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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement 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 MARCH 23, 2004**

PROSPECTUS

## Shares

# MetroPCS Communications, Inc.

## Common Stock

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This is an initial public offering of \_\_\_\_\_ shares of common stock of MetroPCS Communications, Inc. No public market currently exists for any class of our capital stock. We are selling \_\_\_\_\_ of the shares of common stock offered under this prospectus, and certain of our stockholders, referred to in this prospectus as the selling stockholders, are selling the remaining \_\_\_\_\_ shares. We will not receive any of the net proceeds from the shares sold by the selling stockholders.

We currently anticipate the initial public offering price of our common stock to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. We expect to apply for quotation of the shares on the Nasdaq National Market under the symbol MPCS.

See Risk Factors beginning on page 9 to read about risks that you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body 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.

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	Per Share	Total
	<u>          </u>	<u>          </u>
Public offering price	\$	\$
Underwriting discounts	\$	\$
Proceeds, before expenses, to us	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

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The underwriters may purchase up to an additional \_\_\_\_\_ shares of common stock from us and the selling stockholders at the initial public offering price less the underwriting discount to cover over-allotments.

The underwriters expect to deliver the shares on \_\_\_\_\_, 2004.

*Joint Book-Running Managers*

**Bear, Stearns & Co. Inc.**

**Merrill Lynch & Co.**

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**UBS Investment Bank**

*Joint Lead Manager*

**JPMorgan**

**Thomas Weisel Partners LLC**

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The date of this Prospectus is \_\_\_\_\_, 2004

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**ABOUT THIS PROSPECTUS**

In this prospectus, the term "POPs" refers to the aggregate number of persons located in a given area, the term "PCS" refers to personal communications services and the term "FCC" refers to the United States Federal Communications Commission. Numbers of POPs to be disclosed in this prospectus have been derived from estimated United States population data in the Wireless Telecom Atlas & Databook 2002 published by Paul Kagan Associates, Inc., a leading media research firm. Industry data used throughout this prospectus were obtained from industry publications. Industry publications generally indicate that the information provided or contained in them has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. We have not independently verified such industry data. Some of the information provided in this prospectus has been obtained from publicly available sources, generally without our independent verification.

Unless otherwise noted, this prospectus:

gives effect to the merger of a wholly-owned subsidiary of MetroPCS Communications, Inc. with MetroPCS, Inc., such that MetroPCS, Inc. will become a wholly-owned subsidiary of MetroPCS Communications, Inc. and all of the holders of capital stock of MetroPCS, Inc. will become holders of capital stock of MetroPCS Communications, Inc.; and

assumes no exercise of the underwriters' over-allotment option.

In this prospectus:

the term "MetroPCS" refers to MetroPCS Communications, Inc., and the terms "we," "our" and "us" refer to MetroPCS Communications, Inc. together with its subsidiaries, after giving effect to the merger described in the preceding paragraph, except in the "Description of Capital Stock" section and in other places where it is clear from the context that the term means only MetroPCS Communications, Inc., the issuer of the common stock offered hereby;

all historical financial data presented is of MetroPCS, Inc., the stock of which is the only asset of MetroPCS Communications, Inc.;

the term "Class A common stock" refers to our Class A common stock, par value \$0.0001 per share, having special majority voting rights as described below under "Description of Capital Stock"; and

the term "common stock" refers to shares of our capital stock of the same class as the shares offered by this prospectus that have one vote per share, and does not include our Class A common stock.

We use "metroPCS," "MetroPCS Wireless" and the MetroPCS, Inc. logo as our trademarks. This prospectus may also refer to brand names, trademarks, service marks and trade names of other companies and organizations, and these brand names, trademarks, service marks and trade names are the property of their respective holders.





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the remainder have switched from traditional wireless carriers. We believe this mix of customer adoption demonstrates that our service is expanding the overall size of the wireless market as well as better meeting the needs of many existing wireless customers.



*Major Market Focus.* Our current service areas include four of the 25 most populous metropolitan areas in the United States: San Francisco, Miami, Atlanta and Sacramento. We believe the high relative population

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density of our market clusters results in increased efficiencies in network deployment, operating costs and product distribution. Our markets have an average population density of 335 POPs per square mile, over four times the national average. In addition, the population of our markets is growing at an average of 1.5 times faster than the national average and the average household income in our markets is \$5,000 above the national average according to the Wireless Telecom Atlas & Databook 2002. Based on these statistics, we believe our market profile is the most attractive of any U.S. wireless carrier. We believe significant opportunities exist to expand into other markets with similar characteristics.

*State of the Art CDMA Network.* We have deployed a 100% code division multiple access radio transmission technology, or CDMA 1XRTT, network in each of our markets that is designed specifically to provide the capacity necessary to satisfy the usage requirements of our customers. CDMA 1XRTT technology provides substantially more voice and data capacity than other commonly deployed wireless technologies and provides us with a network capacity advantage in our markets. Our CDMA 1XRTT network, which provides the most efficient use of spectrum, currently allows us to rapidly and cost-effectively add network capacity without adding incremental cell sites. We believe that the combination of our network technology, network design and spectrum depth will allow us to efficiently serve the high usage demands of our rapidly growing customer base into the future.

*Deep Spectrum Portfolio.* We currently hold 30 MHz of spectrum in 13 of the 14 license areas within our four markets even though our business plan requires only 20 MHz of spectrum in our major markets. This excess spectrum provides us with the flexibility to swap or sell up to 10 MHz of spectrum in selected markets to support future expansion or investment initiatives without materially impacting our business plan. For example, in February 2002, we completed our only spectrum sale to date, selling 10 MHz of excess spectrum in our Atlanta market for \$290.0 million.

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**The Offering**

Common stock offered by MetroPCS                                      shares

Common stock offered by the selling                                      shares  
 stockholders

Capital stock to be outstanding after this offering:

Common stock                                      shares

Class A common stock                                      shares

Voting rights

Holdings of the common stock offered in this prospectus will have one vote per share. However, with respect to all matters submitted to a vote of stockholders for which a separate class vote is not required, the holders of our Class A common stock will have, collectively, votes equal to 50.1% of the aggregate voting power of all shares entitled to vote. The holders of our common stock will have, collectively, votes equal to 49.9% of the aggregate voting power of all shares entitled to vote.

In addition, the holders of Class A common stock will be entitled to a separate class vote to elect four members of our board of directors, and the holders of common stock will be entitled to a separate class vote to elect three members of our board of directors.

Following this offering, we intend to petition the FCC for the ability to convert our Class A common stock into common stock, with one vote per share. We expect to complete this process within approximately nine months of the consummation of this offering. However, we cannot assure you that the FCC will grant this request in a timely fashion or at all. See Legislation and Government Regulations and Description of Capital Stock.

Use of proceeds

We estimate that the net proceeds to us from this offering will be approximately \$ million. We intend to use the net proceeds to us for general corporate purposes, including continued expansion of our networks in existing markets and expansion into new markets, including through acquisitions. In addition, we may use a portion of the net proceeds to redeem a portion of our 10<sup>3/4</sup>% senior notes due 2011. We will not receive any proceeds from the sale of common stock by the selling stockholders. See Use of Proceeds.

Proposed Nasdaq National Market symbol

MPCS.

Risk factors

See Risk Factors beginning on page 9 of this prospectus for a discussion of factors you should consider carefully before deciding to invest in our common stock.

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The number of shares of capital stock to be outstanding upon consummation of this offering:

is based upon our outstanding capital stock as of December 31, 2003;

assumes a one for \_\_\_\_\_ reverse stock split of our outstanding common stock prior to the consummation of this offering;

gives effect to the conversion of all of our outstanding Class B common stock and Series D preferred stock into common stock, which will occur concurrently with the consummation of this offering (including shares of common stock to be issued in respect of unpaid dividends on our outstanding Series D preferred stock that have accumulated as of December 31, 2003);

excludes shares of common stock to be issued in respect of unpaid dividends on our outstanding Series D preferred stock that have accumulated subsequent to December 31, 2003; and

excludes \_\_\_\_\_ shares reserved for issuance under our equity compensation plans (of which \_\_\_\_\_ shares are currently issuable upon the exercise of outstanding options with a weighted average exercise price of \$ \_\_\_\_\_ per share) and \_\_\_\_\_ shares issuable upon the exercise of outstanding warrants with a weighted exercise price of \$ \_\_\_\_\_ per share.

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MetroPCS Communications, Inc., a Delaware corporation, was incorporated on March 10, 2004. Our subsidiary, MetroPCS, Inc., a Delaware corporation, was incorporated on June 24, 1994. Our principal executive offices are located at 8144 Walnut Hill Lane, Suite 800, Dallas, Texas 75231, and our telephone number is (214) 265-2550. Our website URL is [www.metropcs.com](http://www.metropcs.com). The information on our website is not a part of this prospectus.



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Net cash provided by financing activities	41,708	157,066	201,951
Cash used for capital expenditures	133,604	212,305	117,212
<b>Other Financial and Operating Data (Non-GAAP):</b>			
Adjusted EBITDA (2)	\$ (27,963)	\$ (92,452)	\$ 95,507
Adjusted EBITDA margin (3)			20.8%
Covered POPs (at period end) (4)		16,964,450	17,662,491
Customers (at period end)		513,484	976,899
Average monthly churn (5)		4.4%	4.6%
ARPU (6)	\$	\$ 39.17	\$ 37.68
CPGA (7)		158.50	99.86
CCPU (8)		36.49	17.82



	Year Ended December 31,	
	2002	2003
<b>(In thousands, except average number of customers and ARPU)</b>		
<b>Calculation of Average Revenue Per User (ARPU)</b>		
Service revenues	\$ 102,137	\$ 370,920
Less:    Activation revenues	(3,018)	(14,410)
E-911 charges		(5,823)
	<u>99,119</u>	<u>350,687</u>
Net service revenues	99,119	350,687
Divided by: Average number of customers	<u>210,881</u>	<u>775,605</u>
ARPU	<u>\$ 39.17</u>	<u>\$ 37.68</u>



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Total	92,342	165,872
Divided by: Average number of customers	210,881	775,605
CCPU	\$ 36.49	\$ 17.82

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**RISK FACTORS**

*You should consider carefully the following factors and other information in this prospectus. Any of the following risks could have a material adverse effect on our business, financial condition or results of operations. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.*

**Risks Related to Our Business**

*We have a limited operating history and may not achieve our business goals.*

We began offering service in the first quarter 2002, and we had no revenues prior to that time. Consequently, we have a limited operating and financial history upon which to evaluate our financial performance, business plan execution 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 markets. If we are unable to execute our plans and grow our business, either as a result of the risks identified in this section or for any other reason, this failure would have a material adverse effect on our business, prospects, financial condition and results of operations.

*If we experience a higher rate of customer turnover than forecasted, our costs could increase, which would affect our business negatively.*

A higher rate of customer turnover, or churn, would reduce our revenues and increase our marketing costs to attract the replacement customers required to sustain our business plan, which would have a material adverse effect on our business, financial condition and results of operations. Many wireless service providers have historically experienced a high rate of customer turnover. Our rate of customer turnover may be affected by several factors, including the following:

network coverage;

reliability issues, such as dropped and blocked calls;

handset problems;

the inability of our customers to cost-effectively roam onto other wireless networks;

affordability; and

customer care concerns.

Unlike many of our competitors, we do not require our customers to enter into long-term service contracts. As a result, our customers retain the right to cancel their service at any time without penalty.

Additionally, as of November 24, 2003, FCC rules require all wireless carriers to provide for wireless number portability for their customers in the top 100 metropolitan statistical areas. As a result, wireless customers in these markets now have the ability to change wireless carriers, but retain their wireless telephone number. Although to date these wireless number portability rules have not resulted in substantial increases in the frequency with which customers switch wireless carriers, it is too soon to predict the long-term effect of these rules on customer turnover. In addition, these number portability requirements are likely to result in added capital expenditures for us to make necessary system changes.

***Our internal controls over revenue reporting may be insufficient to detect in a timely manner misstatements that could occur in our financial statements in amounts that may be material.***

In connection with their audit of our financial statements for the year ended December 31, 2003, our independent accountants reported a material weakness in our internal controls over revenue reporting. A material



with these changes.



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available additional spectrum for the provision of wireless services in each of our markets, which may increase the number of wireless competitors we face and enhance the ability of our wireless competitors to offer additional plans and services.

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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 advantages over the technology we use and may ultimately be more attractive to customers. We may compete in the future with companies that offer new technologies and market other services that we do not 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. In addition, energy companies, utility companies and cable operators are expanding their services to offer communications services.

*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 materially and adversely affect our business. We believe our future success will also depend in large part on our continued ability to attract and retain highly qualified technical and management personnel. We believe that there is and will continue to be intense competition for qualified personnel in the personal communications services industry, and we may not be successful in retaining our key personnel or in attracting and retaining other highly qualified technical and management personnel. None of the members of our management team is party to an employment agreement.

*We rely on third parties to provide our customers and us with equipment and services that are integral to our business.*

We have entered into agreements with third-party contractors to provide equipment for our network and services required for our operation, such as customer care and billing and payment processing. Some of these agreements are subject to termination upon short notice. The loss or expiration of these contracts or any 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.

*We may incur higher than anticipated intercarrier compensation costs.*

When our customers use our service to call customers of other carriers, we are required to pay the carrier that serves the called party. Similarly, when a customer of another carrier calls one of our customers, that carrier is required to pay us. While in most cases we have been successful in negotiating agreements with other carriers that limit our compensation obligations, some carriers have claimed a right to unilaterally impose unreasonably high charges on us. The wireless industry has sought clarification from the FCC that federal law prohibits such unreasonable and unilaterally imposed charges. We cannot assure you that the FCC will rule in our favor. An adverse ruling or FCC inaction could result in carriers successfully collecting such fees from us, which could adversely affect our business.

*Concerns about whether mobile 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.*

Media reports and some studies have suggested that, and additional studies have been undertaken to determine whether, radio frequency emissions from wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. In addition, lawsuits have been filed against other participants in the wireless industry alleging

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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 cancer, future lawsuits could be filed based on new evidence or in different jurisdictions. If any suits do succeed, or if plaintiffs are successful in negotiating settlements, additional suits likely would be filed. Additionally, purported class action litigation has been filed 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

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predict the outcome of this litigation, circumstances surrounding it 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 mobile telephones. Such new restrictions or requirements could expose wireless providers to further litigation, which, even if not successful, may be costly to defend. In addition, compliance with such new requirements 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. There is a risk that local governments may adopt regulations restricting the use of wireless handsets while driving, which could adversely affect our business.

*Our indebtedness could affect our financial health adversely.*

As of December 31, 2003, we had \$195.8 million of outstanding indebtedness, which could have important consequences to you. For example, it could:

increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

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

limit our ability to borrow additional funds.

In addition, the indenture governing our senior notes contains restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our debts and require us to allocate our financial resources to repay such debts. See Description of Certain Indebtedness.

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

We and our subsidiaries are able to incur substantial additional indebtedness in the future. The terms of the indenture governing our senior notes do not fully prohibit us or our subsidiaries from doing so. If new debt is added to our and our subsidiaries' current debt levels, the related risks

that we and they now face could intensify.

**Risks Related to the Offering**

*A limited number of stockholders control us, and their interests may be different from yours.*

Our certificate of incorporation and the stockholders agreement to which our current stockholders are parties provide that, upon the consummation of this offering, with respect to all matters submitted to a vote of stockholders for which a separate class vote is not required, the holders of our Class A common stock will have, collectively, votes equal to 50.1% of the aggregate voting power of all shares entitled to vote, and the holders of our common stock will have, collectively, votes equal to 49.9% of the aggregate voting power of all shares entitled to vote. In addition, the holders of Class A common stock will be entitled to a separate class vote to elect four of the seven members of our board of directors. Although we expect to petition the FCC for the ability to combine our Class A common stock and our common stock into a single class of capital stock after the

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consummation of this offering, we cannot assure you that the FCC will grant this request in a timely fashion or at all. See **Legislation and Government Regulations** and **Description of Capital Stock**.

Roger D. Linnquist (our President, Chief Executive Officer, Secretary and Chairman of our board of directors) and C. Boyden Gray (a member of our board of directors) together own all outstanding shares of our Class A common stock. In addition, after consummation of this offering, our executive officers and directors and principal stockholders together will beneficially own shares representing approximately % of the voting power underlying our common stock and % of the voting power underlying all classes of our capital stock, including shares subject to options and warrants that confer beneficial ownership of the underlying shares. As a result, these controlling stockholders will have the ability to determine the composition of our board of directors and to control our future operations and strategy.

Conflicts of interest between the controlling stockholders and our public stockholders may arise with respect to sales of shares of capital stock owned by the controlling stockholders or other matters. In addition, the interests of the controlling stockholders and other existing stockholders regarding any proposed merger or sale may differ from the interests of our public stockholders, especially if the consideration to be paid for the common stock is less than the price paid by public stockholders.

This concentration of ownership could also have the effect of delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could have a material and adverse effect on the market price of our common stock or prevent our stockholders from realizing a premium over the market prices for their shares. See **Principal and Selling Stockholders** for more information about the beneficial ownership of our capital stock by our executive officers, directors and principal stockholders.

***There has been no prior market for our capital stock, and an active trading market may not develop.***

Prior to this offering, there has been no public market for any class of our capital stock. An active trading market may not develop following the closing of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

***You may not be able to seek remedies against Arthur Andersen LLP, our former independent public accountants, with respect to our financial statements that were audited by Arthur Andersen LLP.***

In February 2002, we appointed PricewaterhouseCoopers LLP to serve as our independent accountants for fiscal year 2001 after previously dismissing Arthur Andersen LLP. On June 15, 2002, Arthur Andersen LLP was convicted of federal obstruction of justice arising from the government's investigation of Enron Corp., and subsequently ceased operations. Arthur Andersen LLP had audited our financial statements for the fiscal years ended December 31, 1999 and 2000. Financial statements for those periods have not been reviewed by our current auditors. Purchasers of our common stock may have no effective remedy against Arthur Andersen LLP in connection with any material misstatement or omission in those financial statements.

