement with Royal Street that allows us to purchase up to 85% of Royal Street's service capacity and sell it on a retail basis under the MetroPCS brand in geographic areas where Royal Street was granted FCC licenses. Our Expansion Markets include Tampa/Sarasota/Orlando, Dallas/Ft. Worth, Detroit, portions of Northern Florida, which are geographically complementary to our South Florida cluster, as well as Los Angeles, which is geographically complementary to our Northern California cluster. Within our Expansion Markets we operate or will operate four new separate clusters: Northern and Central Florida, Dallas/Ft. Worth, Detroit and Southern California. As of November 2006, we had launched our service in all of our major Expansion Markets except for Los Angeles, which we are targeting to launch in the third quarter of 2007 through our wholesale arrangement with Royal Street. Our Expansion

Markets have a licensed population of approximately 40 million, of which our networks currently cover approximately 16 million people in the geographic areas we have launched to date, including our operations in Orlando and portions of northern Florida. Together, our Core and Expansion Markets have average population density of 339 people per square mile, compared to the national average of 84, enjoy average annualized population growth of 1.7% compared to the national average of 1.1% and have a median household income of \$50,000 compared to a national average of \$47,000. We believe all of these Expansion Markets are particularly attractive because of their high population densities, attractive customer demographics,

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high historical and projected population growth rates, favorable business climates and long commuting times relative to national averages.

The table below provides a metropolitan area by metropolitan area overview of our Core and Expansion Markets (excluding Auction 66 Markets) including the FCC basic trading area (BTA) identification number, the number of people, or POPs, the POP density, the annualized POP growth rate, the spectrum depth and each metropolitan area's actual or expected launch date. For our Expansion Markets we have noted whether we are the FCC license holder in each metropolitan area or if we will provide our services in that metropolitan area through our agreements with Royal Street, which holds the license. It should also be noted that all of the licensed spectrum shown below in our Core and Expansion Markets is in the 1900 MHz PCS band and that the metropolitan area classifications in the table below conform to the FCC's basic trading area (BTA) geographic areas for PCS spectrum.

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<b>Metropolitan Area</b>	<b>BTA</b>	<b>POPs ( 000s)(1)</b>	<b>POP Density(3)</b>	<b>Annualized POP Growth(4)</b>	<b>MHz</b>	<b>Launch Date</b>
<b>Core Markets:</b>						
<b>Georgia:</b>						
Atlanta, GA	24	5,213.8	474	2.53%	20	Q1 2002
Gainesville, GA	160	304.9	187	3.15%	30	Q1 2002
Athens, GA	22	232.1	169	1.70%	20	Q1 2002
<b>South Florida:</b>						
Miami-Fort Lauderdale, FL	293	4,415.8	1,051	1.69%	30	Q1 2002
West Palm Beach, FL	469	1,334.9	483	2.05%	30	Q1 2002
Fort Myers, FL	151	748.5	219	2.61%	30	Q1 2004
Fort Pierce-Vero Beach, FL	152	497.3	305	2.13%	30	Q1 2004
Naples, FL	313	322.2	162	3.63%	30	Q1 2004
<b>Northern California:</b>						
San Fran.-Oak.-S.J., CA	404	7,501.4	553	0.57%	20	Q3 2002
Sacramento, CA	389	2,388.0	150	2.65%	30	Q1 2002
Stockton, CA	434	752.6	309	3.25%	30	Q1 2002
Modesto, CA	303	604.2	162	2.79%	15	Q1 2005
Salinas-Monterey, CA	397	434.2	131	1.21%	30	Q1 2002
Redding, CA	371	304.3	19	1.47%	30	Q4 2006
Merced, CA	291	269.3	79	2.53%	15	Q1 2005
Chico-Oroville, CA	79	246.9	83	1.13%	30	Q1 2002
Eureka, CA	134	155.8	34	0.18%	15	TBD
Yuba City-Marysville, CA	485	155.3	125	1.68%	30	Q1 2002
<b>Expansion Markets:</b>						
<b>Central and Northern Florida:</b>						
Tampa-St. Petersburg, FL	440	2,915.0	602	1.59%	10	Q4 2005
Sarasota-Bradenton, FL	408	708.0	362	1.97%	10	Q4 2005
Daytona Beach, FL	107	559.1	349	1.92%	20	TBD
Ocala, FL	326	297.0	184	2.09%	10	TBD
Jacksonville, FL(2)	212	1,525.9	192	1.78%	10	TBD
Lakeland-Winter Haven, FL(2)	239	525.1	288	1.27%	10	Q4 2006
Melbourne-Titusville, FL(2)	289	530.1	533	1.65%	10	TBD
Gainesville, FL(2)	159	339.6	94	0.92%	10	TBD
Orlando, FL(2)	336	2,010.0	493	2.54%	10	Q4 2006
<b>Dallas/Ft. Worth:</b>						
Dallas/Ft. Worth, TX(5)	101	6,028.9	727	2.56%	10	Q1 2006
Sherman-Denison, TX(6)	418	190.1	70	0.99%	10	Q1 2006
<b>Detroit:</b>						
Detroit, MI	112	5,095.3	826	0.41%	10	Q2 2006
<b>Southern California:</b>						
Los Angeles, CA(2)	262	18,261.0	413	1.66%	10	Q3 2007
Bakersfield, CA	28	752.0	92	1.95%	10	TBD

Source: Kagan 2005 Wireless Telecom Atlas and Databook.

- (1) POPs based on 2005 population data and increased based on annualized POP growth rates.
- (2) License granted to Royal Street.
- (3) Calculated as number of POPs divided by square miles.
- (4) Estimated average 2003-2008 annual population growth.
- (5) The Dallas/Ft. Worth license is comprised of the counties which make up CMA9.
- (6) Comprised of Grayson and Fannin counties only.

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**Core and Expansion Market Launch Experience**

When we launched our Core Markets in 2002 we had limited access to capital. As a result, as we prepared to launch each market, we limited our initial network coverage, pre and post launch expenditures on advertising and the number of distribution outlets. This strategy allowed us to protect our limited capital and closely regulate our post launch investments in both additional network coverage as well as our costs of customer acquisition. Our licensed population coverage at the time of launch across our Core Markets was between approximately 65% and 70%. In addition, the CDMA 1XRTT technology we deployed in our network