

MetroPCS Pennsylvania LLC

Form S-4

May 15, 2007

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**As filed with the Securities and Exchange Commission on May 15, 2007**

**Registration No. 333-**

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

**Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**MetroPCS Wireless, Inc.**

*(Exact name of registrant as specified in its charter)*

**Co-Registrants**

**(See next page)**

**4812**

**75-2694973**

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

*(Primary Standard Industrial  
Classification Code Number)*

*(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 of the securities to the public:** As soon as practicable following the effectiveness of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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 of 1933, 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 of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

### CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered                                | Amount to be Registered | Proposed Maximum Offering Price per Unit(1) | Proposed Maximum Aggregate Offering Price(1) | Amount of Registration Fee(1) |
|-----------------------------------------------------------------------------------|-------------------------|---------------------------------------------|----------------------------------------------|-------------------------------|
| 91/4% Senior Notes due 2014<br>Guarantee(s) of the 91/4% Senior Notes due 2014(2) | \$ 1,000,000,000        | 100%                                        | \$ 1,000,000,000                             | \$ 30,700                     |
|                                                                                   | (3)                     |                                             |                                              |                               |

- (1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) of the Securities Act of 1933.
- (2) The 91/4% Senior Notes due 2014 are guaranteed by MetroPCS Communications, Inc., MetroPCS, Inc. and all of MetroPCS Wireless, Inc.'s current and future wholly-owned domestic subsidiaries. The notes are not and will not be guaranteed by Royal Street Communications, LLC or its subsidiaries, which are consolidated in MetroPCS Communications, Inc.'s financial statements.
- (3) Pursuant to 457(n), no separate fee for the guarantee is payable because the guarantees relate to other securities that are being registered concurrently.

**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 of 1933 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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| <b>Exact Name of Registrant Guarantor(1)</b> | <b>State or Other<br/>Jurisdiction of<br/>Incorporation or<br/>Organization</b> | <b>I.R.S. Employer<br/>Identification<br/>Number</b> | <b>Primary<br/>Standard<br/>Industrial<br/>Classification<br/>Code<br/>Number</b> |
|----------------------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------|
| MetroPCS Communications, Inc.                | Delaware                                                                        | 20-0836269                                           | 4812                                                                              |
| MetroPCS, Inc.                               | Delaware                                                                        | 20-5449198                                           | 4812                                                                              |
| MetroPCS AWS, LLC                            | Delaware                                                                        | 20-4798776                                           | 4812                                                                              |
| MetroPCS California, LLC                     | Delaware                                                                        | 68-0618381                                           | 4812                                                                              |
| MetroPCS Florida, LLC                        | Delaware                                                                        | 68-0618383                                           | 4812                                                                              |
| MetroPCS Georgia, LLC                        | Delaware                                                                        | 68-0618386                                           | 4812                                                                              |
| MetroPCS Michigan, Inc.                      | Delaware                                                                        | 20-2509038                                           | 4812                                                                              |
| MetroPCS Texas, LLC                          | Delaware                                                                        | 20-2508993                                           | 4812                                                                              |
| GWI PCS1, Inc.                               | Delaware                                                                        | 75-2695069                                           | 4812                                                                              |
| MetroPCS Massachusetts, LLC                  | Delaware                                                                        | 20-8303630                                           | 4812                                                                              |
| MetroPCS Nevada, LLC                         | Delaware                                                                        | 20-8303430                                           | 4812                                                                              |
| MetroPCS New York, LLC                       | Delaware                                                                        | 20-8303519                                           | 4812                                                                              |
| MetroPCS Pennsylvania, LLC                   | Delaware                                                                        | 20-8303570                                           | 4812                                                                              |

(1) The address and telephone number for each guarantor is 8144 Walnut Hill, Suite 800, Dallas, Texas 75231-4388, and the telephone number at that address is (214) 265-2550.

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The information in this prospectus is not complete and may be changed. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED MAY 15, 2007**

**PROSPECTUS**

**Offer to Exchange  
91/4% Senior Notes due 2014  
that have been registered under the Securities Act of 1933  
for any and all  
91/4% Senior Notes due 2014  
This Exchange Offer will expire at 5:00 P.M.  
New York City time, on           , 2007, unless extended.**

MetroPCS Wireless, Inc. is offering to exchange an aggregate principal amount of \$1,000,000,000 of registered 91/4% Senior Notes due 2014, or the new notes, for any and all of our original unregistered 91/4% Senior Notes due 2014 that were issued in a private offering on November 3, 2006, or the old notes. MetroPCS Wireless, Inc. refers to this exchange as the exchange offer. MetroPCS Wireless, Inc. will not receive any proceeds from the exchange offer.

**Terms of the exchange offer:**

MetroPCS Wireless, Inc. will exchange all outstanding old notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer for an equal principal amount of new notes. All interest due and payable on the old notes will become due on the same terms under the new notes.

The terms of the new notes are substantially identical to those of the old notes, except that the new notes will be registered under the Securities Act of 1933, as amended, and the transfer restrictions and registration rights relating to the old notes will not apply to the new notes.

You may withdraw your tender of old notes at any time prior to the expiration of the exchange offer.

Any old notes which are validly tendered and not timely withdrawn may be accepted by us.

The exchange of old notes for new notes should not be a taxable exchange for U.S. federal income tax purposes but you should see the discussion under the caption **Material United States Federal Income Tax Considerations** on page 18 for more information.

The old notes are, and the new notes will be, guaranteed on a senior unsecured basis by MetroPCS Communications, Inc., MetroPCS, Inc. and all of MetroPCS Wireless, Inc.'s current and future wholly-owned domestic subsidiaries. The new notes will not be guaranteed by Royal Street Communications, LLC or its subsidiaries, which are consolidated in MetroPCS Communications, Inc.'s financial statements.

The new notes will be eligible for trading in the Private Offering, Resales and Trading Automatic Linkage (PORTAL) Market.<sup>sm</sup> We do not intend to apply for a listing of the new notes on any securities exchange or for their inclusion on any automated dealer quotation system.

**See Risk Factors beginning on page 18 for a discussion of risks you should consider in connection with the exchange offer.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

**We may amend or supplement this prospectus from time to time by filing amendments or supplements as required. You should read this entire prospectus and related documents and any amendments or supplements to this prospectus carefully before making your investment decision.**

The date of this prospectus is May , 2007.

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**THIS PROSPECTUS IS PART OF A REGISTRATION STATEMENT WE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, OR SEC. IN MAKING YOUR INVESTMENT DECISION, YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS, ANY FREE WRITING PROSPECTUS PREPARED BY US OR THE INFORMATION TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH ANY OTHER OR DIFFERENT INFORMATION. IF YOU RECEIVE ANY UNAUTHORIZED INFORMATION, YOU MUST NOT RELY ON IT. THIS PROSPECTUS MAY ONLY BE USED WHERE IT IS LEGAL TO EXCHANGE THE OLD NOTES FOR THE NEW NOTES AND THIS PROSPECTUS IS NOT AN OFFER TO EXCHANGE OR A SOLICITATION TO EXCHANGE THE OLD NOTES FOR THE NEW NOTES IN ANY**

**JURISDICTION WHERE AN OFFER OR EXCHANGE WOULD BE UNLAWFUL. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT COVER OF THIS PROSPECTUS.**

**Each broker dealer that receives new notes pursuant to this exchange offer in exchange for securities acquired for its own account as a result of market making or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal attached as an exhibit to the registration statement of which this prospectus forms a part states that by so acknowledging and by delivering a prospectus, a broker dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended. This**

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prospectus, as it may be amended or supplemented from time to time, may be used by such a broker dealer in connection with resales of such new notes. We have agreed that, starting on the date of the completion of the exchange offer to which this prospectus relates for up to 180 days following completion of the exchange offer (or such earlier date as eligible broker-dealers no longer own new notes), we will make this prospectus available to any broker dealer for use in connection with any such resale. In addition, until (90 days after the date of this prospectus), all dealers effecting transactions in the new notes may be required to deliver a prospectus. See Plan of Distribution.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Any statements made in this prospectus that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, 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, should, may, will, forecast, and other similar expressions. Forward-looking statements are contained throughout this prospectus, including the Prospectus 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 prospectus, 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 prospectus 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.

**WHERE YOU CAN FIND MORE INFORMATION**

Our corporate parent, MetroPCS Communications, Inc., is required to file current, quarterly and annual reports, proxy statements and other information with the SEC. You may read and copy those reports, proxy statements and other information at the public reference facility maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of this material may also be obtained from the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (800) 732-0330. The SEC maintains a Web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

You may request a copy of these filings, which we will provide to you at no cost, by writing or telephoning us at the following address: MetroPCS Communications, Inc., 8144 Walnut Hill Lane, Suite 800, Dallas, Texas 75231-4388. Our phone number is (214) 265-2550. Our website address is [www.metropcs.com](http://www.metropcs.com). The information contained in, or that can be accessed through, our website is not part of this prospectus.

We have filed with the SEC a registration statement on Form S-4 under the Securities Act to register with the SEC the new notes to be issued in exchange for the old notes and guarantees thereof. This prospectus is part of that registration statement. In this prospectus we refer to that registration statement, together with all amendments, exhibits and schedules to that registration statement, as the registration statement.

As is permitted by the rules and regulations of the SEC, this prospectus, which is part of the registration statement, omits some information, exhibits, schedules and undertakings set forth in the registration statement. For further information with respect to us, and the securities offered by this prospectus, please refer to the registration statement.

**MARKET AND OTHER DATA**

Market data and other statistical information used throughout this offering memorandum are based on independent industry publications, government publications, reports by market research firms and other published independent sources. Some data 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 is updated.

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**PROSPECTUS SUMMARY**

*This summary highlights selected information about us and this offering contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that is important to you or that you should consider before participating in the exchange offer. You should read carefully the entire prospectus, including the risk factors, financial data and financial statements included in this prospectus, before making a decision about whether to participate in the exchange offer.*

*In this prospectus, unless the context indicates otherwise, references to MetroPCS, MetroPCS Wireless, our Company, the Company, we, our, ours and us refer to MetroPCS Wireless, Inc., a Delaware corporation, and its wholly-owned subsidiaries. Our ultimate parent is MetroPCS Communications, Inc., which we refer to in this prospectus as MetroPCS Communications. All of our capital stock is owned by MetroPCS, Inc., which is a direct wholly-owned subsidiary of MetroPCS Communications. MetroPCS Communications and MetroPCS, Inc. have no operations separate from their investments in us. Accordingly, unless otherwise noted, all of the financial information in this prospectus is presented on a consolidated basis of MetroPCS Communications.*

**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 December 31, 2006, we had launched service in seven of the top 25 largest metropolitan areas covering a licensed population of approximately 39 million and had approximately 2.9 million total subscribers, representing a 53% growth rate over total subscribers as of December 31, 2005. As of March 31, 2007, we had approximately 3.4 million subscribers.

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 rate 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, mobile Internet browsing, ring back tones, nationwide roaming and other value-added services. As of December 31, 2006, over 85% of our customers selected either our \$40 or \$45 rate plan. Our flat rate 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 22 million as of December 31, 2006. In our Core Markets we reached the one million customer mark after eight full quarters of operation, and as of December 31, 2006 we served approximately 2.3 million customers, representing a customer penetration of covered population of 10.2%. 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. As of March 31, 2007, we served approximately 2.5 million customers, representing a customer penetration of covered population of 11.0%. Our Core Markets segment Adjusted EBITDA for the year ended December 31, 2006, was \$493 million, representing a 56% increase over the comparable period in 2005 and representing 43% of our segment service revenue. For a discussion of our Core Markets segment Adjusted

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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, LLC, or Royal Street Communications, and together with its 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 December 31, 2006, our networks covered approximately 16 million people and we served approximately 640,000 customers in these Expansion Markets, representing a customer penetration of covered population of 4.0%. As of March 31, 2007, we served approximately 0.9 million customers, representing a customer penetration of covered population of 5.6%. In late second or most likely third quarter of 2007, also through our agreements with Royal Street, we expect to begin offering MetroPCS-branded services in Los Angeles, California. 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.

## **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 contracts;

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

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



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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 \$2.6 billion as of December 31, 2006, 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 the new notes, please see Risk Factors .

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

On November 3, 2006, we entered into a senior secured credit facility pursuant to which we may borrow up to \$1.7 billion and consummated an offering of the old notes in the aggregate principal amount of \$1.0 billion. Prior to the closing of our senior secured credit facility and the sale of the old notes, we owed an aggregate of \$900 million under our first and second lien secured credit agreements, \$1.25 billion under an exchangeable secured bridge credit facility entered into by one of MetroPCS Communications' indirect wholly-owned subsidiaries and \$250 million under an exchangeable unsecured bridge credit facility entered into by another of MetroPCS Communications' 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 old notes and used the amount borrowed, together with the net proceeds from the sale of the old 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 rate by 1/4%.