*We do not intend to pay dividends in the foreseeable future.*

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Payment of any future dividends on our common stock will depend upon our earnings and capital requirements, the terms of our debt instruments and any preferred stock and other factors our board of directors considers appropriate. In addition, because MetroPCS is a holding

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company, it depends on the cash flows of our subsidiaries to pay any potential dividends. The ability of our subsidiaries to distribute funds to MetroPCS is and will be restricted by the terms of existing and future indebtedness, including the indenture governing our senior notes, and by applicable state laws that limit the payments of dividends. See Description of Certain Indebtedness.

*Our stock price is likely to be very volatile.*

Prior to this offering, you could not buy or sell our common stock publicly. Although the initial public offering price will be determined based on several factors, the market price after this offering may vary from the initial offering price. The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

variations in our operating results;

operating results that vary from the expectations of securities analysts and investors;

changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;

changes in market valuations of other PCS companies;

announcements of technological innovations or new services by us or our competitors;

announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

additions or departures of key personnel;

future sales of our capital stock;

stock market price and volume fluctuations; and

general political and economic conditions, such as a recession.

*Substantial sales of our common stock could adversely affect our stock price.*

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Sales of a substantial number of shares of common stock after this offering, or the perception that such sales could occur, could adversely affect the market price of our common stock by introducing a large number of sellers to the market. Given the volatility that will likely exist for our shares, such sales could cause the market price of our common stock to decline.

Immediately after this offering, we will have \_\_\_\_\_ shares of common stock outstanding, or \_\_\_\_\_ shares if the underwriters' over-allotment option is exercised in full. We have reserved an additional \_\_\_\_\_ shares of common stock for issuance under our equity compensation plans, of which \_\_\_\_\_ shares are subject to outstanding options. In addition, we have reserved \_\_\_\_\_ shares of common stock for issuance upon the exercise of outstanding warrants. Following this offering, all of the shares of common stock to be sold in this offering will be freely tradable without restriction or further registration under the federal securities laws unless purchased by our affiliates, as that term is defined in Rule 144 under the Securities Act, and an additional \_\_\_\_\_ shares will be freely tradable pursuant to Rule 144(k) under the Securities Act. The remaining \_\_\_\_\_ shares of our outstanding common stock will be restricted securities under the Securities Act, subject to restrictions on the timing, manner and volume of sales of such shares.

After this offering, the stockholder parties to our stockholders agreement, who collectively hold \_\_\_\_\_ shares of our common stock, will be entitled to certain rights with respect to the registration of the sale of such shares under the Securities Act. By exercising their registration rights and causing a large number of shares to be sold in the public market, these holders could cause the market price of our common stock to decline. See [Description of Capital Stock](#) [Stockholders' Agreement](#).

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Following the consummation of this offering, we also intend to file a registration statement on Form S-8 under the Securities Act covering shares of common stock reserved for issuance under our equity compensation plans; that registration statement will automatically become effective upon filing.

We cannot predict whether future sales of our common stock, or the availability of our common stock for sale, will adversely affect the market price for our common stock or our ability to raise capital by offering equity securities.

***Anti-takeover provisions affecting us could prevent or delay a change of control.***

Provisions of Delaware law and of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us. For example, we are subject to Section 203 of the Delaware General Corporation Law which would make it more difficult for another party to acquire our company without the approval of our board of directors. Additionally, our certificate of incorporation authorizes our board of directors to issue preferred stock without requiring any stockholder approval, and preferred stock could be issued as a defensive measure in response to a takeover proposal. These provisions could make it more difficult for a third party to acquire us even if an acquisition might be in the best interest of our stockholders. See Description of Capital Stock.

Our certificate of incorporation provides for two classes of directors, those elected by holders of our Class A common stock and those elected by holders of our common stock. Prior to the consummation of this offering, our certificate of incorporation and bylaws will be amended to also provide for a board of directors consisting of three divisions of directors, each serving staggered three-year terms. The classification and divisions of our board of directors could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us. See Description of Capital Stock.

The indenture governing our senior notes contains limitations concerning mergers, consolidations and certain sales of assets by us. These limitations may further deter takeover attempts. In particular, the indenture requires us to give holders of the senior notes the opportunity to sell us their senior notes at 101% of their principal amount plus accrued and unpaid interest in the event of a change of control, as such term is defined in the indenture. See Description of Certain Indebtedness.

Our business is subject to regulation by the FCC and state regulatory commissions or similar state regulatory agencies in the states in which we operate. The FCC and some states have statutes or regulations that would require an investor who acquires a specified percentage of our securities or the securities of one of our subsidiaries to obtain approval to own those securities from the FCC or the applicable state commission. Therefore, such regulatory agencies have the ability to prevent a change of control even if such an acquisition is in the best interests of our stockholders.

***You will experience immediate and substantial dilution.***

The initial public offering price will be substantially higher than the net tangible book value of each outstanding share of common stock. Purchasers of common stock in this offering will suffer immediate and substantial dilution. The dilution will be \$            per share in the net tangible book value of the common stock at an assumed initial public offering price of \$            per share.

*Our management has broad discretion in the application of proceeds, which may increase the risk that the proceeds will not be applied effectively.*

Our management will have broad discretion in determining how to spend the net proceeds we receive from this offering. Accordingly, we can spend the net proceeds from this offering in ways which turn out to be ineffective or with which our stockholders may not agree.

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*The requirements of being a public company may strain our resources and distract management.*

Until recently, we were not subject to the reporting requirements of the Securities Exchange Act of 1934 or the other rules and regulations of the Securities and Exchange Commission relating to public companies. We have been working with our independent legal, accounting and financial advisors to identify those areas in which improvements should be made to our financial and management control systems to manage our growth and our obligations as a public company. These areas include corporate governance, corporate control, internal audit, and financial reporting and accounting systems. We have made, and will continue to make, improvements in these and other areas, including the establishment of an internal audit function, and the addition of new personnel in finance and accounting areas. However, we cannot assure you that these and other measures we may take will be sufficient to allow us to satisfy our obligations as a public company on a timely basis.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements are subject to risks and uncertainties. You should not place undue reliance on these statements. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business strategies. These statements often include words such as anticipate, expect, plan, intend and similar expressions. We base these statements on 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 in these circumstances. As you read and consider this prospectus, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. These factors include those described under Risk Factors.

All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by our cautionary statements. We do not intend to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events, except as required by law.

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**USE OF PROCEEDS**

We estimate that the net proceeds to us from the sale of common stock in this offering will be approximately \$ \_\_\_\_\_, or \$ \_\_\_\_\_ if the underwriters' over-allotment option is exercised in full, at an assumed initial public offering price of \$ \_\_\_\_\_ per share and after deducting underwriting discounts and commissions and estimated transaction fees and expenses payable by us. We will not receive any proceeds from the sale of common stock by the selling stockholders.

We intend to use the net proceeds to us for general corporate purposes, including continued expansion of our networks in existing markets and expansion into new markets, including through acquisitions. In addition, we may use a portion of the net proceeds to redeem a portion of our 10<sup>3</sup>/<sub>4</sub>% senior notes due 2011 at a redemption price equal to 110.750% of the principal amount of redeemed notes, plus accrued and unpaid interest on such notes.

**DIVIDEND POLICY**

We have never declared or paid a cash dividend on our common stock. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Payment of any future dividends on our common stock will depend upon our earnings and capital requirements, the terms of our debt instruments and any preferred stock and other factors our board of directors considers appropriate. In addition, because we are a holding company, we depend on the cash flows of our subsidiaries to pay any potential dividends. The ability of our subsidiaries to distribute funds to MetroPCS is and will be restricted by the terms of existing and future indebtedness, including the indenture governing our senior notes, and by applicable state laws that limit the payments of dividends. See Description of Certain Indebtedness.



Total capitalization	<u>\$ 660,084</u>
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by new investors will be increased to            shares, or            % of the total number of shares of common stock outstanding after this offering.



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Accrued dividends on Series D preferred stock		(195)	(4,963)	(10,838)	(18,749)
Net income (loss) applicable to common stock	\$ (19,774)	\$ (21,226)	\$ (50,143)	\$ 128,229	\$ 1,817
Weighted average shares outstanding (in thousands):					
Basic					
Diluted					
Income (loss) per share:					
Income (loss) per share before cumulative effect of change in accounting principle					
	\$ (0.43)	\$ (0.38)	\$ (0.57)	\$ 1.13	\$ 0.01
Cumulative effect per share of change in accounting principle, net of tax					
Net income (loss) per share basic	(0.43)	(0.38)	(0.57)	1.13	0.01
Net income (loss) per share diluted	(0.43)	(0.38)	(0.57)	0.93	0.01
<b>Other Financial and Operating Data (GAAP):</b>					
Net cash provided by (used in) operating activities	\$ (9,884)	\$ (9,463)	\$ (32,401)	\$ (64,523)	\$ 109,618
Net cash provided by (used in) investing activities	(669)	(15,093)	24,183	(73,494)	(137,321)
Net cash provided by financing activities	10,420	31,015	41,708	157,066	201,951
Cash used for capital expenditures	669	93	133,604	212,305	117,212
<b>Other Financial and Operating Data (Non-GAAP):</b>					
Adjusted EBITDA (2)	\$ (3,170)	\$ (3,411)	\$ (27,963)	\$ (92,452)	\$ 95,507
Adjusted EBITDA margin (3)					20.8%



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

**Introduction**

We are a wireless communications provider that offers digital wireless service in the San Francisco, Miami, Atlanta and Sacramento metropolitan areas. We initiated the commercial launch of our service in our Miami, Atlanta and Sacramento markets in the first quarter of 2002, and in our San Francisco market in September 2002. The year 2003 was the first full year of operations in all of our four markets. We sell products and services to customers through our 48 company-owned retail stores as well as through relationships with indirect retailers. We primarily offer two monthly calling plans to our customers. One plan provides customers with unlimited calling within the regional area for \$35 per month; the other plan provides customers with unlimited calling to anywhere within the continental United States for \$40 per month. We also provide international long distance, caller ID, voicemail, text messaging, camera functions, downloads of ringtones, games and content applications, and other data capabilities and value-added services for additional fees. In 2002, we offered one handset to customers for \$149. Our offering of handsets has grown and as of December 31, 2003 we offered five different handsets priced from \$129 to \$219. As of December 31, 2003, we had 976,899 customers.

**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. 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 financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, allowance for doubtful accounts, inventory valuations, deferred income taxes, and the impairment of long-lived and indefinite-lived assets. 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. Disabling service for non-payment is known as hotlining. We do not recognize revenue on hotlined customers. In connection with their audit of our financial statements for the year ended December 31, 2003, our independent accountants reported a material weakness in our internal controls over revenue reporting. See **Risk Factors** **Risks Related to Our Business**. Our internal controls over revenue reporting may be insufficient to detect in a timely manner misstatements that could occur in our financial statements in amounts that may be material.

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 due from indirect retailers for handsets are recorded as deferred revenue upon shipment by us and are recognized as equipment revenues when service is activated by customers and right of return lapses. Customers have the right to return handsets within a specified time or usage, whichever occurs first. Of the total paid by the customer for the activation, we record an activation fee of \$15, which, since July 1, 2003, is recognized as revenue at the time service is activated.

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Beginning July 1, 2003, we implemented EITF No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables, prepared by the Emerging Issues Task Force, or EITF, of the Financial Accounting Standards Board, or FASB. EITF 00-21 requires us to allocate amounts charged to customers between the sale of handsets and the sale of wireless telecommunication services on a relative fair value basis. In most cases, this has resulted in all amounts collected from the customer for the activation of the handset being allocated to the sale of the handset. As a result of this treatment, activation fees included in the consideration at the time of sale are recorded as handset revenue. Prior to the adoption of EITF 00-21, we had deferred activation fee revenue and amortized these revenues over the average life of our customers. The existing deferred revenue at July 1, 2003 is being amortized over the average life of our customers. On October 1, 2003, we changed the estimated average customer life from 25 months to 14 months, based on historical disconnect rates, resulting in an increase in activation revenue of \$5.1 million in the fourth quarter of 2003 over amounts that would have been recognized using the prior estimated average life.

#### *Allowance for Doubtful Accounts*

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our indirect retailers to pay for equipment purchases. If the financial condition of a material portion of our indirect retailers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

#### *Inventory Valuation*

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. If actual market conditions are less favorable than those projected, additional inventory write-downs may be required.

#### *Deferred Income Taxes*

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 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 income 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 reserve positions and changes to 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 would require the use of cash. Favorable resolution would be recognized as a reduction to the effective rate in the year of resolution. The tax reserves are presented on the balance sheet in other long term liabilities.

#### *Impairment of Long-Lived Assets and Indefinite Lived Assets*

We assess the impairment of long-lived assets, other than indefinite-lived intangible 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, without interest, using a discount rate we determine to be commensurate with the risk involved.

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Our primary indefinite-lived intangible assets are our FCC licenses. We test investments in our FCC licenses for impairment annually or more frequently if events or changes in circumstances indicate that our FCC licenses may be impaired. The impairment test consists of a comparison of the fair value with the carrying value. We segregate our FCC licenses by regional market for the purpose of performing the impairment test as each geographical region is uniquely different.

*Valuation of Common Stock*

Historically, we have assessed the value of our common stock at the end of each reporting period for the purpose of determining stock compensation on variable stock options. This valuation was also used to determine deferred compensation, if any, on non-variable stock option awards granted in the period. Factors we considered were recent sales of stock to third parties, enterprise valuation ranges provided by third parties, the liquidation preference of our outstanding preferred stock, significant milestones achieved in the business, as well as the overall economic climate of the wireless industry.

**Customer Recognition and Disconnect Policies**

When a new customer subscribes to our service, the first month of service and an activation fee is included with the handset purchase. Under GAAP, we are required to allocate a portion of the purchase price to each of the handset, the first month of service and the activation fee. 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 additions upon activation of service. We offer our customers the MetroPCS Promise, which allows a customer to return a newly purchased handset for a full refund prior to the earlier of seven days or 60 minutes of use. Customers who return their phones under the MetroPCS Promise are reflected as a reduction to gross 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 handset will be disabled, or hotlined, and the customer will not be able to make or receive calls on our network. 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 his handset is unhotlined and 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, upon reactivation, we charge a \$15 reconnect fee 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 personal communications services. The various types of service revenues associated with wireless communications services for our customers include monthly recurring charges for airtime, monthly recurring charges for optional features (including voicemail and text messaging) and charges for long distance service. Service revenues also include intercarrier compensation and non-recurring activation service charges to customers to the extent not allocated to handset revenue. See Critical Accounting Policies and Estimates Revenue Recognition.

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

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**Costs and Expenses**

Our costs and expenses include:

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

*Variable Long Distance.* We pay charges to other communications 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.

*Intercarrier Compensation.* We pay charges to other communications 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. Historically, these charges have been declining on a per minute basis and we expect them to continue to decline, due principally to competitive pressures and new technologies.

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

*Cost of Equipment.* We purchase personal communications handsets and accessories from third-party vendors to resell to our customers and indirect 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 capturing new customers and fixed charges such as store rent and retail associates' salaries. General and administrative expense includes support functions, including customer care, billing, technical operations, finance, accounting, human resources, information technology and legal services.

*Non-cash Compensation.* We record compensation expense associated with employee stock options issued below estimated fair market value at the date of grant. In addition, we record compensation expense at the end of each reporting period with respect to our variable stock options. These amounts are included as a component of selling, general and administrative expenses.

*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, three to seven years for office equipment, which includes computer equipment, and three to seven years for furniture and fixtures. Leasehold improvements are amortized over the term of the respective leases or the estimated useful life of the improvement, whichever is shorter.

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*Interest Expense and Interest Income.* Interest expense consists of interest on our FCC notes based on an estimated fair market borrowing rate at the time of issuance, of which 6.5% is paid in cash, and interest on our senior notes. Interest income is earned primarily on our cash and cash equivalents.

*Income Taxes.* As a result of our operating losses and additional depreciation available under federal tax law in 2002 and 2003, we have paid no federal income tax to date. In addition, we have paid an immaterial amount of state income tax to date.



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average number of customers during such period. For more detail regarding our calculation of ARPU, refer to Reconciliation of Non-GAAP Financial Measures below. The \$1.49, or 3.8%, decrease in ARPU was primarily the result of an increase in customers that did not pay for service while in hotlined status.

*Revenues.* Total revenues increased \$333.9 million, or 266%, to \$459.5 million for the year ended December 31, 2003 from \$125.6 million for the year ended December 31, 2002.

Service revenues increased \$268.8 million, or 263%, to \$370.9 million for the year ended December 31, 2003 from \$102.1 million for the year ended December 31, 2002. The increase was primarily attributable to the



*Adjusted EBITDA.* Adjusted EBITDA increased \$188.0 million to \$95.5 million for the year ended December 31, 2003 from an adjusted EBITDA deficit of \$92.5 million for the year ended December 31, 2002.



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Equipment revenues were \$23.5 million for the year ended December 31, 2002. We did not sell handsets or other products prior to 2002.

*Cost of Service.* Cost of service was \$61.9 million for the year ended December 31, 2002. We had no cost of service in 2001.

*Cost of Equipment.* Cost of equipment was \$100.7 million for the year ended December 31, 2002. We did not sell handsets or other products prior to 2002; therefore, we had no cost of equipment in 2001.



activities was \$137.3 million during the year ended December 31, 2003, primarily relating to capital expenditures associated with increasing the capacity of our network. We will continue to upgrade our network capacity and service quality to support our anticipated customer growth and satisfy competitive requirements.



Total cash contractual obligations	\$ 509,508	\$ 61,791	\$ 123,128	\$ 76,126	\$ 248,463
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**Inflation**

We believe that inflation has not affected our operations materially.

**Qualitative and Quantitative Disclosures About Market Risk**

Market risk is the potential loss arising from adverse changes in market prices and rates, including interest rates. We do not enter into derivatives or other financial instruments for trading, speculative or hedging purposes. Our outstanding indebtedness bears interest at fixed rates.

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#### **Effect of New Accounting Standards**

In July 2001, the FASB issued Statement of Financial Accounting Standards, or SFAS, No. 143, Accounting for Asset Retirement Obligations. This statement provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

We are subject to asset retirement obligations associated with our cell site operating leases, which are subject to the provisions of SFAS No. 143. Cell site lease agreements may contain clauses requiring restoration of the leased site at the end of the lease term, creating an asset retirement obligation. Landlords may choose not to exercise these rights as cell sites are considered useful improvements. In addition to cell site operating leases, we have leases related to switch site, retail, and administrative locations subject to the provisions of SFAS No. 143. We adopted SFAS No. 143 on January 1, 2003.

In November 2002, the EITF of the FASB reached consensus on EITF No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. This consensus requires that revenue arrangements with multiple deliverables be divided into separate units of accounting if the deliverables in the arrangement meet specific criteria. In addition, arrangement consideration must be allocated among the separate units of accounting based on their relative fair values, with certain limitations. The sale of wireless service with an accompanying handset constitutes a revenue arrangement with multiple deliverables. We adopted the provisions of this consensus for revenue arrangements entered into beginning after July 1, 2003. We have elected to apply the accounting provisions of EITF 00-21 on a prospective basis beginning July 1, 2003. As a result, we allocate amounts charged to customers between the sale of handsets and the sale of wireless telecommunication services on a relative fair value basis. In most cases, this results in all amounts collected from the customer upon activation of the handset being allocated to the sale of the handset. As a result of this treatment, activation fees included in the consideration at the time of sale are recorded as handset revenue. Prior to the adoption of EITF 00-21, we had deferred activation fee revenue and amortized these revenues over the average life of our customers. The existing deferred revenue at July 1, 2003 continues to be amortized.

#### **Reconciliation of Non-GAAP Financial Measures**

We utilize certain financial measures that are not calculated in accordance with GAAP to assess our financial performance. A non-GAAP financial measure is defined as a numerical measure of a company's financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the statement of income or statement of cash flows; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the comparable measure so calculated and presented. A brief description of the calculation of each measure is included where the particular measure is first discussed. Our method of computation may or may not be comparable to other similarly titled measures of other companies. The following tables reconcile our non-GAAP financial measures with our financial statements presented in accordance with GAAP.



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Net service revenues	99,119	350,687
Divided by: Average number of customers	210,881	775,605
ARPU	\$ 39.17	\$ 37.68

We believe ARPU, which calculates the average service revenue billed to an individual customer, is a useful measure to evaluate our per customer service revenue realization and to assist in forecasting our future service revenues. ARPU excludes activation revenues and E-911 charges.



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Divided by: Average number of customers	210,881	775,605	912,621
CCPU	\$ 36.49	\$ 17.82	\$ 18.33

We believe CCPU is a useful measure to determine our operating efficiency and per-customer profitability and to gauge our customer costs in relation to those of other wireless communications providers.

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**BUSINESS**

**MetroPCS**

We are the fastest growing wireless communications provider in the United States, measured by annual percentage growth in customers and revenue. We are also among the fastest growing U.S. wireless communications providers based on percentage growth in adjusted EBITDA. We offer simple, affordable and unlimited wireless voice and data services to the mass market. Currently, we offer our services in the San Francisco, Miami, Atlanta and Sacramento metropolitan areas, which include a total population of 22.6 million people. We launched service in all of our markets in the first quarter of 2002, except for San Francisco which we launched in September 2002. We reported positive adjusted EBITDA and positive net income after four quarters of operations and one million customers after eight quarters of operations. We believe that we reached these growth and profitability milestones significantly faster than any other U.S. wireless carrier and that our highly differentiated service offering will allow us to continue to penetrate our existing markets and drive further growth in profitability. In addition, we believe our unique wireless mobility services can be successfully introduced in new markets, and we continue to assess expansion opportunities in markets that we consider attractive. For the year ended December 31, 2003, we reported revenues of \$459.5 million, adjusted EBITDA of \$95.5 million and net income of \$20.6 million. For information regarding our calculation of adjusted EBITDA, refer to Management's Discussion and Analysis of Financial Condition and Results of Operation Reconciliation of Non-GAAP Financial Measures.

We provide simple-to-use and affordable wireless mobility services to the mass market, which we believe is underserved by traditional wireless carriers. Our service, branded under the metroPCS name, allows our customers to place unlimited wireless calls within a local calling area and to receive unlimited calls from any area for a flat monthly rate of \$35. For an additional \$5 per month, our customers may place unlimited long distance calls to any number in the continental United States. We also provide international long distance, caller ID, voicemail, text messaging, camera functions, downloads of ringtones, games and content applications, and other data capabilities and value-added services for additional fees. Our customers pay for our service in advance, eliminating any customer credit exposure, and we do not require a long-term service contract. Our customers average approximately 1,700 minutes of use per month, compared to approximately 655 minutes per month for customers of traditional wireless carriers. We believe that our customers' average monthly usage also exceeds the average monthly usage for the typical wireline customer. We believe our differentiated service offering sets us apart from traditional wireless carriers and has resulted in our high rates of customer acceptance and industry leading financial performance. We believe that a majority of our customers use us as their primary telecommunications service provider and that we are the sole telecommunications service provider for many of our customers.

**Business Strategy**

We believe the following components of our business strategy will allow us to continue our rapid, profitable growth:

*Capitalize on a Large Underserved Market.* We believe there is substantial demand in the United States for our affordable wireless services, as demonstrated by the fact that we have been among the leaders of the U.S. wireless industry in incremental market penetration in every quarter since we launched operations. Historically, approximately 40% of our gross customer additions have been first time wireless customers, while the remainder have switched from traditional wireless carriers. We believe this mix of customer adoption demonstrates that our service is expanding the overall size of the wireless market as well as better meeting the needs of many existing wireless customers.

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*Offer Affordable Wireless Services.* We believe that our fixed price, unlimited service represents an attractive offering to a large segment of the population. Our service results in average per minute usage costs to our customers that are significantly lower than the average per minute rates of other wireless operators. We believe that many prospective customers refrain from subscribing to or extensively using traditional wireless

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communications services due to high prices or unattractive and confusing calling plans, and that our simple, cost-effective service will allow us to attract many of these customers and continue our rapid growth.

*Maintain Our Cost Leadership Position.* We are the lowest cost provider of wireless services in the United States, which allows us to offer our services at affordable prices while maintaining cash profit margins per customer that are among the highest in the industry. Our operating strategy, network design, spectrum portfolio and rapidly increasing scale, together with the population density of our markets, should allow us to continue to maintain our cost leadership position and further reduce our per customer operating costs in the future.

*Pursue Expansion into Attractive Markets.* We believe the success of our business model can be replicated in markets outside of our existing footprint. While we do not believe that expansion is necessary to meet our future growth and profitability objectives, we expect that attractive expansion opportunities will be available. We plan to target expansion markets that complement our existing footprint or can be operated as a stand alone cluster with growth and profitability characteristics similar to our existing markets. Part of the proceeds from this offering may be used to fund expansion into new markets, and we may also choose to swap a portion of our existing excess spectrum for spectrum in new markets.

### **Competitive Strengths**

We believe our business has many competitive strengths that distinguish us from other wireless carriers and will allow us to successfully execute our business strategy, including:

*Highly Differentiated Service Offering.* We believe our unlimited mobile service offering represents a unique value proposition for our customers that differs substantially from the offerings of traditional wireless and wireline carriers. Our service is designed to provide mobile functionality while eliminating the gap between traditional wireless and wireline pricing, which we believe stimulates usage of our wireless service and will contribute to driving wireless adoption in our markets to levels comparable to the adoption rates currently experienced in Europe. We also believe that our ability to capture over one million customers to date demonstrates the substantial demand for our service offering.

*Cost Leadership Position.* Our operating strategy, network design, population density and spectrum position have enabled us to become the lowest cost provider of wireless services in the United States. We believe our rapidly increasing scale will allow us to continue to drive our per customer operating costs down in the future. The average cost per minute of use, or MOU, on our network was 1.1 cents (calculated as cash cost per user, or CCPU, of \$18.33 divided by average minutes of use of 1,700) for the three months ended December 31, 2003, compared with 5.9 cents for AT&T Wireless, 6.0 cents for Verizon Wireless and 3.7 cents for Sprint PCS. Our CCPU per month for the same period was \$18.33, compared with \$32.40 for AT&T Wireless, \$29.46 for Verizon Wireless and \$31.00 for Sprint PCS. Our distribution strategy continues to be the most efficient in the industry, resulting in a cost per gross addition, or CPGA, of \$87.11 for the three months ended December 31, 2003, compared to the industry average CPGA of \$394. For information regarding our calculation of CCPU and CPGA, refer to Management's Discussion and Analysis of Financial Condition and Results of Operation Reconciliation of Non-GAAP Financial Measures. Our cash profit margin per customer as a percentage of our average revenue per customer for the three months ended December 31, 2003 was 49%, which is among the highest of all U.S. wireless carriers. We believe our industry leading cost position provides us with a sustainable competitive advantage in our markets and will allow us to continue our rapid, profitable growth.

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*Major Market Focus.* Our current service areas include four of the 25 most populous metropolitan areas in the United States: San Francisco, Miami, Atlanta and Sacramento. We believe the high relative population density of our market clusters results in increased efficiencies in network deployment, operating costs and product distribution. Our markets have an average population density of 335 POPs per square mile, over four times the national average. In addition, the population of our markets is growing at an average of 1.5 times faster than the national average and the average household income in our markets is \$5,000 above the national average according to the Wireless Telecom Atlas & Databook 2002. Based on these statistics, we believe our market

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profile is the most attractive of any U.S. wireless carrier. We believe significant opportunities exist to expand into other markets with similar characteristics.

*State of the Art CDMA Network.* We have deployed a 100% code division multiple access radio transmission technology, or CDMA 1XRTT, network in each of our markets that is designed specifically to provide the capacity necessary to satisfy the usage requirements of our customers. CDMA 1XRTT technology provides substantially more voice and data capacity than other commonly deployed wireless technologies and provides us with a network capacity advantage in our markets. Our CDMA 1XRTT network, which provides the most efficient use of spectrum, currently allows us to rapidly and cost-effectively add network capacity without adding incremental cell sites. We believe that the combination of our network technology, network design and spectrum depth will allow us to efficiently serve the high usage demands of our rapidly growing customer base into the future.

*Deep Spectrum Portfolio.* We currently hold 30 MHz of spectrum in 13 of the 14 license areas within our four markets even though our business plan requires only 20 MHz of spectrum in our major markets. This excess spectrum provides us with the flexibility to swap or sell up to 10 MHz of spectrum in selected markets to support future expansion or investment initiatives without materially impacting our business plan. For example, in February 2002, we completed our only spectrum sale to date, selling 10 MHz of excess spectrum in our Atlanta market for \$290.0 million.

### **Company History**

We were formed in 1994 for the purpose of acquiring and operating PCS licenses as a small business under the FCC's designated entity rules. In 1996, we participated in the FCC's C-Block auctions of PCS spectrum licenses. Although the auctions in which we were declared the high bidder concluded in May 1996, the FCC did not issue the licenses to us until January 1997, by which time the market value of PCS licenses had declined dramatically due to, among other things, the FCC's intervening auction of licenses in the D-, E- and F-Blocks. In connection with the C-Block auction, each of our 14 license subsidiaries had executed a separate promissory note payable to the FCC in an amount equal to the purchase price of that subsidiary's FCC license. As a result, we were unable to obtain the financing necessary to service our debt to the FCC and build our networks.

In October 1997, after repeated efforts to obtain a commercially viable restructuring of our debt to the FCC, the subsidiaries in which we hold our FCC licenses each filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. In January 1998, we filed our own voluntary Chapter 11 petition, joining our license subsidiaries' bankruptcy proceedings.

As a result of proceedings commenced in the bankruptcy court, it was determined that, after crediting the \$106.0 million we had paid to the FCC as down payments for our licenses, the total amount owed by us to the FCC was \$60.0 million. In September 1998, the bankruptcy court confirmed our plan of reorganization and we emerged from bankruptcy in October 1998.

### **Products and Services**

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*Voice Services.* We provide affordable, reliable and high-quality wireless communications services, which consists of two primary pricing plans. Our basic \$35 per month service offering allows our customers to place unlimited calls within our calling area and to receive unlimited calls from anywhere in the world. In November 2003, we began to market a \$40 per month service offering in all of our markets that allows our customers to place unlimited calls from our coverage area to anywhere in the continental United States, and to receive unlimited calls from anywhere in the world. Both plans are paid for in advance and do not require a long-term service contract. Our calling areas extend in most cases beyond the boundaries of our actual license footprint. For example, customers in our San Francisco and Sacramento markets may place unlimited calls to areas throughout Northern California for which our wireline competitors generally would impose toll charges.

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Customers on our basic \$35 per month plan desiring long distance and international calling service may choose a pre-paid option, allowing them to place calls anywhere in the world at favorable rates. Customers on our \$40 per month plan who desire international calling service may also choose this pre-paid option for international calling service. Customers who travel outside of their coverage area may roam onto other wireless networks by providing the carrier on those networks with a credit card number, thereby allowing that carrier to bill them directly for their roaming charges. We incur no costs, nor do we receive any revenues, when our customers utilize these third-party roaming services.

*Data Services.* Our data services include:

services provided through the binary runtime environment for wireless, or BREW, development platform, including ringtones, games and content applications;

text messaging services, which allow the customer to send and receive alphanumeric messages, which can be received, stored and displayed on the handset on demand; and

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

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

*Advanced Handsets.* We sell a variety of handsets manufactured primarily by Nokia, Kyocera, Audiovox, LG and Sony Ericsson for use on our network, including models that provide color screens, camera phones and other features to facilitate digital data transmission. All of the handsets we offer are CDMA 1XRTT compliant.

We continue to evaluate new product and service offerings in order to enhance customer satisfaction and attract new customers. For example, in March 2004, we launched, on a trial basis, a limited usage offering in which customers purchase 250 minutes of local and long distance usage per month for \$25 instead of our traditional unlimited usage offerings. We believe that this offering will help us to retain existing customers and attract new customers who do not require unlimited usage or who are unwilling or unable to pay for our traditional unlimited usage plans.

### **FCC Licenses**

Each of our 14 wholly-owned license subsidiaries holds one 30 MHz PCS license, with the exception of one of our subsidiaries, which holds a license for 20 MHz, following the February 2002 sale of 10 MHz of spectrum in our Atlanta market. Six licenses permit wireless operations in the greater San Francisco and Sacramento metropolitan clusters, five permit wireless operations in the Miami metropolitan cluster and three permit wireless operations in the Atlanta metropolitan cluster. The licenses have an initial term of ten years after the initial grant date (January 1997), and, subject to applicable conditions, may be renewed thereafter. Each FCC license is essential to our ability to operate and conduct our business in the area covered by that license. See [Risk Factors](#) [Risks Related to Our Business](#) and [Legislation and Government Regulations](#).

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On November 26, 2003, we entered into an agreement to acquire four additional 15 MHz PCS licenses to expand our Sacramento market, pending FCC approval.

### **Markets**

Our FCC licenses cover four clusters encompassing the greater metropolitan areas of San Francisco, Miami, Atlanta and Sacramento. We believe our markets are particularly attractive because of their high population densities, high historical and projected population growth rates, favorable business climates and long commuting times relative to national averages. The population of our markets is growing and is expected to continue to grow at an average of 1.5 times faster than the national average for the period of 2001 through 2006.



We engage in local advertising in order to develop our brand and support our indirect and direct distribution channels. We primarily advertise through radio, cable and local print media. In addition, we believe we have benefited from a significant number of word-of-mouth customer referrals.



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We use third-party providers for long distance services and for backhaul services. Backhaul services are the telecommunications services that other carriers provide to carry our traffic from our cell sites to our switching facilities.

### **Network Technology**

Wireless digital signal transmission is accomplished through the use of various forms of frequency management technology or air interface protocols. The FCC has not mandated a universal air interface protocol for wireless PCS systems. Rather, wireless PCS systems operate under one of three principal air interface protocols: code division multiple access, or CDMA; time division multiple access, or TDMA; or global system



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*Privacy and security.* CDMA uses coding to isolate users, whereas TDMA and GSM use time slots to isolate the users. Furthermore, CDMA uses a very long code extending over multiple days which requires accurate time and code phase knowledge to decode. Therefore, CDMA offers increased privacy and security.

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**Competition**

We compete directly in each of our markets with other wireless providers and with wireline providers as a mobile alternative to traditional landline service. Many of our competitors have substantially greater resources and larger market share than we have, which may affect our ability to compete successfully. In addition, the competitive pressures of the wireless communications industry have caused other carriers to offer service plans with increasingly large bundles of minutes of use at increasingly low prices. These competitive plans could adversely affect our ability to maintain our pricing, market penetration and customer retention. Furthermore, the FCC may pursue policies designed to make available additional spectrum for the provision of wireless services in each of our markets, which may increase the number of wireless competitors we face and enhance the ability of our wireless competitors to offer additional plans and services.

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 advantages over the technology we use and may ultimately be more attractive to customers. We may compete in the future with companies that offer new technologies and market other services that we do not 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. In addition, energy companies, utility companies and cable operators are expanding their services to offer communications services.

**Employees**

As of December 31, 2003, we had 758 employees. We believe that our relationship with our employees is good. None of our employees is represented by an employee union.

**Properties**

We maintain our executive offices in Dallas, Texas, and regional offices in Alameda, California; Sunrise, Florida; Norcross, Georgia; and Folsom, California. We also operate 48 retail stores throughout our markets. All of our facilities are leased.