On April 24, 2007, MetroPCS Communications consummated an initial public offering of its common stock, par value \$0.0001 per share, or common stock. MetroPCS Communications 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.

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**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 prospectus.

MetroPCS, metroPCS, MetroPCS Wireless and the MetroPCS logo are registered trademarks 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 prospectus 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 Exchange Offer**

On November 3, 2006, we completed an unregistered private offering of the old notes. As part of that offering, we entered into a registration rights agreement, or the registration rights agreement, with the initial purchasers of the old notes, in which we agreed, among other things, to deliver this prospectus to you and to use commercially reasonable efforts to complete an exchange offer. We refer to the old notes and the new notes (separately or collectively, as the context indicates) as the notes. The following is a summary of the exchange offer.

|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Old Notes</b>                          | 91/4% Senior Notes due November 1, 2014, which were issued on November 3, 2006.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>New Notes</b>                          | 91/4% Senior Notes due November 1, 2014. The terms of the new notes are substantially identical to those terms of the old notes, except that the new notes are registered under the Securities Act and are not subject to the transfer restrictions and registration rights relating to the old notes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Exchange Offer</b>                     | <p>We are offering to exchange \$1.0 billion principal amount of our new notes that have been registered under the Securities Act for an equal amount of our old notes to satisfy our obligations under the registration rights agreement. We may withdraw the exchange offer at any time.</p> <p>The new notes will evidence the same debt as the old notes, including principal and interest, and will be issued under and be entitled to the benefits of the same indenture that governs the old notes. Holders of the old notes do not have any appraisal or dissenter's rights in connection with the exchange offer. Because the new notes will be registered, the new notes will not be subject to transfer restrictions, and holders of old notes that have tendered and had their old notes accepted in the exchange offer will have no registration rights.</p> |
| <b>Expiration Date</b>                    | The exchange offer will expire at 5:00 P.M., New York City time, on _____, 2007, unless we decide to extend it or terminate it early. A tender of old notes pursuant to this exchange offer may be withdrawn at any time prior to the Expiration Date if we receive a valid written withdrawal request before the expiration of the exchange offer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Conditions to the Exchange Offer</b>   | The exchange offer is subject to customary conditions, which we may, but are not required to, waive. Please see The Exchange Offer Conditions to the Exchange Offer for more information regarding the conditions to the exchange offer. We reserve the right, in our sole discretion, to waive any and all conditions to the exchange offer on or prior to the Expiration Date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Procedures for Tendering Old Notes</b> | <p>Unless you comply with the procedures described below under The Exchange Offer Procedures for Tendering Old Notes Guaranteed Delivery, you must do one of the following procedures on or prior to the Expiration Date to participate in the exchange offer:</p> <p>tender your old notes by sending the certificates for your old notes, in proper form for transfer, a properly completed and duly executed letter of</p>                                                                                                                                                                                                                                                                                                                                                                                                                                             |

transmittal with the required signature

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guarantee, and all other documents required by the letter of transmittal, to The Bank of New York Trust Company, N.A., as exchange agent, at the address set forth in this prospectus and such old notes are received by our exchange agent prior to the expiration of the exchange offer; or

tender your old notes by using the book-entry transfer procedures described in The Exchange Offer Procedures for Tendering Old Notes Book-Entry Delivery Procedures and transmitting a properly completed and duly executed letter of transmittal with the required signature guarantee, or an agent's message instead of the letter of transmittal, to the exchange agent. In order for a book-entry transfer to constitute a valid tender of your old notes in the exchange offer, The Bank of New York Trust Company, N.A., as registrar and exchange agent, must receive a confirmation of book-entry transfer of your old notes into the exchange agent's account at The Depository Trust Company prior to the expiration of the exchange offer.

By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

any new notes that you will receive will be acquired in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in the distribution of the new notes;

you are transferring good and marketable title to the old notes free and clear of all liens, security interests, encumbrances, or rights or interests of parties other than you;

if you are a broker-dealer that will receive new notes for your own account in exchange for old notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of such new notes; and

you are not our affiliate as defined in Rule 405 under the Securities Act.

**Guaranteed Delivery Procedures**

If you are a registered holder of the old notes and wish to tender your old notes in the exchange offer, but

the old notes are not immediately available,

time will not permit your old notes or other required documents to be received by our exchange agent before the expiration of the exchange offer, or

the procedure for book-entry transfer cannot be completed prior to the expiration of the exchange offer,

then you may tender old notes by following the procedures described below under The Exchange Offer Procedures for Tendering Old Notes Guaranteed Delivery.

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**Special Procedures for Beneficial Owners**

If you are a beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in the exchange offer, you should promptly contact the person in whose name the old notes are registered and instruct that person to tender on your behalf the old notes prior to the expiration of the exchange offer.

If you wish to tender in the exchange offer on your own behalf, prior to completing and executing the letter of transmittal and delivering the certificates for your old notes, you must either make appropriate arrangements to register ownership of the old notes in your name or obtain a properly completed bond power from the person in whose name the old notes are registered.

**Withdrawal; Non-Acceptance**

You may withdraw any old notes tendered in the exchange offer at any time prior to 5:00 P.M., New York City time, on \_\_\_\_\_, 2007 by sending our exchange agent written notice of withdrawal. Any old notes tendered on or prior to the Expiration Date that are not validly withdrawn on or prior to the Expiration Date may not be withdrawn. If we decide for any reason not to accept any old notes tendered for exchange or to withdraw the exchange offer, the old notes will be returned to the registered holder at our expense promptly after the expiration or termination of the exchange offer. In the case of old notes tendered by book-entry transfer into the exchange agent's account at The Depository Trust Company, any withdrawn or unaccepted old notes will be credited to the tendering holder's account at The Depository Trust Company. For further information regarding the withdrawal of tendered old notes, please see The Exchange Offer Withdrawal of Tenders.

**United States Federal Income Tax Considerations**

The exchange of old notes for new notes in the exchange offer should not be a taxable exchange for United States federal income tax purposes. Please see Material United States Federal Income Tax Considerations for more information regarding the tax consequences to you of the exchange offer.

**Use of Proceeds**

The issuance of the new notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under the registration rights agreement.

**Fees and Expenses**

We will pay all of our expenses incident to the exchange offer.

**Exchange Agent**

We have appointed The Bank of New York Trust Company, N.A. as our exchange agent for the exchange offer. You can find the address and telephone number of the exchange agent under The Exchange Offer Exchange Agent.

**Resales of New Notes**

Based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties, we believe that the new notes you receive in



the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act so long as certain conditions are met. See The Exchange Offer

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Resale of the New Notes; Plan of Distribution for more information regarding resales.

**Consequences of Not Exchanging Your Old Notes**

If you do not exchange your old notes in this exchange offer, you will no longer be able to require us to register your old notes under the Securities Act pursuant to the registration rights agreement except in the limited circumstances provided under the registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer your old notes unless we have registered the old notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with this exchange offer, or as otherwise required under certain limited circumstances pursuant to the terms of the registration rights agreement, we do not currently anticipate that we will register the old notes under the Securities Act.

For information regarding the consequences of not tendering your old notes and our obligation to file a registration statement, please see The Exchange Offer Consequences of Failure to Exchange.

**Additional Documentation; Further Information; Assistance**

Any questions or requests for assistance or additional documentation regarding the exchange offer may be directed to the exchange agent.

Beneficial owners may also contact their custodian for assistance concerning the exchange offer.

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**Description of New Notes**

The terms of the new notes and those of the outstanding old notes are substantially identical, except that the new notes are registered under the Securities Act and the transfer restrictions and registration rights relating to the old notes do not apply to the new notes. As a result, the new notes will not bear legends restricting their transfer and will not have the benefit of the registration rights contained in the registration rights agreement. The new notes represent the same debt as the old notes for which they are being exchanged. Both the old notes and the new notes are governed by the same indenture.

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuer</b>                 | MetroPCS Wireless, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Notes Offered</b>          | \$1,000,000,000 principal amount of its 9 1/4% Senior Notes due 2014.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Maturity Date</b>          | November 1, 2014.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Interest Rate</b>          | 9 1/4% per year (calculated using a 360-day year).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Interest Payment Dates</b> | May 1 and November 1 of each year, commencing November 1, 2007.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Ranking</b>                | <p>The notes and the guarantees are the senior unsecured obligations of us and the guarantors. Accordingly, they rank:</p> <p>equal to all of our and the guarantors' existing and future senior unsecured indebtedness;</p> <p>senior to all of our and the guarantors' existing and future senior subordinated and subordinated indebtedness;</p> <p>effectively subordinated to all of our and the guarantors' existing and future secured indebtedness, including indebtedness under our senior secured credit facility, to the extent of the assets securing such indebtedness; and</p> <p>structurally subordinated to all existing and any future indebtedness and liabilities, including trade payables, and other liabilities of our subsidiaries that do not guarantee the notes, to the extent of the assets of such subsidiaries. For instance, the notes will not be guaranteed by Royal Street which is consolidated in MetroPCS Communications' financial statements.</p> <p>As of December 31, 2006, we had total indebtedness of approximately \$2.6 billion, \$1.0 billion of which was the notes, and approximately \$1.6 billion of which was secured indebtedness to which the notes effectively were subordinated as to the value of the collateral.</p> |
| <b>Guarantees</b>             | Our obligations under the notes are jointly and severally, and fully and unconditionally, guaranteed on a senior unsecured basis by MetroPCS Communications, MetroPCS, Inc. and all of our current and future domestic wholly-owned subsidiaries. The notes are not guaranteed by Royal Street which is consolidated in MetroPCS Communications                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

financial statements. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Description of New Notes Note Guarantees and Certain Definitions.

**Optional Redemption**

We may, at our option, redeem some or all of the notes at any time on or after November 1, 2010 at the redemption prices described in

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the section Description of New Notes Optional Redemption, plus accrued and unpaid interest, if any.

In addition, prior to November 1, 2009, we may, at our option, redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds of certain sales of equity securities or certain contributions to our equity at the redemption prices described in the section Description of New Notes Optional Redemption, plus accrued interest, if any. We may make the redemption only to the extent that, after the redemption, at least 65% of the aggregate principal amount of the notes remains outstanding.

We may also, at our option, prior to November 1, 2010, redeem some or all of the notes at the make whole price set forth under Description of New Notes Optional Redemption.

**Mandatory Redemption**

None.

**Change of Control**

If we experience specific kinds of changes in control, each holder of notes may require us to repurchase all or a portion of its notes at a price equal to 101% of the principal amount of the notes, plus any accrued and unpaid interest to the date of repurchase. See Description of New Notes Repurchase at the Option of Holders Change of Control.

**Certain Covenants**

The indenture governing the notes contains covenants that, among other things, limit our ability to:

incur more debt;

pay dividends and make distributions;

make certain investments;

repurchase stock;

create liens without also securing the notes;

enter into transactions with affiliates;

enter into agreements that restrict dividends or distributions from subsidiaries; and

merge, consolidate or sell, or otherwise dispose of, substantially all of our assets.

These covenants contain important exceptions, limitations and qualifications. For more details, see Description of New Notes Certain Covenants.

**Absence of Established Market for the Notes**

The new notes are generally freely transferable but are also new securities for which there will not initially be a market. We do not intent to apply for a listing of the new notes on any securities exchange or for their inclusion on any automated dealer quotation system. Accordingly, we cannot assure you as to the development or liquidity of any market for the new notes. We expect that the new notes will be eligible for trading in the PORTAL<sup>sm</sup> Market.

**Risk Factors**

You should consider carefully all of the information set forth in this offering memorandum and, in particular, you should evaluate the specific factors under Risk Factors.