**Legal Proceedings**

From time to time, we are involved in litigation that we consider to be in the normal course of business. We are not party to any pending legal proceedings that we believe would, individually or in the aggregate, have a material adverse effect on our financial condition or results of operations.



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applications for the license renewal period, subject to a comparative hearing, and the FCC may award the license for the subsequent term to another entity.

The FCC may deny applications for FCC authority, and in extreme cases revoke FCC licenses, if it finds that an entity lacks the requisite character qualifications to be a licensee. In making this determination, the FCC considers whether an applicant or licensee has been the subject of adverse findings in a judicial or administrative proceeding involving felonies, the possession or sale of unlawful drugs, fraud, antitrust violations or unfair



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possessed, either directly or indirectly, the power to control the election of more than 15% of the members of the company's board of directors; or

had de facto control over the company.

We intend to request approval from the FCC to adopt this alternative structure without financial penalty after the consummation of this offering. Prior to the consummation of this offering, our certificate of incorporation will be amended to allow us to redeem shares of our capital stock to ensure that we are eligible for this structure.

FCC rules impose specific restrictions on the voluntary assignments or transfers of control of C block licenses. During the first five years of the license term (or until the licensee satisfies the five-year construction benchmark), assignments or transfers of control are permitted, but only to entities that meet specified qualifications, and if the original entity and the assignee or transferee have different entrepreneur or small business qualifications, the assignment or transfer may result in an obligation to make additional payments to the FCC. After the first five years of the initial license term (which for us ended January 27, 2002), voluntary assignments and transfers of control to entities not meeting the eligibility criteria for participation in the entrepreneurs' block are permitted; however, if a license is being paid for in installments, as ours are, all unpaid principal and accrued interest on the license must be paid to the FCC as a condition of any assignment or transfer of control to a non-qualifying entity.

The Communications Act includes provisions that authorize the FCC to restrict the level of ownership that foreign nationals or their representatives, a foreign government or its representative or any corporation organized under the laws of a foreign country may have in us. The law permits foreign ownership of as much as 25% of our equity without the need for any action by the FCC. If the FCC determines that it is in the best interest of the general public, the FCC may revoke licenses or require an ownership restructuring in the event that such ownership exceeds the statutory 25% benchmark. The FCC generally permits, however, additional foreign ownership in excess of the statutory 25% benchmark where that interest is to be held by an entity or entities from member countries of the World Trade Organization. For investors from countries that are not members of the World Trade Organization, the FCC will determine whether the home country of the foreign investor extends reciprocal treatment called "equivalent competitive opportunities" to United States entities. If these opportunities do not exist, the FCC may not permit investment beyond the 25% benchmark. These restrictions could adversely affect our ability to attract additional equity financing. We have no knowledge that any foreign entity directly or indirectly owns a significant percentage of our capital stock.

### **General Regulatory Obligations**

The Communications Act and the FCC's rules impose a number of requirements upon PCS licensees. These requirements, which are summarized below, could increase our costs of doing business.

We are obligated to pay annual regulatory fees and assessments to support the FCC's regulation of the wireless industry, as well as fees necessary to support federal universal service programs, number portability, regional database costs, centralized administration of telephone numbering, telecommunications relay service for the hearing-impaired and application filing fees.

The FCC has adopted requirements for CMRS providers to implement basic and enhanced 911, or E-911, services. These services provide state and local emergency service providers with the ability to better identify and locate callers using wireless services, including callers using special

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devices for the hearing impaired. Our obligations to implement these services occur in stages, and on a market-by-market basis as emergency service providers request the implementation of E-911 services within their locales. In June 2002, the FCC extended the deadlines for meeting some of these requirements, specifically the Phase II capabilities whereby emergency service providers receive the 911 caller's geographic location, until March 1, 2003 at the earliest (the actual date for implementing this capability in any given locale will be based on the readiness of public safety agencies to participate in E-911 services). We are currently constructing facilities to implement these capabilities in several markets, although we do not currently know whether we will be able to meet all of the requirements imposed by





rate plans pending further reconsideration of its rules, and has delayed the requirement that CMRS carriers integrate their

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rates among CMRS affiliates. Other aspects of the FCC's rules have been vacated by the United States Court of Appeals for the District of Columbia Circuit, and are subject to further consideration by the FCC. There is a pending proceeding in which the FCC will determine how integration requirements apply to CMRS offerings, including single rate plans. To the extent that we offer services subject to these requirements, our pricing flexibility is reduced, and we cannot assure you that the FCC will decline to impose these requirements on us.

Antenna structures used by us and other wireless providers are subject to the FCC's rules implementing the National Environmental Policy Act and the National Historic Preservation Act. Under these rules, any structure that may significantly affect the human environment or that may affect historic properties may not be constructed until the wireless provider has filed an environmental assessment and obtained approval from the FCC. Processing of environmental assessments can delay construction of antenna facilities, particularly if the FCC determines that additional information is required or if there is community opposition. In addition, several environmental groups unsuccessfully have requested changes in the FCC's environmental processing rules, challenged specific environmental assessments as inadequate to meet statutory requirements and sought to have the FCC conduct a comprehensive assessment of the environmental effects of antenna tower construction. On February 13, 2003, several of these groups filed a petition with the United States Court of Appeals for the District of Columbia Circuit seeking to force the FCC to modify its environmental processing rules to address issues under the Migratory Bird Treaty Act. Although the parties have filed briefs, there is no schedule for court action on this petition. On May 1, 2003, the FCC announced its intent to develop a strategic plan to address environmental and historic preservation issues, but the FCC did not indicate when it will take action to adopt or implement this plan.

### **State, Local and Other Regulation**

The Communications Act preempts state or local regulation of the market entry of, or the rates charged by, any CMRS provider, which include cellular telephone service and PCS providers. The FCC denied the petitions of eight states to continue their rate regulation authority, including authority over cellular operators. As a practical matter, we are free to establish rates and offer new products and service with a minimum of state regulatory requirements. The states in which we operate maintain nominal oversight jurisdiction, primarily focusing upon prior approval of acquisitions and transfers of licenses and resolution of customer complaints. However, states may continue to regulate other terms and conditions of wireless service, and a number of state authorities have initiated actions or investigations of various wireless carrier practices. The outcome of these proceedings is uncertain and could require us to change our marketing practices and ultimately increase state regulatory authority over the wireless industry. State and local governments are also permitted to manage public rights of way and can require fair and reasonable compensation from telecommunications carriers, including PCS providers, so long as the compensation required is publicly disclosed by the government.

The location and construction of our PCS antennas and base stations and the towers we lease on which such antennas are located are subject to FCC and Federal Aviation Administration regulations and are subject to federal, state and local environmental regulation, as well as state or local zoning, land use and other regulation. Before we can put a system into commercial operation, we must obtain all necessary zoning and building permit approvals for the cell site and microwave tower locations. The time needed to obtain zoning approvals and requisite state permits varies from market to market and state to state. Likewise, variations exist in local zoning processes. Additionally, any proposed site must comply with the FCC's environmental rules. If zoning approval or requisite state permits cannot be obtained, or if environmental rules make construction impossible or infeasible on a particular site, our network design might be adversely affected, network design costs could increase and the service provided to our customers might be reduced.

We cannot assure you that any state or local regulatory requirements currently applicable to our systems will not be changed in the future or that regulatory requirements will not be adopted in those states and localities, which currently have none. Such changes could impose new obligations on us that would adversely affect our operating results.



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**Future Regulation**

From time to time, federal or state legislators propose legislation and federal or state regulators propose regulations that could affect us, either beneficially or adversely. We cannot assure you that federal or state legislation will not be enacted, or that regulations will not be adopted or actions taken by the FCC or state regulatory authorities that might affect our business adversely. Changes such as the allocation by the FCC of additional radio spectrum for services that compete with our business could affect our operating results adversely.

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The executive officers and directors of MetroPCS, and their ages as of the date of this prospectus, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Class (Directors only)</u>	<u>Term Expires (Directors only)</u>
Roger D. Linquist	65	President, Chief Executive Officer, Secretary and Chairman of the Board of Directors	Class A	
Malcolm M. Lorang	70	Vice President and Chief Technical Officer		
Dennis G. Spickler	52	Vice President of Business Development		
Robert A. Young	53	Executive Vice President, Market Operations		
J. Braxton Carter	45	Vice President of Corporate Operations		
Herbert Chip Graves, IV	48	Vice President and General Manager, San Francisco		
Albert S. Loverde	64	Vice President and General Manager, Georgia		
Corey A. Linquist	42	Vice President and General Manager, Sacramento		
Frank J. Bell	49	Vice President and General Manager, Florida		
Phillip R. Terry	43	Vice President of Corporate Marketing		
Michael N. Lavey	46	Vice President, Controller and Interim Chief Financial Officer		
C. Boyden Gray	61	Director	Class A	
Harry F. Hopper, III	50	Director	Common	
Joseph T. McCullen, Jr.	69	Director	Class A	
Arthur C. Patterson	60	Director	Common	
John Sculley	64	Director	Class A	
James F. Wade	48	Director	Common	

*Roger D. Linquist* co-founded our company and has served as our President, Chief Executive Officer, Secretary and a director since our inception. In 1989, Mr. Linquist founded PageMart Wireless (now Metrocall), a U.S. paging company. He served as PageMart's Chief Executive Officer from 1989 to 1993, and as Chairman from 1989 through March 1994, when he resigned to form MetroPCS, Inc. Prior to founding PageMart, Mr. Linquist was Chief Executive Officer of PacTel Personal Communications (which later became AirTouch) and of Communications Industries, covering the time period from 1982 to 1989. Prior to 1982, Mr. Linquist was a management consultant with McKinsey & Co. and held various management positions with Texas Instruments. Mr. Linquist served as a director of PageMart from June 1989 to September 1997, and was a founding director of the Cellular Telecommunications and Internet Association. Mr. Linquist was an executive officer of MetroPCS, Inc. when it initiated its bankruptcy proceedings in October 1997. Mr. Linquist is the father of Corey A. Linquist, our Vice President and General Manager, Sacramento, and the father-in-law of Phillip R. Terry, our Vice President of Corporate Marketing.



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*Malcolm M. Lorang* co-founded our company and has served as our Vice President and Chief Technical Officer since our inception. Mr. Lorang has a broad background in radio frequency communications systems and systems engineering, most recently serving as Vice President of Engineering for PageMart Wireless from 1989 to 1994. Mr. Lorang has authored numerous patents, including patents in the radio frequency communications systems area, and was involved in the development and testing of military applications for spread spectrum technology upon which CDMA is based. Mr. Lorang's experience includes positions with Magnavox Research Laboratories from 1957 to 1972, and Texas Instruments from 1972 to 1988 as a senior design engineer and member of its technical staff. Mr. Lorang was an executive officer of MetroPCS, Inc. when it initiated its bankruptcy proceedings in October 1997.

*Dennis G. Spickler* became our Vice President of Business Development in March 2004. Previously, Mr. Spickler served as our Vice President of Finance and Chief Financial Officer from September 1996 through March 2004. Prior to joining our company, he served as Vice President, Chief Financial and Information Technology Officer for PrimeCo Personal Communications from its inception in March 1995 through September 1996. Prior to joining PrimeCo, Mr. Spickler served in various management positions for Bell Atlantic including Managing Director, Mergers and Acquisitions from April 1991 to March 1995, and Vice President, Financial Operations for Bell Atlantic TriCon Leasing from 1988 to 1991. Mr. Spickler also served as General Manager External Reporting and Professional Accounting Matters for Bell Atlantic and prior to that was an Audit Manager for Coopers & Lybrand (now PricewaterhouseCoopers LLP). Mr. Spickler was an executive officer of MetroPCS, Inc. when it initiated its bankruptcy proceedings in October 1997.

*Robert A. Young* joined us as Executive Vice President, Market Operations in May 2001. Previously, Mr. Young served as President of the Great Lakes Area of Verizon Wireless from February 2001 until April 2001, and as President of Verizon Wireless Messaging Services (previously known as AirTouch Paging) from April 2000 until January 2001. Prior to joining Verizon Wireless, Mr. Young held various positions with PrimeCo Personal Communications, including Vice President Customer Care from April 1998 until April 2000, President Independent Region from October 1997 until October 1998, and Vice President/General Manager Houston from May 1995 until September 1997. He also chaired PrimeCo's Information Technology Steering Committee and was a member of its Senior Leadership Team.

*J. Braxton Carter* joined us as Vice President of Corporate Operations in February 2001. Prior to joining our company, Mr. Carter was Chief Financial Officer and Chief Operating Officer of PrimeCo PCS, the successor entity of PrimeCo Personal Communications formed in March 2000. He held various senior management positions with PrimeCo Personal Communications, including Chief Financial Officer and Controller, from 1996 until March 2000. Mr. Carter also has extensive senior management experience in the retail industry and spent 10 years in public accounting.

*Herbert Chip Graves, IV* joined us as Vice President and General Manager, San Francisco in March 2002. Prior to joining our company, Mr. Graves was employed by Sprint PCS, during which time he served as Area Vice President for Northern California from August 1998 until September 2000, and as Area Vice President for Southern California from September 2000 until March 2002.

*Albert S. Loverde* joined us as Vice President and General Manager, Georgia in July 1996. Prior to joining our company, Mr. Loverde served as Director of Engineering for PriCellular Wireless from February 1995 to July 1996, as Director of Marketing at Haddcomm International from January 1995 to March 1995, and as Vice President and General Manager for Sterling Cellular from August 1990 to January 1995. Mr. Loverde also spent 25 years at Bell Laboratories in various positions. Mr. Loverde was an executive officer of MetroPCS, Inc. when it initiated its bankruptcy proceedings in October 1997.

*Corey A. Linquist* became our Regional Vice President and General Manager, Sacramento in January 2001. Previously, Mr. Linquist was Director of Strategic Planning for our company, a position he held since our inception in July 1994. Prior to joining us, Mr. Linquist served in a

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similar position at PageMart Wireless. Mr. Linquist is the son of Roger D. Linquist, our President, Chief Executive Officer, Secretary and Chairman of our Board of Directors.

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*Frank J. Bell* joined us as Vice President and General Manager, Florida in June 2001. Prior to joining our company, Mr. Bell was Area Vice President of Florida for Sprint PCS from February 1998 to March 2001. During his 16 years in the wireless industry, Mr. Bell has held various senior management positions with Pactel/AirTouch Paging and Dial Page.

*Phillip R. Terry* became our Vice President of Corporate Marketing in December 2003. Previously, Mr. Terry served as our Staff Vice President for Product Management and Distribution Services from April 2002 to December 2003, and as our Director of Field Distribution from April 2001 to April 2002. Prior to joining us, Mr. Terry was employed by WebLink Wireless where he was the Corporate Director of Carrier Services from January 1998 to March 2001, Southwest Regional Vice President from January 1995 through December 1997 and Area Vice President for Dallas/Fort Worth from January 1990 through December 1994. Mr. Terry is the son-in-law of Roger D. Linquist, our President, Chief Executive Officer, Secretary and Chairman of our Board of Directors.

*Michael N. Lavey* joined us as Vice President and Controller in January 2004 and was appointed Interim Chief Financial Officer in March 2004. Prior to joining our company, Mr. Lavey served from May 2002 to November 2003 as Vice President – Controller for VarTec Telecom, a nationwide provider of long distance and local telephone service. Previously, Mr. Lavey served as Vice President – Corporate Controller for Excel Communications from January 2000 until its acquisition by VarTec in April 2002. Prior to joining Excel, Mr. Lavey held various management positions with BancTec, including Vice President – Enterprise System Strategy from May 1996 to January 2000, Vice President and Controller – North American Operations from March 1995 to May 1996, and Treasurer from March 1994 to March 1995.

*C. Boyden Gray*, a director of our company since January 1997, served as Counsel to President George Bush from 1989 to 1993. From 1981 to 1988, he served in many capacities, including Counsel to then-Vice President Bush. In addition to his service to President Bush, he has been a partner at the law firm of Wilmer Cutler Pickering LLP since 1976, providing advice on a range of regulatory matters with emphasis on telecommunications, antitrust, food and drug and environmental issues. He also serves as a director of four other privately held companies. Mr. Gray was a director of MetroPCS, Inc. when it initiated its bankruptcy proceedings in October 1997.

*Harry F. Hopper, III*, a director of our company since May 2001, has been a managing member of Columbia Capital or its affiliates since 1994. Columbia Capital is a venture capital firm with an investment focus on communications services, media, network infrastructure and software. Mr. Hopper is currently a member of the board of directors of Affinity Internet and Pegasus Communications Inc. and was formerly a director of DSL.Net and Equinix as well as a number of privately held companies.

*Joseph T. McCullen, Jr.*, has been a director of our company since May 2001 and previously from December 1995 until November 2000. He has served as a Managing Director of McCullen Capital, a venture capital and advisory firm, since July 2001. He served as a Managing Director of Whitney & Co. from 1999 until 2001, and as a Managing Director of OneLiberty Ventures, a venture capital firm, from 1986 until 1999. Mr. McCullen also serves as a director of several privately held companies. Mr. McCullen's public sector experience includes service as Assistant Secretary of the Navy from 1973 to 1977, and as Special Assistant to the President from 1971 to 1973. Mr. McCullen was a director of MetroPCS, Inc. when it initiated its bankruptcy proceedings in October 1997.

*Arthur C. Patterson*, a director of our company since its inception, is a founding General Partner of Accel Partners, a venture capital firm, which was established in 1983. Mr. Patterson also serves as a director of iPass, Actuate and several privately held companies. Mr. Patterson was a director of MetroPCS, Inc. when it initiated its bankruptcy proceedings in October 1997.

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*John Sculley*, a director of our company since December 1995, has been a partner in Sculley Brothers, a private investment capital firm, since June 1994. Mr. Sculley also serves on the boards of directors of InPhonic and several privately held companies. Mr. Sculley was a director of MetroPCS, Inc. when it initiated its bankruptcy proceedings in October 1997.