**Table of Contents****Summary Historical Financial Information**

The following tables set forth selected consolidated financial and other data for MetroPCS Communications and its wholly-owned and majority-owned subsidiaries for the years ended December 31, 2002, 2003, 2004, 2005 and 2006. 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 Communications, which were audited by Deloitte & Touche LLP. We derived our summary historical financial data as of and for the years ended December 31, 2002 and 2003 from our consolidated financial statements. 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 and our audited consolidated financial statements, including the notes thereto, contained elsewhere in this prospectus. The summary historical financial and operating data presented in this prospectus may not be indicative of future performance.

|                                                                                                                   | Year Ended December 31,                         |            |            |            |              |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------|------------|------------|--------------|
|                                                                                                                   | 2002                                            | 2003       | 2004       | 2005       | 2006         |
|                                                                                                                   | (In thousands, except share and per share data) |            |            |            |              |
| Statement of Operations Data:                                                                                     |                                                 |            |            |            |              |
| Revenues:                                                                                                         |                                                 |            |            |            |              |
| Service revenues                                                                                                  | \$ 102,293                                      | \$ 369,851 | \$ 616,401 | \$ 872,100 | \$ 1,290,947 |
| Equipment revenues                                                                                                | 27,048                                          | 81,258     | 131,849    | 166,328    | 255,916      |
| Total revenues                                                                                                    | 129,341                                         | 451,109    | 748,250    | 1,038,428  | 1,546,863    |
| Operating expenses:                                                                                               |                                                 |            |            |            |              |
| Cost of service (excluding depreciation and amortization disclosed separately below)                              | 63,567                                          | 122,211    | 200,806    | 283,212    | 445,281      |
| Cost of equipment                                                                                                 | 106,508                                         | 150,832    | 222,766    | 300,871    | 476,877      |
| Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below) | 55,161                                          | 94,073     | 131,510    | 162,476    | 243,618      |
| Depreciation and amortization                                                                                     | 21,472                                          | 42,428     | 62,201     | 87,895     | 135,028      |
| (Gain) loss on disposal of assets                                                                                 | (279,659)                                       | 392        | 3,209      | (218,203)  | 8,806        |
| Total operating expenses                                                                                          | (32,951)                                        | 409,936    | 620,492    | 616,251    | 1,309,610    |
| Income from operations                                                                                            | 162,292                                         | 41,173     | 127,758    | 422,177    | 237,253      |
| Other expense (income):                                                                                           |                                                 |            |            |            |              |
| Interest expense                                                                                                  | 6,720                                           | 11,115     | 19,030     | 58,033     | 115,985      |
|                                                                                                                   |                                                 |            | 8          | 252        | 770          |

|                                                                                                  |            |            |           |            |           |
|--------------------------------------------------------------------------------------------------|------------|------------|-----------|------------|-----------|
| Accretion of put option in majority-owned subsidiary                                             |            |            |           |            |           |
| Interest and other income                                                                        | (964)      | (996)      | (2,472)   | (8,658)    | (21,543)  |
| Loss (gain) on extinguishment of debt                                                            | 703        | (603)      | (698)     | 46,448     | 51,518    |
| Total other expense                                                                              | 6,459      | 9,516      | 15,868    | 96,075     | 146,730   |
| Income before provision for income taxes and cumulative effect of change in accounting principle | 155,833    | 31,657     | 111,890   | 326,102    | 90,523    |
| Provision for income taxes                                                                       | (25,528)   | (16,179)   | (47,000)  | (127,425)  | (36,717)  |
| Income before cumulative effect of change in accounting principle                                | 130,305    | 15,478     | 64,890    | 198,677    | 53,806    |
| Cumulative effect of change in accounting principle, net of tax                                  |            | (120)      |           |            |           |
| Net income                                                                                       | 130,305    | 15,358     | 64,890    | 198,677    | 53,806    |
| Accrued dividends on Series D Preferred Stock                                                    | (10,619)   | (18,493)   | (21,006)  | (21,006)   | (21,006)  |
| Accrued dividends on Series E Preferred Stock                                                    |            |            |           | (1,019)    | (3,000)   |
| Accretion on Series D Preferred Stock                                                            | (473)      | (473)      | (473)     | (473)      | (473)     |
| Accretion on Series E Preferred Stock                                                            |            |            |           | (114)      | (339)     |
| Net income (loss) applicable to Common Stock                                                     | \$ 119,213 | \$ (3,608) | \$ 43,411 | \$ 176,065 | \$ 28,988 |
| 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   |
| Cumulative effect of change in accounting principle, net of tax                                  |            | (0.00)     |           |            |           |
| Basic net income (loss) per common share                                                         | \$ 0.72    | \$ (0.03)  | \$ 0.18   | \$ 0.71    | \$ 0.11   |



|                                                                                   |    |             |    |             |    |             |    |             |    |             |
|-----------------------------------------------------------------------------------|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| Diluted net income (loss)<br>per common share(1):                                 |    |             |    |             |    |             |    |             |    |             |
| Income (loss) before<br>cumulative effect of<br>change in accounting<br>principle | \$ | 0.52        | \$ | (0.03)      | \$ | 0.15        | \$ | 0.62        | \$ | 0.10        |
| Cumulative effect of<br>change in accounting<br>principle, net of tax             |    |             |    | (0.00)      |    |             |    |             |    |             |
| Diluted net income (loss)<br>per common share                                     | \$ | 0.52        | \$ | (0.03)      | \$ | 0.15        | \$ | 0.62        | \$ | 0.10        |
| Weighted average<br>shares(1):                                                    |    |             |    |             |    |             |    |             |    |             |
| Basic                                                                             |    | 108,709,302 |    | 109,331,885 |    | 126,722,051 |    | 135,352,396 |    | 155,820,381 |
| Diluted                                                                           |    | 150,218,097 |    | 109,331,885 |    | 150,633,686 |    | 153,610,589 |    | 159,696,608 |

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|                                                        | Year Ended December 31,                    |            |            |             |             |
|--------------------------------------------------------|--------------------------------------------|------------|------------|-------------|-------------|
|                                                        | 2002                                       | 2003       | 2004       | 2005        | 2006        |
|                                                        | (Dollars, customers and POPs in thousands) |            |            |             |             |
| <b>Other Financial Data:</b>                           |                                            |            |            |             |             |
| Net cash (used in) provided by operating activities    | \$ (50,672)                                | \$ 112,605 | \$ 150,379 | \$ 283,216  | \$ 364,761  |
| Net cash used in investment activities                 | (88,311)                                   | (306,868)  | (190,881)  | (905,228)   | (1,939,665) |
| Net cash provided by (used in) financing activities    | 157,039                                    | 201,951    | (5,433)    | 712,244     | 1,623,693   |
| <b>Consolidated Operating Data:</b>                    |                                            |            |            |             |             |
| Licensed POPs (at period end)(2)                       | 22,584                                     | 22,584     | 28,430     | 64,222      | 65,618      |
| Covered POPs (at period end)(2)                        | 16,964                                     | 17,662     | 21,083     | 23,908      | 38,630      |
| Customers (at period end)                              | 513                                        | 977        | 1,399      | 1,925       | 2,941       |
| Adjusted EBITDA (Deficit)(3)                           | \$ (94,376)                                | \$ 89,566  | \$ 203,597 | \$ 294,465  | \$ 395,559  |
| Adjusted EBITDA as a percentage of service revenues(4) | NM                                         | 24.2%      | 33.0%      | 33.8%       | 30.6%       |
| Capital Expenditures                                   | \$ 227,350                                 | \$ 117,731 | \$ 250,830 | \$ 266,499  | \$ 550,749  |
| <b>Core Markets Operating Data(5):</b>                 |                                            |            |            |             |             |
| Licensed POPs (at period end)(2)                       | 22,584                                     | 22,584     | 24,686     | 25,433      | 25,881      |
| Covered POPs (at period end)(2)                        | 16,964                                     | 17,662     | 21,083     | 21,263      | 22,461      |
| Customers (at period end)                              | 513                                        | 977        | 1,399      | 1,872       | 2,301       |
| Adjusted EBITDA (Deficit)(6)                           | \$ (94,376)                                | \$ 89,566  | \$ 203,597 | \$ 316,555  | \$ 492,773  |
| Adjusted EBITDA as a percentage of service revenues(4) | NM                                         | 24.2%      | 33.0%      | 36.4%       | 43.3%       |
| Capital Expenditures                                   | \$ 227,350                                 | \$ 117,731 | \$ 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      |
| Covered POPs (at period end)(2)                        |                                            |            |            | 2,645       | 16,169      |
| Customers (at period end)                              |                                            |            |            | 53          | 640         |
| Adjusted EBITDA (Deficit)(6)                           |                                            |            |            | \$ (22,090) | \$ (97,214) |
| Capital Expenditures                                   |                                            |            |            | \$ 90,871   | \$ 314,308  |

|                                          | <b>Year Ended December 31,</b> |             |             |             |             |
|------------------------------------------|--------------------------------|-------------|-------------|-------------|-------------|
|                                          | <b>2002</b>                    | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
| Average monthly churn(7)(8)              | 4.4%                           | 4.6%        | 4.9%        | 5.1%        | 4.6%        |
| Average revenue per user (ARPU)(9)(10)   | \$ 39.23                       | \$ 37.49    | \$ 41.13    | \$ 42.40    | \$ 42.98    |
| Cost per gross addition (CPGA)(8)(9)(11) | \$ 157.02                      | \$ 100.46   | \$ 103.78   | \$ 102.70   | \$ 117.58   |
| Cost per user (CPU)(9)(12)               | \$ 37.68                       | \$ 18.21    | \$ 18.95    | \$ 19.57    | \$ 19.65    |

**As of December 31, 2006**  
**As**  
**Actual                      Adjusted(13)**

(In thousands)

**Balance Sheet Data:**

|                                                                          |            |              |
|--------------------------------------------------------------------------|------------|--------------|
| Cash, cash equivalents & short-term investments                          | \$ 552,149 | \$ 1,374,812 |
| Property and equipment, net                                              | 1,256,162  | 1,256,162    |
| Total assets                                                             | 4,153,122  | 4,975,785    |
| Long-term debt (including current maturities)                            | 2,596,000  | 2,596,000    |
| Series D Cumulative Convertible Redeemable Participating Preferred Stock | 443,368    |              |
| Series E Cumulative Convertible Redeemable Participating Preferred Stock | 51,135     |              |
| Stockholders' equity                                                     | 413,245    | 1,730,410    |

- (1) See Note 17 to the consolidated financial statements included elsewhere in this prospectus for an explanation of the calculation of basic and diluted net income (loss) per common share. The calculation of basic and diluted net income per common share for the years ended December 31, 2002 and 2003 are not included in Note 17 to the consolidated financial statements.
- (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 markets 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

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expense; and certain expenses of MetroPCS Communications, Inc. *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. 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 (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. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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

|                                                                    | 2002       | 2003      | Year Ended December 31,<br>2004 2005 2006<br>(In thousands) |            |           |
|--------------------------------------------------------------------|------------|-----------|-------------------------------------------------------------|------------|-----------|
| <b>Calculation of Consolidated Adjusted EBITDA (Deficit):</b>      |            |           |                                                             |            |           |
| Net income                                                         | \$ 130,305 | \$ 15,358 | \$ 64,890                                                   | \$ 198,677 | \$ 53,806 |
| Adjustments:                                                       |            |           |                                                             |            |           |
| Depreciation and amortization                                      | 21,472     | 42,428    | 62,201                                                      | 87,895     | 135,028   |
| (Gain) loss on disposal of assets                                  | (279,659)  | 392       | 3,209                                                       | (218,203)  | 8,806     |
| Non-cash compensation expense(a)                                   | 1,519      | 5,573     | 10,429                                                      | 2,596      | 14,472    |
| Interest expense                                                   | 6,720      | 11,115    | 19,030                                                      | 58,033     | 115,985   |
| Accretion of put option in majority-owned subsidiary(a)            |            |           | 8                                                           | 252        | 770       |
| Interest and other income                                          | (964)      | (996)     | (2,472)                                                     | (8,658)    | (21,543)  |
| Loss (gain) on extinguishment of debt                              | 703        | (603)     | (698)                                                       | 46,448     | 51,518    |
| Provision for income taxes                                         | 25,528     | 16,179    | 47,000                                                      | 127,425    | 36,717    |
| Cumulative effect of change in accounting principle, net of tax(a) |            | 120       |                                                             |            |           |

|                                               |    |          |    |        |    |         |    |         |    |         |
|-----------------------------------------------|----|----------|----|--------|----|---------|----|---------|----|---------|
| <b>Consolidated Adjusted EBITDA (Deficit)</b> | \$ | (94,376) | \$ | 89,566 | \$ | 203,597 | \$ | 294,465 | \$ | 395,559 |
|-----------------------------------------------|----|----------|----|--------|----|---------|----|---------|----|---------|

(a) 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 periods indicated.

|                                                                                                                         | Year Ended December 31, |                  |                   |                   |                   |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------|-------------------|-------------------|-------------------|
|                                                                                                                         | 2002                    | 2003             | 2004              | 2005              | 2006              |
|                                                                                                                         | (In thousands)          |                  |                   |                   |                   |
| <b>Reconciliation of Net Cash (Used In) Provided By Operating Activities to Consolidated Adjusted EBITDA (Deficit):</b> |                         |                  |                   |                   |                   |
| Net cash (used in) provided by operating activities                                                                     | \$ (50,672)             | \$ 112,605       | \$ 150,379        | \$ 283,216        | \$ 364,761        |
| Adjustments:                                                                                                            |                         |                  |                   |                   |                   |
| Interest expense                                                                                                        | 6,720                   | 11,115           | 19,030            | 58,033            | 115,985           |
| Non-cash interest expense                                                                                               | (2,833)                 | (3,073)          | (2,889)           | (4,285)           | (6,964)           |
| Interest and other income                                                                                               | (964)                   | (996)            | (2,472)           | (8,658)           | (21,543)          |
| Provision for uncollectible accounts receivable                                                                         | (359)                   | (110)            | (125)             | (129)             | (31)              |
| Deferred rent expense                                                                                                   | (2,886)                 | (2,803)          | (3,466)           | (4,407)           | (7,464)           |
| Cost of abandoned cell sites                                                                                            | (1,449)                 | (824)            | (1,021)           | (725)             | (3,783)           |
| Accretion of asset retirement obligation                                                                                |                         | (127)            | (253)             | (423)             | (769)             |
| Loss (gain) on sale of investments                                                                                      |                         |                  | (576)             | 190               | 2,385             |
| Provision for income taxes                                                                                              | 25,528                  | 16,179           | 47,000            | 127,425           | 36,717            |
| Deferred income taxes                                                                                                   | (6,616)                 | (18,716)         | (44,441)          | (125,055)         | (32,341)          |
| Changes in working capital                                                                                              | (60,845)                | (23,684)         | 42,431            | (30,717)          | (51,394)          |
| <b>Consolidated Adjusted EBITDA (Deficit)</b>                                                                           | <b>\$ (94,376)</b>      | <b>\$ 89,566</b> | <b>\$ 203,597</b> | <b>\$ 294,465</b> | <b>\$ 395,559</b> |

- (4) Adjusted EBITDA as a percentage of service revenues is calculated by dividing Adjusted EBITDA by total service revenues.
- (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.
- (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% for the year ended December 31, 2006.
- (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

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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 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:

|                                               | <b>Year Ended December 31,</b>                                     |             |             |             |              |
|-----------------------------------------------|--------------------------------------------------------------------|-------------|-------------|-------------|--------------|
|                                               | <b>2002</b>                                                        | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b>  |
|                                               | <b>(In thousands, except average number of customers and ARPU)</b> |             |             |             |              |
| <b>Calculation of ARPU:</b>                   |                                                                    |             |             |             |              |
| Service revenues                              | \$ 102,293                                                         | \$ 369,851  | \$ 616,401  | \$ 872,100  | \$ 1,290,947 |
| Less:                                         |                                                                    |             |             |             |              |
| Activation revenues                           | (3,018)                                                            | (14,410)    | (7,874)     | (6,808)     | (8,297)      |
| E-911, FUSF and vendor's compensation charges |                                                                    | (6,527)     | (12,522)    | (26,221)    | (45,640)     |
| Net service revenues                          | \$ 99,275                                                          | \$ 348,914  | \$ 596,005  | \$ 839,071  | \$ 1,237,010 |
| Divided by:                                   |                                                                    |             |             |             |              |
| Average number of customers                   | 210,881                                                            | 775,605     | 1,207,521   | 1,649,208   | 2,398,682    |
| ARPU                                          | \$ 39.23                                                           | \$ 37.49    | \$ 41.13    | \$ 42.40    | \$ 42.98     |

- (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:



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|                                                     | Year Ended December 31,                                  |           |            |            |            |
|-----------------------------------------------------|----------------------------------------------------------|-----------|------------|------------|------------|
|                                                     | 2002                                                     | 2003      | 2004       | 2005       | 2006       |
|                                                     | (In thousands, except gross customer additions and CPGA) |           |            |            |            |
| <b>Calculation of CPGA:</b>                         |                                                          |           |            |            |            |
| Selling expenses                                    | \$ 26,228                                                | \$ 44,006 | \$ 52,605  | \$ 62,396  | \$ 104,620 |
| Less:                                               |                                                          |           |            |            |            |
| Activation revenues                                 | (3,018)                                                  | (14,410)  | (7,874)    | (6,809)    | (8,297)    |
| Less:                                               |                                                          |           |            |            |            |
| Equipment revenues                                  | (27,048)                                                 | (81,258)  | (131,849)  | (166,328)  | (255,916)  |
| Add:                                                |                                                          |           |            |            |            |
| Equipment revenue not associated with new customers | 482                                                      | 13,228    | 54,323     | 77,011     | 114,392    |
| Add:                                                |                                                          |           |            |            |            |
| Cost of equipment                                   | 106,508                                                  | 150,832   | 222,766    | 300,871    | 476,877    |
| Less:                                               |                                                          |           |            |            |            |
| Equipment costs not associated with new customers   | (4,850)                                                  | (22,549)  | (72,200)   | (109,803)  | (155,930)  |
| Gross addition expenses                             | \$ 98,302                                                | \$ 89,849 | \$ 117,771 | \$ 157,338 | \$ 275,746 |
| Divided by:                                         |                                                          |           |            |            |            |
| Gross customer additions                            | 626,050                                                  | 894,348   | 1,134,762  | 1,532,071  | 2,345,135  |
| CPGA                                                | \$ 157.02                                                | \$ 100.46 | \$ 103.78  | \$ 102.70  | \$ 117.58  |

- (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) 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

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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>2002</b>                                                       | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|                                                                                                        | <b>(In thousands, except average number of customers and CPU)</b> |             |             |             |             |
| <b>Calculation of CPU:</b>                                                                             |                                                                   |             |             |             |             |
| Cost of service                                                                                        | \$ 63,567                                                         | \$ 122,211  | \$ 200,806  | \$ 283,212  | \$ 445,281  |
| Add:                                                                                                   |                                                                   |             |             |             |             |
| General and administrative expense                                                                     | 28,933                                                            | 50,067      | 78,905      | 100,080     | 138,998     |
| Add:                                                                                                   |                                                                   |             |             |             |             |
| Net loss on equipment transactions<br>unrelated to initial customer<br>acquisition                     | 4,368                                                             | 9,320       | 17,877      | 32,791      | 41,538      |
| Less:                                                                                                  |                                                                   |             |             |             |             |
| Non-cash compensation expense<br>included in cost of service and<br>general and administrative expense | (1,519)                                                           | (5,573)     | (10,429)    | (2,596)     | (14,472)    |
| Less:                                                                                                  |                                                                   |             |             |             |             |
| E-911, FUSF and vendor s<br>compensation revenues                                                      |                                                                   | (6,527)     | (12,522)    | (26,221)    | (45,640)    |
| Total costs used in the calculation of<br>CPU                                                          | \$ 95,349                                                         | \$ 169,498  | \$ 274,637  | \$ 387,266  | \$ 565,705  |
| Divided by:                                                                                            |                                                                   |             |             |             |             |
| Average number of customers                                                                            | 210,881                                                           | 775,605     | 1,207,521   | 1,649,208   | 2,398,682   |
| CPU                                                                                                    | \$ 37.68                                                          | \$ 18.21    | \$ 18.95    | \$ 19.57    | \$ 19.65    |

- (13) As adjusted to give effect to the consummation of our initial public offering of 57,500,000 shares of common stock at a price per share of \$23 (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 sold by selling stockholders pursuant to the underwriters' exercise of their over-allotment option. Upon consummation of the offering, all of our shares of Series D and Series E Preferred Stock were converted into shares of common stock.

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**RISK FACTORS**

*An investment in the notes 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 prospectus, before deciding to participate in the exchange offer. Any of the following risks could materially adversely affect our business, financial condition or results of operations, which in turn could adversely affect our ability to pay interest or principal on the notes. In such case, you may lose all or part of your original investment.*

**Risks Related to the Exchange Offer**

***If you do not properly tender your old notes, you will continue to hold unregistered notes and your ability to transfer those notes will be adversely affected.***

If you do not exchange your old notes for new notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your old notes described in the legend on the certificates representing your old notes. In general, you may only offer or sell the old notes if they are registered under the Securities Act and applicable state securities laws or offered and sold under an exemption from those requirements. Other than in connection with the exchange offer, we do not plan to register any sale of the old notes under the Securities Act unless required to do so under the limited circumstances set forth in the registration rights agreement. In addition, the issuance of the new notes may adversely affect the trading market for untendered, or tendered but unaccepted, old notes. For further information regarding the consequences of not tendering your old notes in the exchange offer, see **The Exchange Offer** **Consequences of Failure to Exchange**.

We will only issue new notes in exchange for old notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the old notes and you should carefully follow the instructions on how to tender your old notes. Neither we nor the exchange agent is required to tell you of any defects or irregularities with respect to your tender of old notes. We may waive any defects or irregularities with respect to your tender of old notes, but we are not required to do so and may not do so. See **The Exchange Offer** **Procedures for Tendering Old Notes** and **Description of New Notes**.

***You may find it difficult to sell your new notes.***

Because there is no public market for the new notes, you may not be able to resell them. The new notes will be registered under the Securities Act but will constitute a new issue of securities with no established trading market. An active market may not develop for the new notes and any trading market that does develop may not be liquid. We do not intend to apply to list the new notes for trading on any securities exchange or to arrange for quotation on any automated dealer quotation system. The trading market for the new notes may be adversely affected by:

changes in the overall market for non-investment grade securities;

changes in our financial performance or prospects;

a change in our credit rating;

the prospects for companies in our industry generally;

the number of holders of the new notes;

the interest of securities dealers in making a market for the new notes; and

prevailing interest rates and general economic conditions.

Historically, the market for non-investment grade debt has been subject to substantial volatility in prices. The market for the new notes, if any, may be subject to similar volatility. Prospective investors in the new notes should be aware that they may be required to bear the financial risks of such investment for an indefinite period of time.

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***Some holders who exchange their old notes may be deemed to be underwriters.***

If you exchange your old notes in the exchange offer for the purpose of participating in a distribution of the new notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. See The Exchange Offer Resale of the New Notes; Plan of Distribution.

**Risks Relating to the Notes**

***Our substantial debt could adversely affect our cash flow and prevent us from fulfilling our obligations under the notes.***

We have now, and will continue to have, a significant amount of debt. As of December 31, 2006, we had \$2.6 billion of outstanding indebtedness under the senior secured credit facility and the senior notes.

Our substantial amount of debt could have important material consequences to you. For example, it could:

make it more difficult for us to satisfy our obligations under the notes;

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 payment 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 or develop new metropolitan areas in the future;

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, bears interest at variable rates. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect our cash flow. While we may 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.

***Despite our current levels of debt, 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 our senior secured credit facility and the indenture governing the notes allow us to incur substantial amounts of additional debt, subject to certain limitations. In addition, although MetroPCS Communications and MetroPCS, Inc. guarantee our obligations under the notes and the senior secured credit facility, there are no restrictions on their or any of their future unrestricted subsidiaries' ability to incur additional indebtedness.

We are currently contemplating the issuance of up to an additional \$300 million of senior notes under our existing indenture for general corporate purposes, which could include participation in the upcoming 700 MHz auction. This additional indebtedness and any future debt we may incur may exacerbate the risks associated with our current level of indebtedness.

*Although the notes are referred to as senior notes, they will be effectively subordinated to our secured debt.*

The notes, and each guarantee of the notes, are unsecured and therefore will be effectively subordinated to any secured debt we, or the relevant guarantor, may incur to the extent of the assets securing such debt. The

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indenture governing the notes will allow us to incur a substantial amount of additional secured debt. In the event of a bankruptcy or similar proceeding involving us, MetroPCS Communications, or any guarantor of the notes and the senior secured credit facility, the assets which serve as collateral for any secured debt will be available to satisfy the obligations under the secured debt before any payments are made on the notes. As of December 31, 2006, we had \$2.6 billion of secured debt outstanding. The notes will be effectively subordinated to any borrowings under our senior secured credit facility and other secured debt. See Description of Certain Debt.

***MetroPCS Communications may be permitted to form new subsidiaries who are not guarantors of the notes, and the assets of any non-guarantor subsidiaries, including Royal Street, may not be available to make payments on the notes.***

MetroPCS Communications, MetroPCS, Inc., and all of our wholly-owned subsidiaries are guarantors of the notes. Royal Street is not a guarantor of the notes. All of our future unrestricted subsidiaries, and any of MetroPCS Communications subsidiaries that do not guarantee any of our other debt, will not guarantee the notes. Payments on the notes are only required to be made by the issuer and the guarantors. As a result, no payments are required to be made from assets of MetroPCS Communications subsidiaries that do not guarantee the notes, including Royal Street, unless those assets are transferred by dividend or otherwise to the issuer or a guarantor.