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*James F. Wade*, a director of our company since November 2000, has served as Managing Partner of M/C Venture Partners, a venture capital firm, since December 1998. Mr. Wade leads the investment process including determining sector focus, seeking out management teams, founding new companies and working with financial sources that provide debt and equity capital to grow companies. He currently serves on the boards of directors of Cavalier Telephone, City Signal Communications and New South Communications.

### **Board of Directors**

Our certificate of incorporation provides for two classes of directors, those elected by holders of our Class A common stock and those elected by holders of our common stock. The certificate of incorporation provides for four Class A directors and a number of common directors determined as set forth in our bylaws. We currently have four Class A directors and three common directors. Each Class A director has one vote on each matter submitted to a vote of our board of directors, and each common director currently has one vote; *provided, however*, that if, at any time, our board of directors has more than three common directors, each common director shall individually have a fractional vote such that the common directors collectively have three votes. The designation of common directors and election of all directors is governed by the provisions of an amended and restated stockholders agreement. All of our directors have been elected pursuant to the terms of the stockholders agreement. See Description of Capital Stock.

Prior to the consummation of this offering, our certificate of incorporation and bylaws will be amended to also provide for a board of directors consisting of three divisions of directors, each serving staggered three-year terms. Directors of each division will be chosen for three-year terms upon the expiration of their current terms and each year one division of directors will be elected by our stockholders. The terms of the first, second and third divisions will expire in 2004, 2005 and 2006, respectively. The first division will consist of two Class A directors and one common director, and each of the second and third divisions will consist of one Class A director and one common director. We believe that this feature of our certificate of incorporation and bylaws will help to assure the continuity and stability of our business strategies and policies as determined by the board of directors. See Description of Capital Stock.

### **Committees of the Board of Directors**

Our board of directors has established four standing committees: an audit committee, a nominating and corporate governance committee, a compensation committee and a finance committee. Upon the consummation of this offering, the composition of each board committee will comply with the requirements of the Nasdaq National Market and the Sarbanes-Oxley Act of 2002.

*Audit Committee.* The members of our audit committee are Messrs. Joseph T. McCullen, Jr., John Sculley and Harry F. Hopper, III, each of whom has been affirmatively determined by our board of directors to be independent in accordance with Nasdaq and SEC rules. Until the consummation of this offering, we are not required to have an audit committee financial expert, as such term is defined in Item 401 of Regulation S-K. We are currently in the process of identifying an individual to serve in that capacity. The responsibilities of the audit committee include:

overseeing, reviewing and evaluating our financial statements, the audits of our financial statements, our accounting and financial reporting processes, our disclosure controls and procedures and our internal control functions;

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appointing, compensating, retaining and overseeing our independent accountants;

pre-approving permissible non-audit services to be performed by our independent accountants, if any, and the fees to be paid in connection therewith;

establishing and maintaining whistleblower procedures; and

conducting an annual self-evaluation.

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*Nominating and Corporate Governance Committee.* The members of our nominating and corporate governance committee are Messrs. , each of whom has been affirmatively determined by our board of directors to be independent in accordance with Nasdaq rules. The responsibilities of the nominating and corporate governance committee include:

assisting in the process of identifying, recruiting, evaluating and nominating candidates for membership on our board of directors and the committees thereof;

developing processes regarding the consideration of director candidates recommended by stockholders and stockholder communications with our board of directors;

evaluating periodically our Code of Business Conduct and Ethics; and

conducting an annual self-evaluation and assisting our board of directors and our other board committees in the conduct of their annual self-evaluations.

*Compensation Committee.* The members of our compensation committee are Messrs. Arthur C. Patterson, James F. Wade and Joseph T. McCullen, Jr., each of whom has been affirmatively determined by our board of directors to be independent in accordance with Nasdaq rules. The responsibilities of the compensation committee include:

developing and reviewing general policy relating to compensation and benefits;

reviewing and making recommendations to our board of directors concerning the compensation and benefits of our chief executive officer and our directors;

overseeing our chief executive officer's decisions concerning the performance and compensation of our other executive officers;

administering our stock option and employee benefit plans;

preparing an executive compensation report for publication in our annual proxy statement; and

conducting an annual self-evaluation.

*Finance Committee.* The members of our finance committee are Messrs. Arthur C. Patterson, James F. Wade and Harry F. Hopper III. The responsibilities of the finance committee include:

monitoring our present and future capital requirements and business opportunities;

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overseeing, reviewing and evaluating our capital structure and our strategic planning and financial execution processes; and

making recommendations to our board regarding acquisitions, dispositions and our short and long-term operating plans.

### **Compensation of Directors**

Members of our board of directors receive as compensation for serving on the board of directors a retainer of \$ \_\_\_\_\_ per meeting attended in person or by video conference and \$ \_\_\_\_\_ per meeting attended by telephone.

### **Compensation Committee Interlocks and Insider Participation**

Our compensation committee is currently comprised of Messrs. Arthur C. Patterson, James F. Wade and Joseph T. McCullen, Jr. None of these individuals has been at any time an officer or employee of our company. No member of our compensation committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.







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	Shares Acquired on Exercise	Value Realized (1)	Number of Shares Underlying Unexercised Options		Value of Unexercised	
			at December 31, 2003		In-the-Money Options at December 31, 2003 (1)	
			Exercisable (2)	Unexercisable (3)	Exercisable	Unexercisable
Roger D. Linqvist		\$	8,396,900		\$ 46,383,765	\$
Robert A. Young			325,000		1,088,750	
Dennis G. Spickler	131,000	729,179	998,800		5,264,623	
Frank J. Bell			166,500		557,775	
Herbert Chip Graves, IV			110,000		368,500	

- (1) Prior to this offering, there was no established trading market for any class of our capital stock. The fair market value of our common stock for accounting purposes, as determined by the administrator of our 1995 stock option plan pursuant to terms of the plan, was \$5.70 per share as of December 31, 2003.
- (2) Reflects the number of shares of common stock that each named executive officer may acquire upon the exercise of options granted under our 1995 stock option plan. See Equity Compensation Plans 1995 Stock Option Plan.



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*Bonus Stock.* We may grant shares of bonus stock under the plan to our employees, directors and consultants for the performance of services by such individuals without additional consideration except as may be required by the compensation committee.

*Stock Appreciation Rights.* The plan also provides that we may grant rights to receive, in either cash or shares of common stock, the excess of the fair market value of our common stock on the date of exercise over the grant price as determined by the compensation committee, which grant price shall not be less than the fair market value of the common stock on the date of grant. We refer to these rights as stock appreciation rights. The compensation committee shall determine at the date of grant the time or times at which and the circumstances under which a stock appreciation right may be exercised. The term of any stock appreciation right may not exceed ten years.



(1) Consists of our 1995 stock option plan and our 2004 equity incentive compensation plan.

**Employment Contracts and Change of Control Arrangements**

We do not presently have any employment contracts in effect with any of our named executive officers.

Our equity compensation plans provide for the accelerated vesting of the shares of our common stock subject to outstanding options following specified change of control events.



**Legal Services Performed by Wilmer Cutler Pickering LLP**

One of our directors, C. Boyden Gray, has been a partner in the law firm of Wilmer Cutler Pickering LLP since 1976. Such firm regularly performs legal services for us. The aggregate amount of fees paid by us to Wilmer Cutler Pickering LLP was less than 5% of the law firm's gross revenues for the year ended December 31, 2003.









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place restrictions on the ability of subsidiaries to pay dividends or make other payments to MetroPCS, Inc.;

engage in certain business activities; and

merge or consolidate.

### **FCC Notes**

Each of our 14 wholly-owned license subsidiaries has executed a separate promissory note payable to the FCC in a principal amount equal to the adjusted price of that license subsidiary's FCC license, as determined in accordance with our plan of reorganization under the United States Bankruptcy Code. Under the terms of a separate security agreement between the FCC and each license subsidiary, each FCC note is secured by a first priority security interest in the FCC license held by such license subsidiary. All of the FCC notes mature in January 2007, which is the expiration of the original ten-year term of our FCC licenses. The FCC notes bear interest at a rate of 6.5% per annum, and are payable in quarterly installments of principal and interest, until maturity, on January 31, April 30, July 31 and October 31 of each year.

Scheduled principal and interest payments under the FCC notes are approximately \$4.0 million per quarter.

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In the event that a license subsidiary fails to make an installment payment to the FCC when due or becomes unable to meet its other obligations under its FCC note or otherwise violates regulations applicable to holders of FCC licenses, the FCC could take a variety of remedial actions, including revocation of that subsidiary's FCC license and acceleration of its FCC note. See Risk Factors Risks Related to Our Business and Legislation and Government Regulations. The FCC notes and related security agreements do not contain cross-default or cross-collateral provisions and do not allow the FCC to revoke the FCC license, or accelerate the FCC note, of any non-defaulting license subsidiary.

As of December 31, 2003, the aggregate principal amount of the FCC notes was \$46.8 million, which is recorded on our balance sheet net of a discount to reflect the fair market value of the obligations determined assuming a fair market borrowing rate at the time the FCC notes were issued. The resulting discount of \$4.8 million is being amortized through maturity of the FCC notes. However, if the FCC notes are accelerated for any reason, including a default by us in any of our obligations with respect to the FCC notes, the full principal amount of the FCC notes, plus accrued interest, together with any late and/or administrative charge, would become due and payable.

**Other Debt**

As of December 31, 2003, we had ongoing obligations of approximately \$3.8 million that are payable to other wireless carriers under cost-sharing plans related to microwave relocation in our markets. Each of these obligations has a ten-year term, with interest only payments through year six and principal payments commencing in year seven. See Legislation and Government Regulations General Licensing Requirements.



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The holders of our Class A common stock currently hold 50.1% of our equity voting rights by virtue of their Class A common stock holdings, and those holders will retain such voting control immediately following this offering. We believe, however, that following this offering we may be able to qualify as a designated entity using an alternative to the control group described above, which would allow us to eliminate the supervoting Class A



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Subject to the rights of holders of all outstanding classes of stock having prior rights as to distributions, in the event of the liquidation, dissolution or winding up of our company, the holders of common stock and Class A common stock are entitled to share ratably in all assets remaining after payment of liabilities, if any, then outstanding.

Prior to the consummation of this offering, there was no established trading market for any class of our capital stock.

### *Voting Rights and Board Representation*

Our certificate of incorporation provides that the holders of our Class A common stock have the right to vote on every matter submitted to a vote of our stockholders other than any matter on which only the holders of one or more classes or series of capital stock other than Class A common stock are entitled to vote separately as a class. Similarly, the holders of our common stock have the right to vote on every matter submitted to a vote of our stockholders other than any matter on which only the holders of one or more classes or series of capital stock other than common stock are entitled to vote separately as a class.



75% of the fair market value of the common stock being redeemed, if the holder caused the FCC violation; or

100% of the fair market value of the common stock being redeemed, if the FCC violation was caused by no fault of the holder.

For a discussion of the FCC's ownership restrictions, please see [Legislation and Government Regulations](#) [Ownership Restrictions](#).



After this offering, the stockholder parties to our stockholders agreement, who collectively hold \_\_\_\_\_ shares of common stock, will be entitled to certain rights with respect to the registration of the sale of such shares under the Securities Act. Under the terms of the stockholders agreement, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders exercising registration rights, such holders are entitled to notice of such registration and are entitled to include shares in the



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eliminate the personal liability of directors for monetary damages resulting from breaches of fiduciary duty to the extent permitted by Delaware law; and

indemnify directors and officers to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary.

We believe that these provisions are necessary to attract and retain qualified directors and officers.

We have also entered into separate indemnification agreements with each of our directors and executive officers under which we have agreed to indemnify, and to advance expenses to, each director and executive officer to the fullest extent permitted by applicable law with respect to liabilities they may incur in their capacities as directors and officers.

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Our certificate of incorporation provides for two classes of directors, those elected by holders of our Class A common stock and those elected by holders of our common stock. Prior to the consummation of this offering, our certificate of incorporation and bylaws will be amended to also provide for a board of directors consisting of three divisions of directors, each serving staggered three-year terms. The classification and divisions of our board of directors could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us. However, we believe that this feature of our certificate of incorporation will help to assure the continuity and stability of our business strategies and policies as determined by the board of directors. See Description of Capital Stock.

Our bylaws also require that any stockholder proposals to be considered at an annual meeting of stockholders must be delivered to us not less than 20 nor more than 60 days prior to the meeting. In addition, in the notice of any such proposal, the proposing stockholder must state the proposals, the reasons for the proposal, the stockholder's name and address, the class and number of shares held by such stockholder and any material interest of the stockholder in the proposals. There are additional informational requirements in connection with a proposal concerning a nominee for the board of directors.

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is .



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a citizen or resident of the United States.;

a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) or partnership (including any entity treated as a partnership for U.S. federal income tax purposes) created or organized under the laws of the United States or of any political subdivision of the United States;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust, the administration of which is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all substantial decisions of the trust, or other trusts considered U.S. persons for U.S. federal income tax purposes.



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We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our United States real property interests relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. As long as our common stock is regularly traded on an established securities market, however, it will be treated as United States real property interests, in general, only with respect to a non-U.S. holder that holds more than 5% of such regularly traded common stock.

Unless an applicable treaty provides otherwise, gain described in the first bullet point above will be subject to the U.S. federal income tax imposed on net income on the same basis that applies to U.S. persons generally but

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will generally not be subject to withholding. Corporate stockholders also may be subject to a branch profits tax on such gain. Gain described in the second bullet point above will be subject to a flat 30% U.S. federal income tax, which may be offset by U.S. source capital losses. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

### **U.S. Federal Estate Taxes**

Our common stock owned or treated as owned by an individual who at the time of death is a non-U.S. holder will be included in his or her estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

### **Information Reporting and Backup Withholding**

Under U.S. Treasury regulations, we must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such non-U.S. holder and the tax withheld with respect to those dividends. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected dividends or withholding was reduced or eliminated by an applicable tax treaty. Pursuant to an applicable tax treaty, that information may also be made available to the tax authorities in the country in which the non-U.S. holder resides.

The United States generally imposes a backup withholding tax on dividends and specific other types of payments to certain non-corporate holders who fail to comply with specific information requirements. Backup withholding will generally not apply to payments of dividends made by us or our paying agents, in their capacities as such, to a non-U.S. holder of our common stock if the stockholder has provided the required certification that it is not a U.S. person or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the stockholder is a U.S. person.

Payments of the proceeds from a disposition or a redemption effected outside the United States by a non-U.S. holder of our common stock made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting, but not backup withholding, generally will apply to such a payment if the broker has certain connections with the United States unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. holder and specified conditions are met or an exemption is otherwise established.

Payment of the proceeds from a disposition by a non-U.S. holder of common stock made by or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the non-U.S. holder certifies that it is not a U.S. person under penalties of perjury and such broker does not have actual knowledge, or reason to know, that the stockholder is a U.S. person or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts that we withhold under the backup withholding rules will be refunded or credited against the non-U.S. holder's U.S. federal income tax liability if certain required information is furnished to the IRS. Non-U.S. holders are urged to consult their own tax advisors regarding application of backup withholding in their particular circumstance and the availability of, and procedure for obtaining an exemption from, backup withholding under current Treasury regulations.



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**SHARES ELIGIBLE FOR FUTURE SALE**

Prior to this offering, there has been no public market for any class of our capital stock, and a significant public market for our common stock may not develop or be sustained after this offering. Future sales of significant amounts of our capital stock, including shares of our outstanding stock and shares of our stock issued upon exercise of outstanding options, in the public market after this offering, or the perception that such sales could occur, could adversely affect the prevailing market price of our common stock and could impair our future ability to raise capital through the sale of our equity securities.

**Sale of Restricted Shares and Lock-Up Agreements**

Upon the closing of this offering, we will have outstanding      shares of Class A common stock and      shares of common stock, in each case, based upon our shares outstanding as of December 31, 2003, and after giving effect to the conversion of all shares of our Class B common stock and Series D preferred stock. See Description of Capital Stock.

Of these shares, the      shares of common stock sold in this offering will be freely tradable without restriction under the Securities Act, unless purchased by affiliates of our company, as that term is defined in Rule 144 under the Securities Act, and an additional      shares will be freely tradable pursuant to Rule 144(k) under the Securities Act.

The shares of Class A common stock and the remaining      shares of common stock are restricted securities as that term is defined in Rule 144 under the Securities Act. These restricted securities may be sold in the public market only if they are registered under the Securities Act or sold in accordance with Rule 144 or Rule 701 promulgated under the Securities Act. Beginning 90 days after the date of this prospectus,      of the remaining shares of common stock will be eligible for sale in the public market pursuant to Rule 144, subject to certain volume limitations.

Substantially all of the shares of our common stock, other than the common stock to be sold in this offering, are held by officers, directors and existing stockholders who are subject to lock-up agreements pursuant to which, subject to certain exceptions, these holders have agreed not to sell or otherwise dispose of their shares of common stock or any securities convertible into or exchangeable for shares of common stock for a period of 180 days after the date of this prospectus. Bear, Stearns & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the underwriters may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to the lock-up agreements. See Underwriting.

**Rule 144**

In general, Rule 144 allows a stockholder (or stockholders where shares are aggregated), including an affiliate, who has beneficially owned shares of our common stock for at least one year and who files a Form 144 with the SEC to sell within any three month period commencing 90 days after the date of this prospectus a number of those shares that does not exceed the greater of:

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1.0% of the number of then outstanding shares of common stock, which will equal approximately      shares after the consummation of this offering; or

the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of the Form 144 with respect to such sale.

Approximately      shares of our common stock will become available for sale, subject to the volume limitations of Rule 144, after the expiration of the lock-up period. The remaining shares of our common stock will become available for sale, subject to the volume limitation of Rule 144, at various times after the expiration of the lock-up period and upon expiration of the one-year holding periods required by Rule 144.