In the event that any non-guarantor subsidiary of MetroPCS Communications becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of its debt and its trade creditors generally will be entitled to payment of their claims from the assets of that subsidiary before any of those assets are made available to the issuers or any guarantors. Consequently, your claims in respect of the notes will be effectively subordinated to all of the liabilities, including trade payables, of any future subsidiaries of MetroPCS Communications (other than the issuer) that is not a guarantor.

***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, including the notes, and to fund planned capital expenditures and operating losses associated with the Expansion Markets, will depend largely upon 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, the indenture covering the 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 notes, or to fund our other liquidity needs.

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

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

incurring additional debt;

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

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;



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merging, consolidating or disposing of assets;

entering into transactions with affiliates; and

placing restrictions on the ability of subsidiaries (other than Royal Street) to pay dividends or make other payments.

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

These restrictions could limit 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.

***The guarantees may not be enforceable because of fraudulent conveyance laws.***

The guarantors' guarantees of the notes may be subject to review under federal bankruptcy law or relevant state fraudulent conveyance laws if we or any guarantor files a petition for bankruptcy or our creditors file an involuntary petition for bankruptcy of us or any guarantor. Under these laws, if a court were to find that, at the time a guarantor incurred debt (including debt represented by the guarantee), such guarantor:

incurred this debt with the intent of hindering, delaying or defrauding current or future creditors; or

received less than reasonably equivalent value or fair consideration for incurring this debt and the guarantor:

was insolvent or was rendered insolvent by reason of the related financing transactions;

was engaged in, or about to engage in, a business or transaction for which its remaining assets constituted unreasonably small capital to carry on its business; or

intended to incur, or believed that it would incur, debts beyond its ability to pay these debts as they mature, as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes;

then the court could void the guarantee or subordinate the amounts owing under the guarantee to the guarantors' presently existing or future debt or take other actions detrimental to you.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in any such proceeding. Generally, an entity would be considered insolvent if, at the time it incurred the debt or issued the guarantee:

it could not pay its debts or contingent liabilities as they become due;

the sum of its debts, including contingent liabilities, is greater than its assets, at a fair valuation; or

the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and mature.

If a guarantee is voided as a fraudulent conveyance or found to be unenforceable for any other reason, you will not have a claim against that obligor and will only be our creditor or that of any guarantor whose obligation was not set aside or found to be unenforceable. In addition, the loss of a guarantee will constitute a default under the indenture, which default would cause all outstanding notes to become immediately due and payable and we may not have the ability to pay such amounts.

***The trading prices for the notes will be directly affected by many factors, including our credit rating.***

Credit rating agencies continually revise their ratings for companies they follow, including us. Any ratings downgrade could adversely affect the trading price of the notes, or the trading market for the notes, to the

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extent a trading market for the notes develops. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future and any fluctuation may impact the trading price of the notes.

### **Risks Relating 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 trial new 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 markets to date may not be indicative of our future results, our ability to launch new markets or our performance in future markets 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 markets, 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 leasing cell sites and constructing our network, securing all necessary consents, permits and approvals from third parties and local and state authorities. 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 markets or grow our or its 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

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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 and established relationships with a larger base of current and potential customers and, accordingly, we may not be able to compete successfully. In some markets, 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.

Sprint Nextel recently announced that it will offer 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 selected additional features to our existing service plans in these markets, 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 effected 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 markets, 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 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 rate 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 directly competitive 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 comments on proposed band plan alternatives, service rules and construction and performance build-out obligations, configuration of the 700 MHz public safety spectrum, revisions to the 700 MHz guard bands, and competitive

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bidding procedures. Furthermore, the FCC may pursue policies designed to make available additional spectrum for the provision of 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 may make their services more attractive to customers. Energy companies and utility companies are also expanding their services to offer communications 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 or has been announced as the high bidder 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 on 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 announced that it is launching 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



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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 had certain expectations which were communicated to the DOJ about how we would use the spectrum, including expectations about constructing a combined 1XRTT/EV-DO network on the spectrum capable of supporting data services. Although we have 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.



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***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 was approximately 4.6%. 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 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 of the notes 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 MetroPCS Communications' initial public offering in April 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 MetroPCS Communications' initial public offering 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 new 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.

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***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 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 claims that if proven could preclude their supplying us with the products and services we require to run our business, require them to change the products and services they provide to us in a way which could have a material adverse effect, or cause them to increase their charges for their products and services to us. Moreover, we may be subject to claims that products, software and services provided by different vendors which we combine to offer our services may infringe the rights of third parties and we may not have any indemnification 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.

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

The wireless 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;

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.



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***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, 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, or that expected technology improvements will be available to 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. 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

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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.

### ***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.



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***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 equipment or handsets are currently available for the AWS spectrum and such equipment or handsets may not be developed in a timely manner.***

The AWS spectrum requires modified or new equipment and handsets which are not currently available. We do not manufacture or develop our own equipment or handsets and are dependent on third party manufacturers to design, develop and manufacture such equipment. If equipment or handsets are not available when we need them, we may not be able to develop the Auction 66 Markets. We may, therefore, be forced to pay interest on our indebtedness which we used to fund the purchase of the licenses in Auction 66, without realizing any revenues from our Auction 66 Markets.

***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

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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.

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 the notes. 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.

***Because MetroPCS Communications may have issued stock options in violation of federal and state securities laws and some of MetroPCS Communications option holders may have a right of rescission, MetroPCS Communications intends to make a rescission offer to certain holders of options to purchase shares of its common stock.***

Certain options to purchase MetroPCS Communications common stock granted since January 2004 may not have been exempt from the registration and qualification requirements of the Securities Act or under the securities laws of a few states. Of such options, approximately 936,546 remain outstanding with a weighted average exercise price per option of \$7.03. MetroPCS Communications issued these options to purchase shares of MetroPCS Communications

common stock in reliance on Rule 701 under the Securities Act of 1933. However, MetroPCS Communications may not have been entitled to rely on Rule 701 because (1) during certain periods MetroPCS Communications exceeded certain thresholds in the rule and may not have delivered to its option holders the financial and other information required to be delivered by Rule 701; and (2) during



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certain periods in 2004 and 2006, MetroPCS Communications was subject to, or should have been subject to, the periodic reporting requirements under the Exchange Act. As a result, certain holders of options to purchase shares of MetroPCS Communications common stock may have a right to require MetroPCS Communications to repurchase those securities if it is found to be in violation of federal or state securities laws.

In order to address these issues, MetroPCS Communications is in the process of preparing and filing a registration statement on Form S-1 to make a rescission offer to the holders of options to purchase up to approximately 936,546 shares of its common stock. MetroPCS Communications will be making this offer to up to approximately 338 of its current and former employees. If the rescission offer is accepted by all persons to whom it is made, MetroPCS Communications could be required to make aggregate payments of up to approximately \$1.4 million. This amount reflects a purchase price equal to 20% of the aggregate exercise price for each option that is the subject of the rescission offer. It is possible that an option holder could argue that the purchase price for the options does not represent an adequate remedy for the issuance of the option in violation of applicable securities laws, and a court may find that MetroPCS Communications is required to pay a greater amount for the options.

There can be no assurance that the SEC or state regulatory bodies will not take the position that any rescission offers should extend to all holders of options granted during the relevant periods. The Securities Act also 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 MetroPCS Communications' rescission offer reject the offer, expressly or impliedly, it may remain liable under the Securities Act for the purchase price of the options that are subject to the rescission offer.

***MetroPCS Communications failed to register its stock options under the Exchange Act and, as a result, it may face potential claims under federal and state securities laws.***

As of December 31, 2005, options granted under the Second Amended and Restated 1995 Stock Option Plan of MetroPCS, Inc., as amended, and the Amended and Restated MetroPCS Communications, Inc. 2004 Equity Incentive Compensation Plan were held by more than 500 holders. As a result, MetroPCS Communications was required to file a registration statement registering the stock options pursuant to Section 12(g) of the Exchange Act no later than April 30, 2006. MetroPCS Communications failed to file a registration statement within the required time period.

If MetroPCS Communications had filed a registration statement pursuant to Section 12(g) as required, MetroPCS Communications 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, MetroPCS Communications filed quarterly reports on Form 10-Q for the periods after March 31, 2006, and on March 30, 2007, it filed an annual report on Form 10-K for the fiscal year ended December 31, 2006. MetroPCS Communications did not file any current reports on Form 8-K during the period beginning April 30, 2006 through March 20, 2007.

MetroPCS Communications' failure to file the current reports on Form 8-K and to file the quarterly reports on Form 10-Q in a timely manner that it would have been required to file had it registered its 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 and its failure to file registration statement pursuant to Section 12(g). In addition to any claims by present or former stockholders, MetroPCS Communications could be subject to administrative and/or civil actions by the SEC. If any such claim or action is asserted, MetroPCS Communications could incur significant expenses and divert management's attention in defending them.

***MetroPCS Communications 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,

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MetroPCS Communications failed to file a registration statement under the Exchange Act within the time period required by Section 12(g) of such act as a result of its failure to have in place procedures to inform it that it was required to file a registration statement. MetroPCS Communications' 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 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 notes.

### ***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 or that the insurance carrier will be solvent.

### ***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, 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 stock options. In addition, upon any change in control, all unvested stock 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 and billing and payment processing. Sophisticated information and billing systems are vital to our ability to monitor and control costs, bill customers, process customer orders, provide customer service and achieve operating efficiencies. We currently rely on internal systems and third-party vendors to provide all of our information and processing systems. Some of our billing, 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

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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 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. A significant portion of these cell sites are leased from a small number of large cell site companies under master agreements governing the general terms of our use of that company's cell sites. If a master agreement with one of these cell site companies were to terminate, the cell site company were to experience severe financial difficulties or file for bankruptcy or if one of these cell site companies were unable to support our use of its cell sites, we would have to find new sites or rebuild the affected portion of our network. In addition, the concentration of our cell site leases with a limited number of cell site companies could adversely affect our operating results and financial condition if we are unable to renew our expiring leases with these cell site 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 distributed antenna systems, 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 leased from that company could be adversely affected. If a material number of cell sites 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 recently 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



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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.

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.





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***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 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 or delays;

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

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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 communications systems, as do some state and local regulatory agencies. We can make no assurances 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.

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 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. 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.

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***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 Communications 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.

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 includes most 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 the Orlando metropolitan area and certain 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.

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***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 2007. The remainder of the applications are currently pending or the filing window has not yet opened. 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 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



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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 performance build-out requirements, revisions to the 700 MHz guard bands, competitive bidding procedures and the configuration for the 700 MHz public safety 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 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

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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 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 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 advanced 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.

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***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 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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**THE EXCHANGE OFFER**

*This section of the prospectus describes the proposed exchange offer. While we believe that the description covers the material terms of the exchange offer, this summary may not contain all of the information that is important to you. You should carefully read this entire document for a complete understanding of the exchange offer.*

**Purpose and Effects of the Exchange Offer**

The new notes to be issued in the exchange offer for the old notes were issued in connection with an unregistered private offering on November 3, 2006. In the private offering, we initially issued \$1.0 billion principal amount of old notes. The initial purchasers subsequently offered and sold a portion of the old notes only to qualified institutional buyers as defined in and in compliance with Rule 144A and outside the United States in compliance with Regulation S of the Securities Act.

In connection with the sale of the old notes, we and the guarantors entered into a registration rights agreement, which requires us, among other things, to:

file with the SEC a registration statement under the Securities Act with respect to an offer to exchange the outstanding old notes for new notes identical in all material respects to the old notes within 365 days after the issuance of the old notes or 30 days after MetroPCS Communications consummated its initial public offering, which was consummated on April 24, 2007, and

use our commercially reasonable efforts to cause such registration statement to become effective within 180 days after filing under the Securities Act.

If we failed to comply with the requirements of the registration rights agreement we would be required to pay certain liquidated damages.

We are making the exchange offer to satisfy our obligations under the registration rights agreement. The term holder with respect to the exchange offer means any person in whose name old notes are registered on our or the Depository Trust Company's, or DTC, books or any other person who has obtained a properly completed certificate of transfer from the registered holder, or any person whose old notes are held of record by DTC who desires to deliver such old notes by book-entry transfer at DTC.

We have not requested, and do not intend to request, an interpretation by the staff of the SEC with respect to whether the new notes issued in the exchange offer in exchange for the old notes may be offered for sale, resold or otherwise transferred by any holder without compliance with the registration and prospectus delivery provisions of the Securities Act. Based on interpretations by the staff of the SEC set forth in no-action letters issued to third parties, we believe the new notes issued in exchange for old notes may be offered for resale, resold and otherwise transferred by any holder without compliance with the registration and prospectus delivery provisions of the Securities Act provided that:

you are not a broker-dealer who purchased old notes directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act,

you are not our affiliate, or

you acquire the new notes in the ordinary course of your business and that you have no arrangement or understanding with any person to participate in the distribution of the new notes.

Any holder who tenders in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of the new notes or who is our affiliate may not rely upon such interpretations by the staff of the SEC and, in the absence of an exemption, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Any holder to comply with such requirements may incur liabilities under the Securities Act for which the holder is not indemnified by us. Each broker-dealer (other than an affiliate of ours) that receives new notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of new notes. The letter of transmittal states that by so

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acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. We have agreed that, for a period of 180 days after the exchange date, we will make the prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

We are not making the exchange offer to, nor will we accept surrenders for exchange from, holders of old notes in any jurisdiction in which this exchange offer or its acceptance would not comply with the securities or blue sky laws.

By tendering in the exchange offer, you will represent to us that, among other things:

you are acquiring the new notes in the exchange offer in the ordinary course of your business, whether or not you are a holder,

you are transferring good and marketable title to the old notes free and clear of all liens, security interests, charges or encumbrances or rights of parties other than you,

you do not have an arrangement or understanding with any person to participate in the distribution of the new notes,

you are not a broker-dealer, or you are a broker-dealer but will not receive new notes for your own account in exchange for old notes, neither you nor any other person is engaged in or intends to participate in the distribution of the new notes, and

you are not our affiliate within the meaning of Rule 405 under the Securities Act or, if you are our affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

Following the completion of the exchange offer, no notes will be entitled to the liquidated damages payment applicable to the old notes. Nor will holders of notes have any further registration rights, and the old notes will continue to be subject to certain restrictions on transfer. See Consequences of Failure to Exchange. Accordingly, the liquidity of the market for the old notes could be adversely affected. See Risk Factors Risks Related to the Exchange Offer There may be adverse consequences of a failure to exchange.

Participation in the exchange offer is voluntary and you should carefully consider whether to accept. We urge you to consult your financial and tax advisors in making your own decisions on whether to participate in the exchange offer.

## **Consequences of Failure to Exchange**

The old notes that are not exchanged for new notes in the exchange offer will remain restricted securities within the meaning of Rule 144(a)(3) of the Securities Act and subject to restrictions on transfer. Accordingly, such old notes may not be offered, sold, pledged or otherwise transferred except:

(1) to us, upon redemption thereof or otherwise,

(2) so long as the old notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A,



- (3) in an offshore transaction in accordance with Regulation S under the Securities Act,
- (4) pursuant to an exemption from registration in accordance with Rule 144, if available, under the Securities Act,
- (5) in reliance on another exemption from the registration requirements of the Securities Act, or
- (6) pursuant to an effective registration statement under the Securities Act.

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In all of the situations discussed above, the resale must be in accordance with the Securities Act and any applicable securities laws of any state of the United States and subject to certain requirements of the registrar or co-registrar being met, including receipt by the registrar or co-registrar of a certification and, in the case of (3), (4) and (5) above, an opinion of counsel reasonably acceptable to us and the registrar.

To the extent old notes are tendered and accepted in the exchange offer, the principal amount of outstanding old notes will decrease with a resulting decrease in the liquidity in the market therefor. Accordingly, the liquidity of the market of the old notes could be adversely affected.

**Terms of the Exchange Offer**

Upon the terms and subject to the conditions set forth in this prospectus and in the applicable letter of transmittal, we will accept any and all old notes validly tendered and not withdrawn prior to the Expiration Date. We will issue \$1,000 principal amount of new notes in exchange for each \$1,000 principal amount of old notes accepted in the exchange offer. The new notes will accrue interest on the same terms as the old notes; however, holders of the old notes accepted for exchange will not receive accrued interest thereon at the time of exchange; rather, all accrued interest on the old notes will become obligations under the new notes. Holders may tender some or all of their old notes pursuant to the exchange offer. However, old notes may be tendered only in integral multiples of \$1,000 principal amount.

The form and terms of the new notes are the same as the form and terms of the old notes, except that

the new notes will have been registered under the Securities Act and will not bear legends restricting their transfer pursuant to the Securities Act, and

except as otherwise described above, holders of the new notes will not be entitled to the rights of holders of old notes under the registration rights agreement.

The new notes will evidence the same debt as the old notes that they replace, and will be issued under, and be entitled to the benefits of, the indenture which governs all of the notes, including the payment of principal and interest.

We are sending this prospectus and the letter of transmittal to all registered holders of outstanding old notes. Only a registered holder of old notes or such holder's legal representative or attorney-in-fact as reflected on the indenture trustee's records may participate in the exchange offer. There will be no fixed record date for determining holders of the old notes entitled to participate in the exchange offer.

Holders of the old notes do not have any appraisal or dissenter's rights under Delaware law or the indenture in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the requirements of the Exchange Act and the SEC's rules and regulations thereunder.

We will be deemed to have accepted validly tendered old notes when, as and if we have given oral or written notice thereof to the exchange agent. The exchange agent will act as agent for the tendering holders of the old notes for the purposes of receiving the new notes. The new notes delivered in the exchange offer will be issued on the earliest practicable date following our acceptance for exchange of old notes.

If any tendered old notes are not accepted for exchange because of an invalid tender, our withdrawal of the tender offer, the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted old notes will be returned, without expense, to the tendering holder as promptly as practicable after the Expiration Date.

Any acceptance, waiver of default or rejection of a tender of notes shall be at our sole discretion and shall be conclusive, final and binding.

Holders who tender old notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of the old notes in the exchange offer. We will pay all charges and expenses, other than certain taxes, in connection with the exchange offer. See Fees and Expenses.

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### **Expiration Date; Extensions; Amendments**

The term *Expiration Date* with respect to the exchange offer means 5:00 p.m., New York City time, on \_\_\_\_\_, 2007 unless we, in our sole discretion, extend the exchange offer, in which case the term *Expiration Date* shall mean the latest date and time to which the exchange offer is extended.

If we extend the exchange offer, we will notify the exchange agent of any extension by oral or written notice and will make a public announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled *Expiration Date*.

#### **We reserve the right, in our sole discretion,**

to extend the exchange offer,

if any of the conditions set forth below under *Conditions to the Exchange Offer* have not been satisfied, to terminate the exchange offer, or

to amend the terms of the exchange offer in any manner.

We may effect any such delay, extension or termination by giving oral or written notice thereof to the exchange agent.

Except as specified in the second paragraph under this heading, we will make a public announcement of any such delay in acceptance, extension, termination or amendment as promptly as practicable. If we amend the exchange offer in a manner determined by us to constitute a material change, we will promptly disclose such amendment in a prospectus supplement that will be distributed to the registered holders of the old notes. The exchange offer will then be extended for a period of five to ten business days, as required by law, depending upon the significance of the amendment and the manner of disclosure to the registered holders.

We will make a timely release of a public announcement of any delay, extension, termination or amendment to the exchange offer to an appropriate news agency.

### **Procedures for Tendering Old Notes**

*Tenders of Old Notes.* The tender by a holder of old notes pursuant to any of the procedures set forth below will constitute the tendering holder's acceptance of the terms and conditions of the exchange offer. Our acceptance for exchange of old notes tendered pursuant to any of the procedures described below will constitute a binding agreement between such tendering holder and us in accordance with the terms and subject to the conditions of the exchange offer. Only holders are authorized to tender their old notes. The procedures by which old notes may be tendered by beneficial owners that are not holders will depend upon the manner in which the old notes are held.

The Depository Trust Company, or DTC, has authorized DTC participants that are beneficial owners of old notes through DTC to tender their old notes as if they were holders. To effect a tender, DTC participants should either (1) complete and sign the letter of transmittal or a facsimile thereof, have the signature thereon guaranteed if required by Instruction 1 of the letter of transmittal, and mail or deliver the letter of transmittal or such facsimile pursuant to the procedures for book-entry transfer set forth below under *Book-Entry Delivery Procedures*, or (2) transmit their acceptance to DTC through the DTC Automated Tender Offer Program, or ATOP, for which the transaction will be eligible, and follow the procedures for book-entry transfer, set forth below under *Book-Entry Delivery Procedures*.

*Tender of Old Notes Held in Physical Form.* To tender old notes held in physical form in the exchange offer

the exchange agent must receive at one of the addresses set forth in this prospectus, a properly completed letter of transmittal applicable to such notes (or a facsimile thereof) duly executed by the tendering holder, and any other documents the letter of transmittal requires, and tendered old notes must be received by the exchange agent at such address (or delivery effected through the deposit of old

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notes into the exchange agent's account with DTC and making book-entry delivery as set forth below), on or prior to the Expiration Date, or

the tendering holder must comply with the guaranteed delivery procedures set forth below on or prior to the Expiration Date.

Letters of transmittal or old notes should be sent only to the exchange agent and should not be sent to us.

*Tender of Old Notes Held Through a Custodian.* To tender old notes that a custodian bank, depository, broker, trust company or other nominee holds of record, the beneficial owner thereof must instruct such holder to tender the old notes on the beneficial owner's behalf. A letter of instructions from the record owner to the beneficial owner may be included in the materials provided along with this prospectus which the beneficial owner may use in this process to instruct the registered holder of such owner's old notes to effect the tender.

*Tender of Old Notes Held Through DTC.* To tender old notes that are held through DTC, DTC participants on or before the Expiration Date should either

properly complete and duly execute the letter of transmittal (or a facsimile thereof), and any other documents required by the letter of transmittal, and mail or deliver the letter of transmittal or such facsimile pursuant to the procedures for book-entry transfer set forth below, or

transmit their acceptance through ATOP, for which the transaction will be eligible, and DTC will then edit and verify the acceptance and send an Agent's Message to the exchange agent for its acceptance.

The term Agent's Message means a message transmitted by DTC to, and received by, the exchange agent and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from each participant in DTC tendering the old notes and that such participant has received the letter of transmittal and agrees to be bound by the terms of the letter of transmittal and we may enforce such agreement against such participant.

Tendering old notes held through DTC must be delivered to the exchange agent pursuant to the book-entry delivery procedures set forth below or the tendering DTC participant must comply with the guaranteed delivery procedures set forth below.

The method of delivery of old notes and letters of transmittal, any required signature guarantees and all other required documents, including delivery through DTC and any acceptance or Agent's Message transmitted through ATOP, is at the election and risk of the person tendering old notes and delivering letters of transmittal. If you use ATOP to tender, you must allow sufficient time for completion of the ATOP procedures during normal business hours of DTC on the Expiration Date. Except as otherwise provided in the letter of transmittal, tender and delivery will be deemed made only when actually received by the exchange agent. If delivery is by mail, it is suggested that the holder use properly insured, registered mail with return receipt requested, and that the mailing be made sufficiently in advance of the Expiration Date to permit delivery to the exchange agent prior to such date.

Except as provided below, unless the old notes being tendered are deposited with the exchange agent on or prior to the Expiration Date (accompanied by a properly completed and duly executed letter of transmittal or a properly transmitted Agent's Message), we may, at our option, reject such tender. Exchange of new notes for old notes will be made only against deposit of the tendered old notes and delivery of all other required documents.

*Book-Entry Delivery Procedures.* The exchange agent will establish accounts with respect to the old notes at DTC for purposes of the exchange offer within two business days after the date of this prospectus, and any financial institution

that is a participant in DTC may make book-entry delivery of the old notes by causing DTC to transfer such old notes into the exchange agent's account in accordance with DTC's procedures for such transfer. However, although delivery of old notes may be effected through book-entry at DTC, the letter of transmittal (or facsimile thereof), with any required signature guarantees or an Agent's Message in connection with a book-entry transfer, and any other required documents, must, in any case, be transmitted to and received by the exchange agent at one or more of its addresses set forth in this prospectus

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on or prior to the Expiration Date, or compliance must be made with the guaranteed delivery procedures described below. Delivery of documents to DTC does not constitute delivery to the exchange agent. The confirmation of a book-entry transfer into the exchange agent's account at DTC as described above is referred to as a Book-Entry Confirmation.

*Signature Guarantees.* Signatures on all letters of transmittal must be guaranteed by a recognized member of the Medallion Signature Guarantee Program or by any other eligible guarantor institution, as that term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing, an Eligible Institution), unless the old notes tendered thereby are tendered (1) by a registered holder of old notes (or by a participant in DTC whose name appears on a DTC security position listing as the owner of such old notes) who has not completed either the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal, or (2) for the account of an Eligible Institution. See Instruction 1 of the letter of transmittal. If the old notes are registered in the name of a person other than the signer of the letter of transmittal or if old notes not accepted for exchange or not tendered are to be returned to a person other than the registered holder, then the signatures on the letter of transmittal accompanying the tendered old notes must be guaranteed by an Eligible Institution as described above. See Instructions 1 and 5 of the letter of transmittal.