Sales under Rule 144, however, are subject to specific manner of sale provisions, notice requirements, and the availability of current public information about us. We cannot estimate the number of shares of common

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stock our existing stockholders will sell under Rule 144, as this will depend on the market price for our common stock, the personal circumstances of the stockholders and other factors.

**Rule 144(k)**

Under Rule 144(k), in general, a stockholder who has beneficially owned shares of our common stock for at least two years and who is not deemed to have been an affiliate of our company at any time during the immediately preceding 90 days may sell shares without complying with the manner of sale provisions, notice requirements, public information requirements, or volume limitations of Rule 144. Affiliates of our company, however, must always sell pursuant to Rule 144, even after the otherwise applicable Rule 144(k) holding periods have been satisfied.

**Rule 701**

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

As of , 2004, shares of our common stock had been issued to some of our management employees in reliance on Rule 701.

**Registration Rights**

After this offering, the stockholder parties to our stockholders agreement, who collectively hold shares of common stock, will be entitled to certain rights with respect to the registration of the sale of such shares under the Securities Act. Under the terms of the stockholders agreement, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders exercising registration rights, such holders are entitled to notice of such registration and are entitled to include shares in the registration. Stockholders benefiting from these rights may also require us to file a registration statement under the Securities Act at our expense with respect to their shares of common stock, and we are required to use our best efforts to effect such registration. Further, these stockholders may require us to file additional registration statements on Form S-3 at our expense. These rights are subject to certain conditions and limitations, among them the rights of underwriters to limit the number of shares included in such registration.

By exercising their registration rights and causing a large number of shares to be sold in the public market, these holders could cause the market price of our common stock to decline. See Description of Capital Stock Stockholders Agreement.

**Options and Warrants**

In addition to the shares of our common stock and Class A common stock outstanding immediately after this offering, as of \_\_\_\_\_, 2004, there were outstanding options to purchase \_\_\_\_\_ shares of our common stock and outstanding warrants to purchase \_\_\_\_\_ shares of common stock. An additional \_\_\_\_\_ shares of common stock have been reserved for issuance pursuant to our equity compensation plans.

As soon as practicable after the closing of this offering, we intend to file a registration statement on Form S-8 under the Securities Act covering shares of our common stock issued or reserved for issuance under our equity compensation plans. Accordingly, shares of our common stock registered under such registration statement will be available for sale in the open market upon exercise by the holders, subject to vesting restrictions with us, contractual lock-up restrictions and/or market stand-off provisions applicable to each option agreement that prohibit the sale or other disposition of the shares of common stock underlying the options for a period of \_\_\_\_\_ days after the date of this prospectus without the prior written consent from us or our underwriters.

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We and the selling stockholders intend to offer the shares through the underwriters. Subject to the terms and conditions described in an underwriting agreement among us, the selling stockholders and Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, J.P. Morgan Securities Inc. and Thomas Weisel Partners LLC, as representatives of the several underwriters, we and the selling stockholders have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us and the selling stockholders, the number of shares of common stock listed opposite their names below.

<u>Underwriter</u>	<u>Number of Shares</u>
Bear, Stearns & Co. Inc. Merrill Lynch, Pierce, Fenner & Smith  Incorporated	
UBS Securities LLC J.P. Morgan Securities Inc. Thomas Weisel Partners LLC	
<b>Total</b>	

The underwriters have agreed to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commissions and Discounts**

The underwriters have advised us that they propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$        per share. The underwriters may allow, and the dealers may realow, a discount not in excess of \$        per share to other dealers. After the public offering, the public offering price, concession and discount may be changed.

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The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

	<b>Per Share</b>	<b>Without Option</b>	<b>With Option</b>
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to MetroPCS	\$	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$	\$

The expenses of this offering, excluding the underwriting discount and commissions and related fees, are estimated at \$ \_\_\_\_\_ and are payable by us.

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#### **Over-allotment Option**

We and the selling stockholders have granted the underwriters an option exercisable for 30 days from the date of this prospectus to purchase a total of up to \_\_\_\_\_ additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option solely to cover any over-allotments, if any, made in connection with this offering. To the extent the underwriters exercise this option in whole or in part, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares approximately proportionate to that underwriter's initial commitment amount reflected in the above table.

#### **No Sales of Similar Securities**

We, each of our officers and directors and holders of substantially all of our common stock, have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Bear, Stearns & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other individuals have agreed not to:

directly or indirectly, offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, borrow or otherwise dispose of any common stock; or

establish or increase any put equivalent position or liquidate or decrease any call equivalent position with respect to any common stock, or otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequence of ownership of common stock, whether or not such transaction is to be settled by delivery of common stock, other securities, cash or other consideration.

This lock-up provision applies to common stock, any other equity security of MetroPCS or any of its subsidiaries and any security convertible into, or exercisable or exchangeable for, any common stock or other such equity security. Bear, Stearns & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated may waive this lock-up without public notice. This lockup provision does not limit our ability to grant options to purchase common stock or issue common stock upon the exercise of options or otherwise under our equity compensation plans.

#### **Quotation on the Nasdaq National Market**

We expect to apply for quotation of our common stock on the Nasdaq National Market under the symbol MPCS.

#### **Price Stabilization, Short Positions**

Until the distribution of the shares is completed, SEC rules may limit the underwriters from bidding for and purchasing our common stock. However, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock during and after

this offering.

If the underwriters over-allot or otherwise create a short position in our common stock in connection with this offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the underwriters may reduce that short position by purchasing shares in the open market. The underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option described above. In addition, the underwriters may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in this offering are reclaimed if shares of our common stock previously distributed in this offering are repurchased in connection with stabilization transactions or otherwise. These transactions to stabilize or maintain the market price may cause the price of our common stock to be higher than it might be in the absence of such transactions. The imposition of a penalty bid may also affect the price of our common stock to the extent that it discourages resales.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In

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addition, neither we nor any of the underwriters makes any representation that they will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Passive Market Making**

In connection with this offering, the underwriters may engage in passive market making transactions in our common stock on the Nasdaq National Market in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934 during a period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded.

**Other Relationships**

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions. In addition, Bear, Stearns & Co. Inc. and certain of its employees own, in the aggregate, less than 1% of our common stock.

**Pricing of this Offering**

Prior to this offering, there has been no public market for our shares of common stock. Consequently, the initial public offering price for our shares of common stock will be determined by negotiations between us and the representatives of the underwriters.

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**NOTICE TO CANADIAN RESIDENTS**

**Resale Restrictions**

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we and the selling stockholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

**Representations of Purchasers**

By purchasing common stock in Canada and accepting a purchase confirmation a purchaser is representing to us, the selling stockholders and the dealer from whom the purchase confirmation is received that:

the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws,

where required by law, that the purchaser is purchasing as principal and not as agent, and

the purchaser has reviewed the text above under Resale Restrictions.

**Rights of Action Ontario Purchasers Only**

Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the common stock, for rescission against us and the selling stockholders in the event that this prospectus contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the common stock. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the common stock. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us or the selling stockholders. In no case will the amount recoverable in any action exceed the price at which the common stock were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we and the selling stockholders will have no liability. In the case of an action for damages, we and the selling stockholders will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the common stock as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

**Enforcement of Legal Rights**

All of our directors and officers as well as the experts named herein and the selling stockholders may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

**Taxation and Eligibility for Investment**

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

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**NOTICE TO FOREIGN INVESTORS**

The Communications Act of 1934 includes provisions that authorize the FCC to restrict the level of ownership that foreign nationals or their representatives, a foreign government or its representative or any corporation organized under the laws of a foreign country may have in us. For a discussion of these and other FCC ownership restrictions, please see [Legislation and Government Regulations](#) [Ownership Restrictions](#).

If a holder of our common stock acquires additional shares of common stock or otherwise is attributed with ownership of such shares that would cause us to violate FCC ownership restrictions, we may, at the option of our board of directors, redeem shares of common stock sufficient to eliminate the violation. In the event of a violation of the FCC's foreign ownership restrictions, we must first redeem the stock of the foreign stockholder which most recently purchased its first shares of our stock. For a discussion of the redemption features of our common stock, including the prices at which we may redeem such stock, please see [Description of Capital Stock](#) [Common Stock and Class A Common Stock](#) [Redemption](#).

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**LEGAL MATTERS**

The validity of the shares of common stock offered hereby will be passed upon for us by Andrews Kurth LLP, Houston, Texas. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP, New York, New York.

**EXPERTS**

The financial statements as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

**AVAILABLE INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to this offering. This prospectus does not contain all the information set forth in the registration statement, certain portions of which are omitted as permitted by the rules and regulations of the SEC. For further information about us and the shares offered by this prospectus, you should refer to the registration statement, including the exhibits and schedules filed with the registration statement. You may obtain copies of the registration statement, of which this prospectus is a part, together with such exhibits and schedules, upon payment of the fee prescribed by the SEC, or you may examine these documents without charge at the office of the SEC. Statements contained in this prospectus as to the contents of any contract, agreement or other document to which we make reference are not necessarily complete. In each instance, we refer you to the copy of such contract, agreement or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by the more complete description of the matter involved.

Our subsidiary, MetroPCS, Inc., is subject to the informational requirements of the Securities Exchange Act of 1934, or the Exchange Act, and is required to file annual and quarterly reports and other information with the SEC. In addition, upon consummation of this offering, MetroPCS Communications, Inc. will also become subject to the informational and reporting requirements of the Exchange Act. Any materials filed with the SEC may be read and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We expect that any materials filed by MetroPCS Communications, Inc. or by MetroPCS, Inc. with the SEC will be filed electronically.

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<u>Consolidated Statements of Operations for the years ended December 31, 2001, 2002 and 2003</u>	F-4
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**REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors and Stockholders of MetroPCS, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows present fairly, in all material respects, the financial position of MetroPCS, Inc. and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue arrangements with multiple deliverables as a result of adopting EITF No. 00-21 as of July 1, 2003.

PricewaterhouseCoopers LLP

Dallas, Texas

February 25, 2004

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**Table of Contents****Index to Financial Statements****MetroPCS, Inc. and Subsidiaries****Consolidated Balance Sheets****(In Thousands, Except Share Information)**

	<u>December 31,</u>		<b>Unaudited</b>
	<u>2002</u>	<u>2003</u>	<b>Pro Forma</b>
			<b>Stockholders</b>
			<b>Equity at</b>
			<b>December</b>
			<b>31,</b>
			<b>2003</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 61,717	\$ 235,965	
Inventory, net	13,546	21,210	
Accounts receivable (net of allowance of \$383 and \$1,085 at December 31, 2002 and 2003, respectively)	5,241	8,678	
Prepaid expenses	4,839	5,292	
Deferred charges	7,910	6,498	
Current deferred tax asset	13,330	6,675	
Other current assets	3,073	8,833	
<b>Total current assets</b>	<b>109,656</b>	<b>293,151</b>	
Property and equipment, net	353,360	482,965	
Restricted cash and investments	2,180	1,248	
Long-term investments		19,000	
PCS licenses	90,619	90,619	
Microwave relocation costs	6,932	10,000	
Other assets	175	5,511	
<b>Total assets</b>	<b>\$ 562,922</b>	<b>\$ 902,494</b>	
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 89,829	\$ 153,688	
Current maturities of long-term debt	9,499	13,362	
Deferred revenue	14,375	31,091	
Other current liabilities	5,508	2,295	
<b>Total current liabilities</b>	<b>119,211</b>	<b>200,436</b>	
Long-term debt, net	41,351	182,433	
Deferred tax liabilities	23,424	30,791	
Long-term deferred revenue	3,585	30	
Deferred rents	2,802	3,961	
Other long-term liabilities	1,785	20,554	
<b>Total liabilities</b>	<b>192,158</b>	<b>438,205</b>	

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COMMITMENTS AND CONTINGENCIES (See Note 8)

SERIES D CUMULATIVE CONVERTIBLE REDEEMABLE PARTICIPATING PREFERRED STOCK, par value \$.0001 per share, 4,000,000 shares designated, 2,845,578 and 3,500,947 shares issued and outstanding at December 31, 2002 and 2003, respectively; liquidation preference of \$300,554 and \$384,841 at December 31, 2002 and 2003, respectively

	294,642	379,401
--	---------	---------

STOCKHOLDERS EQUITY:

Preferred stock, par value \$.0001 per share, 5,000,000 shares authorized, 4,000,000 of which have been designated as Series D Preferred Stock, no shares issued and outstanding at December 31, 2002 and 2003

Common stock, par value \$.0001 per share

Class A, 300 shares authorized, 180 shares issued and outstanding at December 31, 2002 and 2003

Class B, 60,000,000 shares authorized, 7,687,570 and 7,817,570 shares issued and outstanding at December 31, 2002 and 2003, respectively

	1	1
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Class C, 240,000,000 shares authorized, 65,158,854 and 65,365,806 shares issued and outstanding at December 31, 2002 and 2003, respectively

	7	7	\$ 15
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Additional paid-in capital

	88,771	88,908	468,302
--	--------	--------	---------

Subscriptions receivable

	(86)	(92)	(92)
--	------	------	------

Deferred compensation

	(2,234)	(4,229)	(4,229)
--	---------	---------	---------

Retained earnings (deficit)

	(10,337)	293	293
--	----------	-----	-----

	76,122	84,888	\$ 464,289
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	\$ 562,922	\$ 902,494	
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The accompanying notes are an integral part of these consolidated financial statements.



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Cumulative effect of change in accounting principle, net of tax			0.00
<b>NET INCOME (LOSS) PER SHARE BASIC</b>	\$ (0.72)	\$ 1.13	\$ 0.01
<b>DILUTED</b>			
Income before cumulative effect of change in accounting principle	\$ (0.72)	\$ 0.85	\$ 0.01
Cumulative effect of change in accounting principle, net of tax			0.00
<b>NET INCOME (LOSS) PER SHARE DILUTED</b>	\$ (0.72)	\$ 0.85	\$ 0.01
<b>WEIGHTED AVERAGE SHARES</b>			
Basic	69,805,472	72,495,481	72,866,107
Diluted	69,805,472	95,752,436	98,508,929
<b>NET INCOME PER SHARE PRO FORMA:</b>			
<b>BASIC</b>			
Income before cumulative effect of change in accounting principle			\$ 0.14
Cumulative effect of change in accounting principle, net of tax			0.00
<b>NET INCOME PER SHARE BASIC PRO FORMA</b>			\$ 0.14
<b>DILUTED</b>			
Income before cumulative effect of change in accounting principle			\$ 0.12
Cumulative effect of change in accounting principle			0.00
<b>NET INCOME PER SHARE DILUTED PRO FORMA</b>			\$ 0.12

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

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## MetroPCS, Inc. and Subsidiaries

## Consolidated Statements of Stockholders' Equity (Deficit)

(In Thousands, Except Share Information)

	Common Stock		Additional	Subscriptions	Deferred	Retained	
	Number	Amount	Paid-In	Receivable	Compensation	Earnings	Total
	of Shares		Capital			(Deficit)	
BALANCE, December 31, 2000	66,883,200	\$ 7	\$ 112,732	\$ (33)	\$ (1,491)	\$ (104,224)	\$ 6,991
Exercise of Class C Common Stock Options	100,334		236				236
Exercise of Class C Common Stock Warrants	5,103,720	1	16				17
Issuance of contingent Class C Stock Warrants			3,000				3,000
Redemption of Class C Common Stock Warrants			(13,953)				(13,953)
Accrued interest on subscription receivable			3	(3)			
Deferred compensation			2,537		(2,537)		
Amortization of deferred compensation expense					1,455		1,455
Accretion of costs to issue Series D Preferred			(494)				(494)
Accrued dividends on Series D Preferred			(4,963)				(4,963)
Net Loss						(45,180)	(45,180)
BALANCE, December 31, 2001	72,087,254	8	99,114	(36)	(2,573)	(149,404)	(52,891)
Exercise of Class B Common Stock Options	726,850		112	(46)			66
Exercise of Class C Common Stock Options	32,500		76				76
Accrued interest on subscription receivable			4	(4)			
Deferred compensation			776		(776)		
Amortization of deferred compensation expense					1,115		1,115
Accretion of costs to issue Series D Preferred			(473)				(473)
Accrued dividends on Series D Preferred			(10,838)				(10,838)
Net Income						139,067	139,067
BALANCE, December 31, 2002	72,846,604	8	88,771	(86)	(2,234)	(10,337)	76,122
Exercise of Class B Common Stock Options	130,000		15				15
Exercise of Class C Common Stock Options	11,892		28				28
	195,060						

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Exercise of Class C Common Stock warrants							
Accrued interest on subscription receivable		6	(6)				
Deferred compensation		3,404		(3,404)			
Forfeitures of stock options		(261)		261			
Amortization of deferred compensation expense					1,148		1,148
Compensation expense		6,231					6,231
Accretion of costs to issue Series D Preferred		(473)					(473)
Accrued dividends on Series D Preferred		(8,813)				(9,936)	(18,749)
Net Income						20,566	20,566
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
BALANCE, December 31, 2003	<u>73,183,556</u>	<u>\$ 8</u>	<u>\$ 88,908</u>	<u>\$ (92)</u>	<u>\$ (4,229)</u>	<u>\$ 293</u>	<u>\$ 84,888</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

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**Table of Contents****Index to Financial Statements****MetroPCS, Inc. and Subsidiaries****Consolidated Statements of Cash Flows****(In Thousands)**

	<b>Year Ended December 31,</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ (45,180)	\$ 139,067	\$ 20,566
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Cumulative effect of accounting change			74
Loss (gain) on extinguishment of debt	7,109		(603)
Loss on sale of asset			333
Gain on sale of spectrum		(278,956)	
Depreciation and amortization	208	21,394	41,900
Non-cash interest expense	3,882	3,028	3,090
Bad debt expense		381	991
Equity based compensation expense			6,231
Amortization of deferred compensation	1,455	1,115	1,148
Accretion of asset retirement obligation			50
Deferred rents	949	1,853	1,160
Deferred taxes		10,094	14,022
Costs of abandoned cell sites			824
Changes in assets and liabilities			
Inventory	(6,037)	(7,509)	(7,664)
Accounts receivable		(5,622)	(4,428)
Prepaid expenses	(2,509)	(2,783)	(274)
Deferred charges and other current assets	(126)	(10,514)	(4,263)
Accounts payable, accrued expenses and deferred revenue	7,848	63,929	36,461
<b>Net cash provided by (used in) operating activities</b>	<b>(32,401)</b>	<b>(64,523)</b>	<b>109,618</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Collection of notes receivable	15,000		
Purchase of investments	(1,520)	(1,912)	(19,912)
Proceeds from sale of investments		1,297	1,860
Proceeds from sale of Spectrum		286,242	
Proceeds from advance on sale of Spectrum	145,000		
Repayment of advance on sale of Spectrum		(145,000)	
Microwave relocation	(693)	(1,806)	(2,028)
Purchase of other assets		(10)	(35)
Purchase of property and equipment	(133,604)	(212,305)	(117,212)
Proceeds from sale of property and equipment			6
<b>Net cash provided by (used in) investing activities</b>	<b>24,183</b>	<b>(73,494)</b>	<b>(137,321)</b>

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<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Book overdraft	6,660	(2,776)	824
Repayment of notes	(39,446)	(251)	(9,077)
Proceeds from issuance of warrants	16		
Proceeds from sale of Senior Notes, net of underwriter fees			145,500
Payment of debt issuance costs on Senior Notes			(876)
Proceeds from sale of Series D Preferred Stock, net of issuance cost	88,194	159,951	65,537
Proceeds from exercise of stock options and warrants	236	142	43
Repurchase of warrants	(13,952)		
	<u>41,708</u>	<u>157,066</u>	<u>201,951</u>
<b>Net cash provided by financing activities</b>	<b>41,708</b>	<b>157,066</b>	<b>201,951</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>33,490</b>	<b>19,049</b>	<b>174,248</b>
CASH AND CASH EQUIVALENTS, beginning of period	9,178	42,668	61,717
	<u>9,178</u>	<u>42,668</u>	<u>61,717</u>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 42,668</b>	<b>\$ 61,717</b>	<b>\$ 235,965</b>
	<u><b>\$ 42,668</b></u>	<u><b>\$ 61,717</b></u>	<u><b>\$ 235,965</b></u>

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

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**MetroPCS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**1. Organization and Business Operations:**

MetroPCS, Inc. ( MetroPCS ), a Delaware corporation, together with its wholly owned subsidiaries (the Company ), is a wireless communications carrier that offers digital wireless service in the metropolitan areas of Atlanta, Miami, San Francisco and Sacramento. The Company initiated the commercial launch of its first market and exited the development stage in January 2002. The year 2003 was the first full year of operations in all four markets. The Company sells products and services to customers through company-owned retail stores as well as through relationships with indirect retailers.

On February 25, 2004, the Company retained underwriters for the purpose of effecting an initial public offering of common stock. In addition, MetroPCS formed a new wholly owned subsidiary named MetroPCS Communications, Inc. MetroPCS plans to merge with a subsidiary of MetroPCS Communications, Inc. pursuant to a transaction that will result in the stock of MetroPCS converting into stock of MetroPCS Communications, Inc., and thus MetroPCS becoming a wholly owned subsidiary of MetroPCS Communications, Inc. The consummation of this merger will be contingent upon the receipt of FCC approval.

Unaudited pro forma stockholders' equity at December 31, 2003 gives effect to the conversion of all of our outstanding Class B common stock and Series D preferred stock into Class C common stock, which will occur concurrently with the consummation of this offering, including shares of Class C common stock to be issued in respect of unpaid dividends on the outstanding Series D preferred stock that have accumulated as of December 31, 2003.

**2. Summary of Significant Accounting Policies:**

*Consolidation*

The accompanying consolidated financial statements include the accounts of MetroPCS and its wholly owned subsidiaries. All significant intercompany balances and transactions are eliminated.

*Operating Segment*

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The Company has adopted the Financial Accounting Standards Board (the FASB ) Statement of Financial Accounting Standards ( SFAS ) No. 131, Disclosure About Segments of an Enterprise and Related Information, which requires companies to report selected information about products, services, geographical areas and major customers. Operating segments are determined based on the way management organizes its business for making decisions and assessing performance. The Company has concluded its operating segments meet the aggregation criteria of SFAS No. 131 and as such, has one reportable segment.

### *Use of Estimates in Financial Statements*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. The most significant of such estimates include:

allowance for uncollectible accounts;

valuation of inventory;

estimated useful life of assets;

impairment of long-lived assets and indefinite life assets;

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**MetroPCS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

likelihood of realizing benefits associated with temporary differences giving rise to deferred tax assets;

reserves for uncertain tax positions;

estimated customer life in terms of amortization of deferred revenue; and

valuation of common stock.

*Reclassifications*

During 2002, the Company adopted SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections as of April 2002. This standard requires the reclassification of all losses on the extinguishment of debt that were presented in prior periods as extraordinary items to components of income or loss from operations when such losses did not satisfy the criteria of Accounting Principles Board ( APB ) Opinion No. 30.

Certain reclassifications have been made to prior year balances to conform to the current year presentation. These reclassifications had no effect on the results of operations or stockholders' equity (deficit) as previously reported.

*Cash and Cash Equivalents*

The Company includes as cash and cash equivalents (i) cash on hand, (ii) cash in bank accounts, (iii) investments in money market funds and (iv) corporate bonds with an original maturity of three months or less.

*Inventory, Net*

Inventories are stated at average cost or market, if lower. Inventory consists of handsets and accessories for sale to customers and indirect retailers. At December 31, 2003, the Company recorded a valuation reserve of \$1.9 million. No valuation reserve was recorded in prior years.

*Allowance for Doubtful Accounts*

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of indirect retailers to pay for equipment purchases and for amounts estimated to be uncollectible for inter-carrier compensation.

*Restricted Cash and Investments*

Restricted cash and investments consists of money market instruments and short-term investments. Short-term investments held to maturity are stated at cost plus accrued interest, which approximates market, mature within twelve months and are comprised primarily of federal home loan mortgage notes, all denominated in U.S. dollars. In general, these investments are pledged as collateral against letters of credit used as security for payment obligations. For purposes of the consolidated statement of cash flows, the Company does not consider restricted cash and investments to be cash equivalents.

*Long-Term Investments*

Long-term investments consist of federal home loan mortgage notes and bonds. Long-term investments held to maturity are stated at cost, which approximates market. Long-term investments mature in October and November 2005.

**Table of Contents****Index to Financial Statements****MetroPCS, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (Continued)***Property and Equipment, Net*

Property and equipment, net, consist of the following:

	<b>December 31,</b>	
	<b>2002</b>	<b>2003</b>
	<b>(in thousands)</b>	
Construction-in-progress	\$ 30,602	\$ 74,802
Network infrastructure	335,166	455,617
Office equipment	2,918	6,157
Furniture and fixtures	1,248	1,725
Leasehold improvements	5,043	7,925
	<b>374,977</b>	<b>546,226</b>
Accumulated depreciation	(21,617)	(63,261)
<b>Property and equipment, net</b>	<b>\$ 353,360</b>	<b>\$ 482,965</b>

Property and equipment are stated at cost. Additions and improvements are capitalized, while expenditures that do not enhance or extend the asset's useful life are charged to operating expenses as incurred. When the Company sells, disposes of or retires property and equipment, the related gains or losses are included in operating results. 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, three to seven years for office equipment, which includes computer equipment, and three to seven years for furniture and fixtures. Leasehold improvements are amortized over the shorter of the remaining term of the lease or the estimated useful life of the improvement, whichever is shorter. Maintenance and repair costs are charged to expense as incurred. The Company follows the provisions of SFAS No. 34, Capitalization of Interest Cost, with respect to its PCS licenses and the related construction of its network. The Company has not capitalized any interest expense through December 31, 2003.

*Revenues and Cost of Revenues*

Wireless services are provided on a month-to-month basis and are paid in advance. Revenues from wireless services are recognized as services are rendered. Amounts received in advance are recorded as deferred revenue. Cost of service generally includes direct costs of operating the Company's networks.

In addition, the Company charges a fee for the initial activation of service that is recognized immediately in equipment revenue for all activations beginning on July 1, 2003, as provided by the adoption of the Emerging Issues Task Force ( EITF ) of the FASB No. 00-21 Accounting for Revenue Arrangements with Multiple Deliverables. See Note 3 for further discussion. Prior to July 1, 2003, activation fees were deferred and amortized over the estimated customer life. On October 1, 2003, the Company changed its estimated customer life from 25 months to 14 months, based on historical disconnect rates, resulting in an increase in activation revenues of \$5.1 million in the fourth quarter of 2003 over amounts that would have been recognized using the prior estimated life.

Equipment revenues arise from the sale of handsets and accessories. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Handsets shipped to indirect retailers are recorded as deferred revenue upon shipment by the Company and are recognized as equipment revenues when service is activated by customers.

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**MetroPCS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

Sales incentives offered without charge to customers related to the sale of handsets are recognized as a reduction of revenue when the related equipment revenue is recognized. Customers have the right to return handsets within 7 days or 60 minutes of usage, whichever occurs first. The Company records an estimate for returns at the time of recognizing revenue.

*Software Costs*

In accordance with Statement of Position ( SOP ) 98-1, Accounting for Costs of Computer Software Developed or Obtained for Internal Use, certain costs related to the purchase of internal-use software are capitalized and amortized over the estimated useful life of the software. In 2002 and 2003, the Company capitalized approximately \$0.3 million and \$0.5 million, respectively, of purchased software costs under SOP 98-1, that are being amortized over a three-year life. The Company amortized computer software costs of approximately \$43,000, \$221,000 and \$313,000 for the years ended December 31, 2001, 2002 and 2003, respectively. Capitalized software costs are classified as office equipment.

*PCS Licenses and Microwave Relocation Costs*

The Company acquired licenses from the FCC to operate as a PCS service provider. Additionally, as discussed in Note 8, the Company incurred costs related to microwave relocation in constructing its PCS network. The licenses and microwave relocations are recorded at cost adjusted for impairment. The licenses and microwave locations were not placed into service prior to 2002. Although PCS licenses are issued with a stated term, generally 10 years, the renewal of PCS licenses is generally a routine matter involving a nominal fee and the Company has determined that no legal, regulatory, contractual, competitive, economic, or other factors currently exist that limit the useful life of its PCS licenses. As such, under the provisions of SFAS No. 142, Goodwill and Other Intangible Assets, the Company does not amortize licensing and microwave relocation costs as they are considered to have indefinite lives. On a prospective basis, the Company is required to test indefinite-life intangible assets, consisting of PCS licenses and microwave relocation costs, for impairment on an annual basis based upon a fair value approach. Indefinite-life intangible assets must be tested between annual tests if events or changes in circumstances indicate that the asset might be impaired. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in an entity's market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business, or other factors. The Company completed its impairment tests in the fourth quarter of 2003, and no impairment has been recognized through December 31, 2003.

*Advertising and Promotion Costs*

Advertising and promotion costs are expensed as incurred. Advertising costs totaled \$0.2 million, \$13.3 million and \$21.9 million during the years ended December 31, 2001, 2002 and 2003, respectively.

*Income Taxes*

The Company provides income taxes pursuant to SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 uses an asset and liability approach to account for income taxes, wherein deferred taxes are provided for book and tax basis differences for assets and liabilities. In the event differences between the financial reporting basis and the tax basis of the Company's assets and liabilities result in deferred tax assets, an allowance is provided for a portion or all of the deferred tax assets when there is sufficient uncertainty regarding the Company's ability to recognize the benefits of the assets in future years.

The Company establishes reserves when, despite the belief that the Company's tax return positions are fully supportable, the Company believes that certain positions it has taken might be challenged and ultimately might

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not be sustained. The Company adjusts these reserves in light of changing facts and circumstances. The Company's effective tax rate includes the impact of reserve positions and changes to reserves that the Company considers appropriate. A number of years may elapse before a particular matter, for which the Company has established a reserve, is finally resolved. Unfavorable settlement of any particular issue would require the use of cash. Favorable resolution would be recognized as a reduction to the effective rate in the year of resolution. The tax reserves are presented on the balance sheet in other long term liabilities. See Note 13.

*Earnings per Share*

Basic earnings per share (EPS) are based upon the weighted average number of common shares outstanding for the period. Diluted net income (loss) per share is computed in the same manner as basic net income (loss) after assuming issuance of common stock for all potentially dilutive equivalent shares, whether exercisable or not.

The Series D Preferred Stock is a participating security, such that in the event a dividend is declared or paid on the common stock, the Company must simultaneously declare and pay a dividend on the Series D Preferred Stock as if the Series D Preferred Stock had been converted into common stock. The EITF's Topic D-95, "Effect of Participating Convertible Securities on the Computation of Basic Earnings per Share," requires that the Preferred Stock be included in the computation of basic earnings per share if the effect of inclusion is dilutive. The Company's accounting policy requires the use of the two-class method for its participating securities for earnings per share calculations. The Series D Preferred Stock is considered in the calculation of diluted earnings per share under the "if-converted" method, if dilutive.

*Stock Based Compensation*

The Company follows the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure," which amends the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation" to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

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As permitted by SFAS No. 123, Accounting for Stock-Based Compensation, the Company measures compensation expense for its stock-based employee compensation plans, described further in Note 11, using the intrinsic value method prescribed by the APB Opinion No. 25,

Accounting for Stock Issued to Employees. The Company has adopted the disclosure-only provisions of SFAS No. 123. The following table illustrates the effect on net income (loss) available to common stockholders and earnings if the Company had elected to recognize compensation costs based on the fair value at the date of grant for the Company's common stock awards consistent with the provisions of SFAS No. 123 (see Note 11 for assumptions used in the fair value method):

	<u>2001</u>	<u>2002</u>	<u>2003</u>
	<b>(in thousands)</b>		
Net income (loss) applicable to common stock As reported	\$ (50,143)	\$ 128,229	\$ 1,817
Add: Amortization of deferred compensation determined under the intrinsic method for employee stock awards, net of tax	880	675	4,465
Less: Total stock-based employee compensation expense determined under the fair value method for employee stock awards, net of tax	<u>(2,016)</u>	<u>(2,419)</u>	<u>(5,632)</u>
Net income (loss) applicable to common stock Pro forma	<u>\$ (51,279)</u>	<u>\$ 126,485</u>	<u>\$ 650</u>
Basic net income (loss) per share As reported	<u>\$ (0.72)</u>	<u>\$ 1.13</u>	<u>\$ 0.01</u>
Basic net income (loss) per share Pro forma	<u>\$ (0.74)</u>	<u>\$ 1.12</u>	<u>\$ 0.00</u>
Diluted net income (loss) per share As reported	<u>\$ (0.72)</u>	<u>\$ 0.85</u>	<u>\$ 0.01</u>
Diluted net income (loss) per share Pro forma	<u>\$ (0.74)</u>	<u>\$ 0.85</u>	<u>\$ 0.00</u>

The pro forma amounts presented above may not be representative of the future effects on reported net income (loss) and net income (loss) per share, since the pro forma compensation expense is allocated over the periods in which options become exercisable, and new option awards may be granted each year.

*Asset Retirement Obligations*

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This statement provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is

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depreciated over the estimated useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company adopted SFAS No. 143 on January 1, 2003.

The Company is subject to asset retirement obligations associated with its cell site operating leases, which are subject to the provisions of SFAS No. 143. Cell site lease agreements may contain clauses requiring restoration of the leased site at the end of the lease term, creating an asset retirement obligation. This liability is classified under other long-term liabilities. Landlords may choose not to exercise these rights as cell sites are considered useful improvements. In addition to cell site operating leases, the Company has leases related to switch site, retail, and administrative locations subject to the provisions of SFAS No. 143.

The adoption of SFAS No. 143 resulted in a January 1, 2003 adjustment to record a \$0.7 million increase in the carrying values of property and equipment with a corresponding increase in other long-term liabilities. In addition, \$0.1 million of accretion, before taxes, was recorded to increase the liability to \$0.8 million at adoption.

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The net effect was to record a loss of \$74,000 as a cumulative effect adjustment resulting from a change in accounting principle in the Company's consolidated statements of operations upon adoption on January 1, 2003.

The following pro forma data summarizes the Company's net income as if the Company had adopted the provisions of SFAS No. 143 on January 1, 2001, including an associated pro forma asset retirement obligation on that date of \$0.4 million:

	December 31,		
	2001	2002	2003
	<b>(in thousands)</b>		
Net income, as reported	\$ (45,180)	\$ 139,067	\$ 20,566
Pro forma adjustments to reflect retroactive adoption of SFAS No. 143		(20)	74
Pro forma adjustments to reflect accretion expense	(16)	(45)	
Pro forma adjustments to reflect depreciation expense	(4)	(10)	
	(45,200)	\$ 138,992	\$ 20,640

The following table summarizes the Company's asset retirement obligation transactions recorded in accordance with the provisions of SFAS No. 143:

	<b>Pro Forma</b>	<b>December 31, 2003</b>
	<b>December 31, 2002</b>	
	<b>(in thousands)</b>	
Beginning asset retirement obligations	\$ 401	\$ 701
Cumulative effect of accounting change, before taxes		100
Liabilities incurred	225	
Accretion/depreciation expense	75	50
	\$ 701	\$ 851

**3. Effects of Recent Accounting Pronouncements:**

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. The Company adopted the provisions of this statement on January 1, 2003. See Note 2 for further details.