*Guaranteed Delivery.* If you wish to tender your old notes but they are not immediately available or if you cannot deliver your old notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC's automated tender offer program prior to the Expiration Date, you may tender if:

the tender is made by or through an eligible institution;

prior to 5:00 p.m., New York City time, on the Expiration Date, the exchange agent receives from that eligible institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail, courier or overnight delivery or a properly transmitted agent's message relating to a notice of guaranteed delivery:

stating your name and address, the registration number or numbers of your old notes and the principal amount of old notes tendered;

stating that the tender is being made thereby; and

guaranteeing that, within three business days after the Expiration Date of the exchange offer, the letter of transmittal or facsimile thereof or agent's message in lieu thereof, together with the old notes or a book-entry confirmation, and any other documents required by the letter of transmittal, will be deposited by the eligible institution with the exchange agent; and

the exchange agent receives such properly completed and executed letter of transmittal or facsimile or Agent's Message, as well as all tendered old notes in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal, within three business days after the Expiration Date.

Upon request to the exchange agent, the exchange agent will send a notice of guaranteed delivery to you if you wish to tender your old notes according to the guaranteed delivery procedures described above.

*Determination of Validity.* All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered old notes will be determined by us in our sole discretion, which determination will be conclusive, final and binding. Alternative, conditional or contingent tenders of notes will not be considered valid and may not be accepted. We reserve the absolute right to reject any and all old notes not properly tendered or any old



notes our acceptance of which, in the opinion of our counsel, would be unlawful.

We also reserve the right to waive any defects, irregularities or conditions of tender as to particular old notes. The interpretation of the terms and conditions of our exchange offer (including the instructions in the

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letter of transmittal) by us will be conclusive, final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes must be cured within such time as we shall determine.

Although we intend to notify holders of defects or irregularities with respect to tenders of old notes through the exchange agent, neither we, the exchange agent nor any other person is under any duty to give such notice, nor shall they incur any liability for failure to give such notification. Tenders of old notes will not be deemed to have been made until such defects or irregularities have been cured or waived.

Any old notes received by the exchange agent that are not validly tendered and as to which the defects or irregularities have not been cured or waived, or if old notes are submitted in a principal amount greater than the principal amount of old notes being tendered by such tendering holder, such unaccepted or non-exchanged old notes will either be

returned by the exchange agent to the tendering holders, or

in the case of old notes tendered by book-entry transfer into the exchange agent's account at the book-entry transfer facility pursuant to the book-entry transfer procedures described below, credited to an account maintained with such book-entry transfer facility.

**Withdrawal of Tenders**

Except as otherwise provided herein, tenders of old notes in the exchange offer may be withdrawn, unless accepted for exchange as provided in the exchange offer, at any time prior to the Expiration Date.

To be effective, a written or facsimile transmission notice of withdrawal must be received by the exchange agent at its address set forth herein prior to the Expiration Date. Any such notice of withdrawal must

specify the name of the person having deposited the old notes to be withdrawn,

identify the old notes to be withdrawn, including the certificate number or numbers of the particular certificates evidencing the old notes (unless such old notes were tendered by book-entry transfer), and aggregate principal amount of such old notes, and

be signed by the holder in the same manner as the original signature on the letter of transmittal (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the trustee under the indenture register the transfer of the old notes into the name of the person withdrawing such old notes.

If old notes have been delivered pursuant to the procedures for book-entry transfer set forth in Procedures for Tendering Old Notes Book-Entry Delivery Procedures, any notice of withdrawal must specify the name and number of the account at the appropriate book-entry transfer facility to be credited with such withdrawn old notes and must otherwise comply with such book-entry transfer facility's procedures.

If the old notes to be withdrawn have been delivered or otherwise identified to the exchange agent, a signed notice of withdrawal meeting the requirements discussed above is effective immediately upon written or facsimile notice of withdrawal even if physical release is not yet effected. A withdrawal of old notes can only be accomplished in accordance with these procedures.

All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by us in our sole discretion, which determination shall be final and binding on all parties. No withdrawal of old notes will be deemed to have been properly made until all defects or irregularities have been cured or expressly waived. Neither

we, the exchange agent nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or revocation, nor shall we or they incur any liability for failure to give any such notification. Any old notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no new notes will be issued with respect thereto unless the old notes so withdrawn are retendered prior to the Expiration Date. Properly withdrawn old notes may be retendered by following one of the procedures described above under      Procedures for Tendering Old Notes      at any time prior to the Expiration Date.

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Any old notes which have been tendered but which are not accepted for exchange due to the rejection of the tender due to uncured defects or the prior termination of the exchange offer, or which have been validly withdrawn, will be returned to the holder thereof unless otherwise provided in the letter of transmittal, as soon as practicable following the Expiration Date or, if so requested in the notice of withdrawal, promptly after receipt by us of notice of withdrawal without cost to such holder.

**Conditions to the Exchange Offer**

The exchange offer is not subject to any conditions, other than that:

the exchange offer, or the making of any exchange by a holder, does not violate applicable law or any applicable interpretation of the staff of the SEC,

there shall have not been instituted, threatened or be pending any action or proceeding before or by any court, governmental, regulatory or administrative agency or instrumentality, or by any other person, in connection with the exchange offer, that would or might, in our sole judgment, prohibit, prevent, restrict or delay consummation of the exchange offer,

no order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in our sole judgment, would or might prohibit, prevent, restrict or delay consummation of the exchange offer, or that is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects, of us, our subsidiaries or our affiliates,

there shall not have occurred or be likely to occur any event affecting the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of us, our subsidiaries or our affiliates that, in our sole judgment, would or might prohibit, prevent, restrict or delay consummation of the exchange offer,

the Trustee under the Indenture shall not have objected in any respect to or taken any action that could, in our sole judgment, adversely affect the consummation of the exchange offer, or shall have taken any action that challenges the validity or effectiveness of the procedures used by us in soliciting or the making of the exchange offer, or

there shall not have occurred (a) any general suspension of, or limitation on prices for, trading in the United States securities or financial markets, (b) a material impairment in the trading market for debt securities, (c) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (d) any limitation (whether or not mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, or other event that, in our sole judgment, might affect the extension of credit by banks or other lending institutions, (e) an outbreak or escalation of hostilities or acts of terrorism involving the United States or declaration of a national emergency or war by the United States or any other calamity or crisis or any other change in political, financial or economic conditions, if the effect of any such event, in our sole judgment, makes it impractical or inadvisable to proceed with the exchange offer, or (f) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof.

If we determine in our reasonable discretion that any of the conditions to the exchange offer are not satisfied, we may refuse to accept any old notes and return all tendered old notes to the tendering holders,

terminate the exchange offer,

extend the exchange offer and retain all old notes tendered prior to the Expiration Date, subject, however, to the rights of holders to withdraw such old notes, or

waive such unsatisfied conditions with respect to the exchange offer and accept all validly tendered old notes which have not been withdrawn.

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If such waiver constitutes a material change to the exchange offer, we will promptly disclose such waiver by means of a prospectus supplement that will be distributed to the registered holders, and will extend the exchange offer for a period of five to 10 business days, depending upon the significance of the waiver and the manner of disclosure to the registered holders, if the exchange offer would otherwise expire during such five to 10 business day period.

## **Exchange Agent**

The Bank of New York Trust Company, N.A., the trustee under the indenture governing the notes, has been appointed as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery and other documents to the exchange agent addressed as follows:

*Delivery by Regular, Registered or Certified Mail or Overnight Delivery:*

The Bank of New York Trust Company, N.A.

Corporate Trust

Reorganization Unit

101 Barclay Street 7 East

New York, New York 10286

Attn: Carolle Montreuil

*To Confirm by Telephone or for Information:*

(212) 815-5920

*Facsimile Transmissions:*

(212) 298-1915

## **Fees and Expenses**

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail by the exchange agent; however, additional solicitation may be made by telegraph, telecopy, telephone or in person by our or our affiliates' officers and regular employees.

No dealer-manager has been retained in connection with the exchange offer and no payments will be made to brokers, dealers or others soliciting acceptance of the exchange offer. However, reasonable and customary fees will be paid to the exchange agent for its services and it will be reimbursed for its reasonable out-of-pocket expenses.

Our out of pocket expenses for the exchange offer will include fees and expenses of the exchange agent and the trustee under the indenture, accounting and legal fees and printing costs, among others.

## **Transfer Taxes**

We will pay all transfer taxes, if any, applicable to the exchange of the old notes pursuant to the exchange offer. If, however, a transfer tax is imposed for any reason other than the exchange of the old notes pursuant to the exchange offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

## **Accounting Treatment for Exchange Offer**

The new notes will be recorded at the carrying value of the old notes and no gain or loss for accounting purposes will be recognized. The expenses of the exchange offer will be amortized over the term of the new notes.

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**Resale of the New Notes; Plan of Distribution**

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of new notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired as a result of market-making activities or other trading activities. In addition, until \_\_\_\_\_, 2007 (90 days after the date of this prospectus), all dealers effecting transactions in the new notes, whether or not participating in this distribution, may be required to deliver a prospectus. This requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

We will not receive any proceeds from any sale of new notes by broker-dealers. New notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions:

in the over-the-counter market,

in negotiated transactions,

through the writing of options on the new notes or a combination of such methods of resale,

at market prices prevailing at the time of resale,

at prices related to such prevailing market prices, or

at negotiated prices.

Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such new notes.

Any broker-dealer that resells new notes received for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such new notes may be deemed to be an underwriter within the meaning of the Securities Act and any profit on any such resale of new notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver a prospectus and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.



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**USE OF PROCEEDS**

The exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any proceeds from the issuance of the new notes in the exchange offer. In consideration for issuing the new notes as contemplated in this prospectus, we will receive, in exchange, outstanding old notes in like principal amount. We will cancel all old notes surrendered in exchange for new notes in the exchange offer. As a result, the issuance of the new notes will not result in any increase or decrease in our indebtedness or in the early payment of interest.

The net proceeds from the offering of the sale of the old notes in the initial private offering were approximately \$979 million. We used those proceeds, together with borrowings under our senior secured credit facility, to repay amounts owed under then existing secured and unsecured bridge credit facilities of certain subsidiaries of MetroPCS Communications and our first and second lien secured credit arrangements, and to pay related premiums, fees and expenses as well as for general corporate purposes.

**Table of Contents****CAPITALIZATION**

We have provided in the table below our consolidated cash, cash equivalents and short-term investments and capitalization as of December 31, 2006 on an actual basis and on an as adjusted basis giving effect to:

the conversion of our outstanding shares of Series D and Series E preferred stock, including accrued but unpaid dividends as of December 31, 2006;

the exercise of 1,013,739 options at a weighted average exercise price of \$3.65 by the selling stockholders identified in the prospectus dated April 18, 2007 related to MetroPCS Communications' initial public offering in April 2007; and

the recent consummation of MetroPCS Communications' initial public offering which consisted of the sale by MetroPCS Communications of 37,500,000 shares of common stock at a price per share of \$23.00 (less underwriting discounts and commissions).

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 prospectus.

|                                                   | <b>As of December 31,<br/>2006</b> |                    |
|---------------------------------------------------|------------------------------------|--------------------|
|                                                   | <b>Actual</b>                      | <b>As Adjusted</b> |
|                                                   | <b>(In thousands)</b>              |                    |
| Cash, cash equivalents and short-term investments | \$ 552,149                         | \$ 1,374,812       |
| Long-Term Debt:                                   |                                    |                    |
| Senior secured credit facility                    | 1,596,000                          | 1,596,000          |
| Senior notes                                      | 1,000,000                          | 1,000,000          |
| Total Long-Term Debt                              | \$ 2,596,000                       | \$ 2,596,000       |
| Series D Preferred Stock(1)                       | \$ 443,368                         | \$                 |
| Series E Preferred Stock(2)                       | \$ 51,135                          | \$                 |
| Stockholders' Equity                              | \$ 413,245                         | \$ 1,730,410       |
| Total Capitalization                              | \$ 3,503,748                       | \$ 4,326,410       |

(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, pro forma 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, pro forma as adjusted.



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

The following tables set forth selected consolidated financial data for MetroPCS Communications. We derived our selected consolidated financial data as of and for the years ended December 31, 2004, 2005 and 2006 from the consolidated financial statements of MetroPCS Communications, 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. 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 prospectus.

|                                                                                                                   | Year Ended December 31,                         |            |            |            |              |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------|------------|------------|--------------|
|                                                                                                                   | 2002                                            | 2003       | 2004       | 2005       | 2006         |
|                                                                                                                   | (In thousands, except share and per share data) |            |            |            |              |
| <b>Statement of Operations Data:</b>                                                                              |                                                 |            |            |            |              |
| Revenues:                                                                                                         |                                                 |            |            |            |              |
| Service revenues                                                                                                  | \$ 102,293                                      | \$ 369,851 | \$ 616,401 | \$ 872,100 | \$ 1,290,947 |
| Equipment revenues                                                                                                | 27,048                                          | 81,258     | 131,849    | 166,328    | 255,916      |
| Total revenues                                                                                                    | 129,341                                         | 451,109    | 748,250    | 1,038,428  | 1,546,863    |
| Operating expenses:                                                                                               |                                                 |            |            |            |              |
| Cost of service (excluding depreciation and amortization disclosed separately below)                              | 63,567                                          | 122,211    | 200,806    | 283,212    | 445,281      |
| Cost of equipment                                                                                                 | 106,508                                         | 150,832    | 222,766    | 300,871    | 476,877      |
| Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below) | 55,161                                          | 94,073     | 131,510    | 162,476    | 243,618      |
| Depreciation and amortization                                                                                     | 21,472                                          | 42,428     | 62,201     | 87,895     | 135,028      |
| (Gain) loss on disposal of assets                                                                                 | (279,659)                                       | 392        | 3,209      | (218,203)  | 8,806        |
| Total operating expenses                                                                                          | (32,951)                                        | 409,936    | 620,492    | 616,251    | 1,309,610    |
| Income from operations                                                                                            | 162,292                                         | 41,173     | 127,758    | 422,177    | 237,253      |
| Other expense (income):                                                                                           |                                                 |            |            |            |              |
| Interest expense                                                                                                  | 6,720                                           | 11,115     | 19,030     | 58,033     | 115,985      |
| Accretion of put option in majority-owned subsidiary                                                              |                                                 |            | 8          | 252        | 770          |
| Interest and other income                                                                                         | (964)                                           | (996)      | (2,472)    | (8,658)    | (21,543)     |
| Loss (gain) on extinguishment of debt                                                                             | 703                                             | (603)      | (698)      | 46,448     | 51,518       |
| Total other expense                                                                                               | 6,459                                           | 9,516      | 15,868     | 96,075     | 146,730      |
| Income before provision for income taxes and cumulative effect of change in                                       | 155,833                                         | 31,657     | 111,890    | 326,102    | 90,523       |

|                                                                   |            |            |           |            |           |
|-------------------------------------------------------------------|------------|------------|-----------|------------|-----------|
| accounting principle                                              |            |            |           |            |           |
| Provision for income taxes                                        | (25,528)   | (16,179)   | (47,000)  | (127,425)  | (36,717)  |
| Income before cumulative effect of change in accounting principle | 130,305    | 15,478     | 64,890    | 198,677    | 53,806    |
| Cumulative effect of change in accounting, net of tax             |            | (120)      |           |            |           |
| Net income                                                        | 130,305    | 15,358     | 64,890    | 198,677    | 53,806    |
| Accrued dividends on Series D Preferred Stock                     | (10,619)   | (18,493)   | (21,006)  | (21,006)   | (21,006)  |
| Accrued dividends on Series E Preferred Stock                     |            |            |           | (1,019)    | (3,000)   |
| Accretion on Series D Preferred Stock                             | (473)      | (473)      | (473)     | (473)      | (473)     |
| Accretion on Series E Preferred Stock                             |            |            |           | (114)      | (339)     |
| Net income (loss) applicable to Common Stock                      | \$ 119,213 | \$ (3,608) | \$ 43,411 | \$ 176,065 | \$ 28,988 |

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|                                                                          | Year Ended December 31,                         |             |             |             |             |           |
|--------------------------------------------------------------------------|-------------------------------------------------|-------------|-------------|-------------|-------------|-----------|
|                                                                          | 2002                                            | 2003        | 2004        | 2005        | 2006        |           |
|                                                                          | (In thousands, except share and per share data) |             |             |             |             |           |
| Basic net income (loss) per common share(1):                             |                                                 |             |             |             |             |           |
| Income (loss) before cumulative effect of change in accounting principle | \$                                              | 0.72        | \$          | (0.03)      | \$          | 0.18      |
| Cumulative effect of change in accounting, net of tax                    |                                                 |             |             | 0.71        | \$          | 0.11      |
|                                                                          |                                                 |             | (0.00)      |             |             |           |
| Basic net income (loss) per common share                                 | \$                                              | 0.72        | \$          | (0.03)      | \$          | 0.18      |
|                                                                          |                                                 |             |             | 0.71        | \$          | 0.11      |
| Diluted net income (loss) per common share(1):                           |                                                 |             |             |             |             |           |
| Income (loss) before cumulative effect of change in accounting principle | \$                                              | 0.52        | \$          | (0.03)      | \$          | 0.15      |
| Cumulative effect of change in accounting, net of tax                    |                                                 |             |             | 0.62        | \$          | 0.10      |
|                                                                          |                                                 |             | (0.00)      |             |             |           |
| Diluted net income (loss) per common share                               | \$                                              | 0.52        | \$          | (0.03)      | \$          | 0.15      |
|                                                                          |                                                 |             |             | 0.62        | \$          | 0.10      |
| Weighted average shares(1):                                              |                                                 |             |             |             |             |           |
| Basic                                                                    | 108,709,302                                     | 109,331,885 | 126,722,051 | 135,352,396 | 155,820,381 |           |
| Diluted                                                                  | 150,218,097                                     | 109,331,885 | 150,633,686 | 153,610,589 | 159,696,608 |           |
| Other Financial Data:                                                    |                                                 |             |             |             |             |           |
| Net cash (used in) provided by operating activities                      | \$                                              | (50,672)    | \$          | 112,605     | \$          | 150,379   |
| Net cash used in investment activities                                   |                                                 | (88,311)    |             | (306,868)   |             | (190,881) |
| Net cash provided by (used in) financing activities                      |                                                 | 157,039     |             | 201,951     |             | (5,433)   |
| Ratio of earnings to fixed charges(2)                                    |                                                 | 6.69x       |             | 1.54x       |             | 2.54x     |
|                                                                          |                                                 |             |             | 3.81x       |             | 1.37x     |

|                                                                          | 2002      | 2003       | As of December 31,<br>2004 |            |            | 2005 | 2006 |
|--------------------------------------------------------------------------|-----------|------------|----------------------------|------------|------------|------|------|
|                                                                          |           |            | (In thousands)             |            |            |      |      |
| <b>Balance Sheet Data:</b>                                               |           |            |                            |            |            |      |      |
| Cash, cash equivalents & short-term investments                          | \$ 60,724 | \$ 254,838 | \$ 59,441                  | \$ 503,131 | \$ 552,149 |      |      |
| Property and equipment, net                                              | 352,799   | 485,032    | 636,368                    | 831,490    | 1,256,162  |      |      |
| Total assets                                                             | 554,705   | 898,939    | 965,396                    | 2,158,981  | 4,153,122  |      |      |
| Long-term debt (including current maturities)                            | 51,649    | 195,755    | 184,999                    | 905,554    | 2,596,000  |      |      |
| Series D Cumulative Convertible Redeemable Participating Preferred Stock | 294,423   | 378,926    | 400,410                    | 421,889    | 443,368    |      |      |
| Series E Cumulative Convertible Redeemable Participating Preferred Stock |           |            |                            | 47,796     | 51,135     |      |      |
| Stockholders' equity                                                     | 69,397    | 71,333     | 125,434                    | 367,906    | 413,245    |      |      |

- (1) See Note 17 to the consolidated financial statements included elsewhere in this prospectus for an explanation of the calculation of basic and diluted net income (loss) per common share. 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.
- (2) For purposes of calculating the ratio of earnings to fixed charges, earnings represents income before provision for income taxes and cumulative effect of change in accounting principle plus fixed charges (excluding capitalized interest). Fixed charges include interest expense (including capitalized interest); amortized discounts related to indebtedness; amortization of deferred debt issuance costs; the portion of operating rental expense that management believes is representative of the appropriate interest component of rent expense; and net preferred stock dividends. The portion of total rent expense that represents the interest factor is estimated to be 33%. Net preferred stock dividends are our preferred expense net of income tax benefit.

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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 prospectus. 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, 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 (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 expect to begin offering services in Los Angeles in late second or most likely 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 an initial covered population of approximately 30 to 32 million by late 2008 or early 2009. Total estimated capital expenditures to the launch of these operations are expected to be between \$18 and \$20 per covered population, which equates to a total capital investment of approximately \$550 million to \$650 million. Total estimated expenditures, including capital expenditures, to become free cash flow positive, defined as Adjusted EBITDA less capital expenditures, is expected to be approximately \$29 to \$30 per covered population, which equates to \$875 million to \$1.0 billion based on an estimated initial covered population of approximately 30 to



32 million. We believe that our existing cash, cash equivalents and short-term investments, proceeds from this offering, 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

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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 as fully described under Business MetroPCS Service Plans. 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 December 31, 2006, 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 prospectus. 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.

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*,

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( 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 December 31, 2006 was approximately 7% 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 December 31, 2006. 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 December 31, 2006 were \$23.9 million of which

\$4.4 million and \$19.5 million are presented on the consolidated balance sheet in accounts payable and accrued expenses and other long-term liabilities, respectively.

**Table of Contents*****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 \$1.3 billion as of December 31, 2006.

***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 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 December 31, 2006.

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 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

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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 December 31, 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 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

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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 for the year ended December 31, 2006.

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,<br/>2006</b> | <b>December 31,<br/>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, the following awards were granted under our Option Plans:

| <b>Grants Made During<br/>the Quarter Ended</b> | <b>Number of<br/>Options<br/>Granted</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Market<br/>Value<br/>per Share</b> | <b>Weighted<br/>Average<br/>Intrinsic<br/>Value<br/>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                                                           |

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

Based on the initial public offering price of \$23.00, the intrinsic value of the options outstanding at December 31, 2006, was \$378.1 million, of which \$173.5 million related to vested options and \$204.6 million related to unvested options.

***Valuation of Common Stock******Significant Factors, Assumptions, and Methodologies Used in Determining the Fair Value of our Common Stock.***

The determination of the fair value of our common stock requires us to make judgments that are complex and inherently subjective. Factors that our board of directors considers in 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. When determining the fair value of our common stock, we followed the guidance prescribed by the American Institute of Certified Public Accountants in its practice aid,

*Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, (the Practice Aid ) prior to our initial public offering in April 2007.

According to the Practice Aid, quoted market prices in active markets are the best evidence of fair value of a security and should be used as the basis for the measurement of fair value, if available. Since quoted market prices for our securities are not available, the estimate of fair value should be based on the best information available, including prices for similar securities and the results of using other valuation techniques. Privately held enterprises or shareholders sometimes engage in arm's-length cash transactions with unrelated parties for the issuance or sale of their equity securities, and the cash exchanged in such a transaction is, under certain conditions, an observable price that serves the same purpose as a quoted market price. Those conditions are (a) the equity securities in the transaction are the same securities as those with the fair value determination is being made, and (b) the transaction is a current transaction between willing parties. To the extent that arm's-length cash transactions were available, we utilized those transactions to determine the fair value of our common stock. When arm's-length transactions as described above were

not available, then we utilized other valuation techniques based on a number of methodologies and analyses, including:

discounted cash flow analysis;

comparable company market multiples; and

comparable merger and acquisition transaction multiples.

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Sales of our common stock in arm's-length cash transactions during the years ended December 31, 2005 and 2006 were as follows:

|                | <b>Number of<br/>Shares</b> | <b>Price<br/>per Share</b> | <b>Gross<br/>Proceeds</b> |
|----------------|-----------------------------|----------------------------|---------------------------|
| October 2005   | 48,847,533                  | \$ 7.15                    | \$ 349,422,686            |
| September 2006 | 1,375,488                   | \$ 8.67                    | 11,920,896                |
| October 2006   | 1,654,050                   | \$ 8.67                    | 14,335,100                |
| Total          | 51,877,071                  |                            | \$ 375,678,682            |

**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.

## **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.

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*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 paid no federal income taxes prior to 2006. For the year ended December 31, 2006, we paid approximately \$2.7 million in federal income taxes. In addition, we have paid an immaterial amount of state income tax through December 31, 2006.

## **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.

## **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 and Chief Executive Officer.

As of December 31, 2006, 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



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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.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. 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.

**Table of Contents****Results of Operations*****Year Ended December 31, 2006 Compared to Year Ended December 31, 2005***

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><br><b>(In thousands)</b> | <b>Change</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)                             | **            |

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Depreciation and amortization:

|                   |            |           |      |
|-------------------|------------|-----------|------|
| Core Markets      | \$ 109,626 | \$ 84,436 | 30%  |
| 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% |

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)%  |

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\*\* 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