In November 2002, the EITF of the FASB reached consensus on EITF No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. This consensus requires that revenue arrangements with multiple deliverables be divided into separate units of accounting if the deliverables in the arrangement meet specific criteria. In addition, arrangement consideration must be allocated among the separate units of accounting based on their relative fair values, with certain limitations. The sale of wireless service with an accompanying handset constitutes a revenue arrangement with multiple deliverables. The Company adopted the provisions of this consensus for revenue arrangements entered into beginning after July 1, 2003. The Company has elected to apply the accounting provisions of this EITF on a prospective basis beginning July 1, 2003. The Company allocates amounts charged to customers between the sale of handsets and the sale of wireless telecommunication services on a relative fair value basis. In most cases, this results in all amounts collected from the customer upon activation of the handset being allocated to the sale of the handset. As a result of this treatment, activation fees included in the consideration at the time of sale are recorded as handset revenue. Prior to the adoption of EITF 00-21, the Company had deferred activation fee revenue and amortized these revenues over the average life of the Company's subscribers. The existing deferred revenue of \$13.5 million at July 1, 2003 continues to be amortized over the remaining life of the customer.

[Table of Contents](#)[Index to Financial Statements](#)**MetroPCS, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****4. PCS Licenses:**

PCS licenses represent the 14 C-Block PCS licenses acquired by the Company in the FCC auction in May 1996.

The grant of the licenses by the FCC subjects the Company to certain FCC ownership restrictions. Should the Company fail to qualify under such ownership restrictions, the PCS licenses may be subject to FCC revocation provisions. Management believes that the Company currently complies and will continue to comply with such restrictions. All licenses granted will expire ten years from the date of grant; however, FCC rules provide for renewal provisions. Such renewals are granted routinely without substantial cost.

In February 2002, the Company consummated the sale of 10 MHz of a single 30 MHz PCS license for cash consideration of \$286.2 million, \$145.0 million of which was paid in advance of the sale in 2001, plus the assumption by the purchaser of \$3.8 million in FCC debt resulting in a gain of \$279.0 million and in the reduction of the PCS license carrying value at December 31, 2002.

**5. Accounts Payable and Accrued Expenses:**

Accounts payable and accrued expenses consisted of the following (in thousands):

	<b>December 31,</b>	
	<b>2002</b>	<b>2003</b>
Accounts payable	\$ 18,552	\$ 48,492
Book overdraft	3,884	4,708
Accrued property and equipment	28,953	47,121
Accrued liabilities	2,905	35,428
Payroll and employee benefits	4,313	5,446
Accrued interest	647	4,847
Taxes, other than income	20,759	6,277
Taxes payable	8,993	304
Other	823	1,065
Accounts payable and accrued expenses	<u>\$ 89,829</u>	<u>\$ 153,688</u>

**6. Long-Term Debt:**

Long-term debt consisted of the following at December 31 (in thousands):

	<u>2002</u>	<u>2003</u>
FCC notes	\$ 56,242	\$ 46,771
Senior Notes		150,000
Microwave clearing obligations	2,397	3,817
	<u>58,639</u>	<u>200,588</u>
Total face-value debt	58,639	200,588
Less Original issue discount	(7,789)	(4,793)
	<u>50,850</u>	<u>195,795</u>
Total debt	50,850	195,795
Less Current maturities	(9,499)	(13,362)
	<u>\$ 41,351</u>	<u>\$ 182,433</u>
Total long-term debt	<u>\$ 41,351</u>	<u>\$ 182,433</u>

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Maturities of the principal amount of long-term debt at face value are as follows (in thousands):

<b>For the Year Ending December 31,</b>	
2004	\$ 13,362
2005	14,252
2006	15,201
2007	3,956
2008	296
Thereafter	153,521
<b>Total</b>	<b>\$ 200,588</b>

The FCC Notes mature in January 2007, bear 6.5% interest per annum and provide for quarterly payments of interest only until April 2003 and principal and interest thereafter until maturity. The FCC notes are secured by a first priority interest in the PCS licenses.

Based on an estimated fair market borrowing rate of 14% at time of issuance, the FCC notes are recorded on the Company's financial statements at December 31, 2002 and 2003, at the discounted value of \$48.5 million and \$42.0 million, respectively. The discount of \$7.8 million and \$4.8 million at December 31, 2002 and 2003, respectively, is amortized using the effective interest method over the term of the debt. Amortization of the original issue discount resulted in additional interest expense of \$2.7 million, \$3.0 million and \$3.0 million for the years ended December 31, 2001, 2002 and 2003, respectively. In February, 2002, \$3.8 million in face value of FCC notes were assumed by the purchaser of 10 MHz of spectrum of a single 30 MHz license.

In the event that the Company becomes unable to meet its obligations under an individual FCC note or otherwise violates regulations applicable to holders of PCS licenses, the FCC could take a variety of actions, including requiring immediate repayment of amounts due under that individual FCC note, the revocation of the PCS license related to that FCC note, and fining the Company an amount equal to the difference between the price at which the Company acquired the license and the amount of the winning bid at a subsequent auction of that license, plus an additional penalty of 3% of the lesser of the subsequent winning bid and the Company's bid amount. The Company is current with its obligations under these notes.

As provided by FCC regulations, and further discussed in Note 8, the Company has opted to make payments on the installment method to the various carriers to whom it owes a microwave cost sharing liability. The Company has remitted a 10% down payment upon presentation of the supported costs by the carrier and makes payments to the carriers for the same terms as the FCC notes which mature in 10 years from inception.

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In October 1998, the Company sold \$30.0 million of Senior Notes due October 2006 to Lucent (the Lucent Senior Notes ) and warrants to purchase \$6.0 million of Class C Common Stock (the Warrants ), which were exercisable upon grant. In addition, the Company issued contingent warrants (the Contingent Warrants ) to purchase \$3.0 million of Class C Common Stock, which were contingent upon the Company not repaying the Lucent Senior Notes before February 2001. The Contingent Warrants to purchase \$3.0 million of Class C Common Stock became exercisable in February 2001, and were recorded as additional \$3.0 million in original issue discount. During 2000, Lucent and the Company amended the Lucent Senior Notes and increased the amount outstanding by \$3.6 million for interest payments that were deferred. The Lucent Senior Notes were recorded on the Company's financial statements at December 31, 2000 at the accreted value of \$34.5 million. The original issue discount of \$1.3 million at December 31, 2000 was amortized using an effective interest rate of 16.85%, which resulted in additional interest expense of \$0.6 million during 2001. The Lucent Senior Notes bore interest at a variable rate equal to either (a) LIBOR plus an applicable margin or (b) a base rate (defined as

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the higher of the prime rate or the federal funds rate plus 0.5%) plus an applicable margin, which was payable quarterly, and was secured by substantially all assets of the Company. The weighted average interest in effect for the period ended December 31, 2001 with respect to the Lucent Senior Notes was 9.73%.

In October 1998, the Company entered into an Unsecured Creditors' Credit Agreement with Lucent to fund up to \$18 million of the unsecured creditors' fund, as defined, in the Company's plan of reorganization under the United States Bankruptcy Code. The Unsecured Creditors' Credit Agreement provided for payment of fees for the undrawn amount of the commitment and for interest to be paid quarterly on amounts funded under the agreement at a rate which is the greater of (a) the prime rate in effect on any day or (b) the federal funds effective rate plus one-half of 1%, plus an applicable margin which escalated quarterly. As part of the Unsecured Creditors' Credit Agreement, the Company issued warrants to purchase 1,371,180 shares of Class C Common Stock at an exercise price of approximately \$0.02 per share. Lucent was entitled to exercise these warrants at any time prior to October 8, 2008. The fair value of these warrants at the time of issuance, \$2.3 million, and an initial commitment fee of \$0.7 million was recorded as debt issuance cost and was amortized over the term of the Unsecured Creditors' Credit Agreement. In February 2001, the Unsecured Creditors' Credit Agreement was terminated by the Company and the remaining debt issuance cost was expensed because such cost had no future benefit.

In September 2001, the Company paid Lucent \$13.9 million to settle the Warrants, Contingent Warrants and the 1,371,180 warrants associated with the Unsecured Creditors' Credit Agreement and \$39.8 million to settle the Lucent Senior Notes and other liabilities. See Note 10 for further discussion.

On September 29, 2003, the Company completed the sale of \$150.0 million of 10¾% Senior Notes due 2011 (the Senior Notes). The Senior Notes are guaranteed on a senior unsecured basis by all of the Company's current and future domestic restricted subsidiaries, other than certain immaterial subsidiaries. The Company has no independent assets or operations. The guarantees are full and unconditional and joint and several, and currently there are no subsidiaries of the Company other than the subsidiary guarantors. The Senior Notes rank equally in right of payment with all of the Company's future senior unsecured indebtedness, and rank senior to all of the Company's future subordinated indebtedness. The Senior Notes are effectively subordinated, however, to the Company's existing and future secured indebtedness to the extent of the collateral securing such indebtedness. The Company may redeem some or all of the Senior Notes at any time on or after October 1, 2007, beginning at 105.375% of principal amount, plus accrued and unpaid interest, decreasing to 100% of principal amount, plus accrued and unpaid interest on October 1, 2009. In addition, prior to October 1, 2006, the Company may redeem up to 35% of the Senior Notes with the net proceeds of equity sales at 110.75% of principal amount, plus accrued and unpaid interest; provided that the redemption occurs within 90 days of the closing of such offering. The indenture also contains repurchase provisions related to asset sales and changes in control. Additionally, the indenture, among other things, restricts the ability of MetroPCS, Inc. and its restricted subsidiaries under certain conditions to:

incur additional indebtedness and, in the case of our restricted subsidiaries, issue preferred stock;

create liens on their assets;

pay dividends or make other restricted payments;

make investments;

enter into transactions with affiliates;

sell or make dispositions of assets;

place restrictions on the ability of subsidiaries to pay dividends or make other payments to MetroPCS, Inc.;

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engage in certain business activities; and

merge or consolidate.

The net proceeds of the offering were approximately \$144.5 million after estimated underwriter fees and other debt issuance costs of \$5.5 million which have been recorded in long-term other assets and are being amortized over the life of the debt. Of such costs, \$0.1 million is included in accounts payable and accrued expenses. The net proceeds will be used to further deploy the Company's network and related infrastructure, as well as for general corporate purposes. The Company is subject to certain covenants set forth in the indenture governing the Senior Notes. The Company was in compliance with these covenants at December 31, 2003.

The carrying amount of the Company's debt approximates fair value at December 31, 2002 and 2003 based on the Company's estimate of interest rates that would be obtained for new debt with similar terms.

**7. Concentrations:**

The Company purchases a substantial portion of its wireless infrastructure equipment and handset equipment from only a few major suppliers. Further, the Company relies on one key vendor in each of the following areas: billing services, customer care, handset logistics and payroll processing. Loss of any of these suppliers could adversely affect operations temporarily until a comparable substitute could be found.

Local and long-distance telephone and other companies provide certain communication services to the Company. Disruption of these services could adversely affect operations in the short term until an alternative telecommunication provider was found.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the diversity of the Company's indirect retailer base.

**8. Commitments and Contingencies:**

Until April 2005, the Company may be required to share radio frequency spectrum with existing fixed microwave licensees operating on the same spectrum as the Company's. To the extent that the Company's PCS operations interfere with those of existing microwave licensees, the Company will be required to pay for the relocation of the existing microwave station paths to alternate spectrum locations or transmission

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technologies. The FCC adopted a transition plan to move those microwave users to different locations on the spectrum. The FCC also adopted a cost sharing plan, so that if the relocation of a microwave user benefits more than one PCS licensee, all benefiting PCS licensees are required to share the relocation costs. After the expiration of the FCC-mandated transition and cost sharing plans in April 2005, any remaining microwave user operating in the PCS spectrum must relocate if it interferes with a PCS licensee's operations, and it will be responsible for its own relocation costs. The Company does not believe the costs to relocate existing microwave station paths to alternate spectrum locations or transmission technologies will be material to the Company's financial position or results of operations.

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The Company has entered into non-cancelable operating lease agreements to lease facilities, certain equipment and sites for towers and antennas required for the operation of its wireless networks. Future minimum rental payments required for all non-cancelable operating leases at December 31, 2003 are as follows (in thousands):

<u>Year Ending December 31:</u>	
2004	\$ 29,337
2005	29,710
2006	28,510
2007	21,033
2008	18,050
Thereafter	46,245
	<hr/>
Total	\$ 172,885
	<hr/>

Total rent expense for the years ended December 31, 2001, 2002 and 2003 was \$6.4 million, \$22.8 million and \$27.6 million, respectively.

In May 2001, the Company entered into a purchase commitment with Lucent for the purchase of personal communication services systems totaling \$161.0 million: \$86.9 million, \$46.1 million and \$28.0 million to be purchased for the years ended December 31, 2001, 2002 and 2003, respectively. At December 31, 2003, the Company had no outstanding commitments on this agreement.

The Company entered into non-cancelable purchase agreements with a vendor for the acquisition of expansion carriers installed in base stations which are recorded in property and equipment upon shipment. Under these agreements, the Company agrees to pay for the base stations upon shipment, and the expansion carriers at the earlier of the date the carrier is turned on or twelve months from the shipment date of the base station for the first expansion carrier, and the earlier of the date the carrier is turned on or twenty-four months from the shipment date of the base station for the second expansion carrier. Outstanding obligations under these purchase agreements were \$9.2 million and \$22.1 million at December 31, 2002 and 2003, respectively. Of these amounts, \$9.2 million and \$13.6 million were included in accounts payable at December 31, 2002 and 2003, respectively, and \$8.5 million was included in other long-term liabilities at December 31, 2003.

*Litigation*

The Company is involved in various claims and legal actions arising in the ordinary course of business. The ultimate disposition of these matters is not expected to have a material adverse impact on the Company's financial position, results of operations or liquidity.

**9. Series D Cumulative Convertible Redeemable Participating Preferred Stock:**

In July 2000, the Company executed a Securities Purchase Agreement, which was subsequently amended (as amended, the SPA ). Under the SPA, the Company sold Series D Cumulative Convertible Redeemable Participating Preferred Stock ( Series D Preferred Stock ). In January 2001, the Company finalized \$350.0 million in commitments to purchase Series D Preferred Stock. Of this commitment, net proceeds of \$88.2 and \$160.0 were received in 2001 and 2002, respectively. In 2003, the Company called the remaining commitments for the Series D Preferred Stock for proceeds of approximately \$65.5 million. Additionally, all principal and accrued interest totaling \$5.1 million on the Company's 2002 Subordinated Convertible Notes were converted into Series D Preferred Stock. Dividends accrue at an annual rate of 6% of the liquidation value of \$100 per share on the Series D Preferred Stock. Dividends of \$5.0 million, \$10.8 million and \$18.7 million were accrued for the years ended December 31, 2001, 2002 and 2003, respectively, and are included in the Series D Preferred Stock balance.

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Each share of Series D Preferred Stock is converted into Class C Common Stock upon the event of (i) the completion of a qualified public offering, as defined in the agreement, (ii) the Company's Class C Common Stock trades on a national securities exchange for a period of 30 consecutive trading dates above a price that implies a market valuation of the Series D Preferred Stock in excess of twice the initial purchase price of the Series D Preferred Stock, or (iii) 66<sup>2</sup>/<sub>3</sub>% of holders of the Series D Preferred Stock provide written notice to the Company stating the Series D Preferred Stock is to be converted into Class C Common Stock. The Series D Preferred Stock and the accrued but unpaid dividends thereon are convertible into Class C Common Stock at \$4.70 per share of Class C Common Stock, which per share amount is subject to adjustment in accordance with the terms of the certificate of designations relating to the Series D Preferred Stock. If not previously converted, the Company is required to redeem all outstanding shares of Series D Preferred Stock on July 17, 2015, at the liquidation preference plus accrued but unpaid dividends.

The holders of Series D Preferred Stock, as a class with the holders of the Class C Common Stock, have the right to vote on all matters as if each share of Series D Preferred Stock had been converted into Class C Common Stock, except for the election of directors. See Note 10. The holders of Series D Preferred Stock, as a class, can nominate one member of the Board of Directors. Each share of Series D Preferred Stock is entitled to a liquidation preference equal to the sum of:

the per share liquidation value, plus

the greater of:

the amount of all accrued and unpaid dividends and distributions on such share, and

the amount that would have been paid in respect of such share had it been converted into Class C Common Stock immediately prior to the event that triggered payment of the liquidation preference.

The SPA defines a number of events of noncompliance. Upon an occurrence of an event of noncompliance, the holders of not less than 66<sup>2</sup>/<sub>3</sub>% of the then outstanding shares of Series D Preferred Stock can request the Company to redeem the outstanding shares at an amount equal to the liquidation preference plus accrued but unpaid dividends. The Company was in compliance at December 31, 2003.

**10. Capitalization:**

*Conversion of Debt*

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From inception through February 1998, the Company issued various warrants in conjunction with sales of stock and in exchange for consulting services. As of December 31, 2003, the total number of warrants outstanding, and the exercise prices related thereto, are as follows:

<u>Price</u>	<u>Issued</u>	<u>Outstanding</u>
<b>Warrants for Class B Shares</b>		
\$0.0002	528,000	528,000
\$0.0167	102,000	102,000
	<u>630,000</u>	<u>630,000</u>
<b>Warrants for Class C Shares</b>		
\$0.0002	27,286,766	12,564,090
\$0.0167	7,791,840	1,828,080
\$1.6667	414,000	414,000
	<u>35,492,606</u>	<u>14,806,170</u>
<b>Total Warrants</b>	<b><u>36,122,606</u></b>	<b><u>15,436,170</u></b>

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**MetroPCS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

In September 2001, the Company executed a Termination and Release Agreement with Lucent whereby all amounts owed under the Lucent Senior Notes including interest, costs of counsel and indemnity amounts together with \$6.0 million aggregate denomination of Class C Common Stock Warrants and \$3.0 million aggregate denomination of Class C Common Stock Contingent Warrants issued pursuant to the Lucent Senior Notes and 1,371,180 Class C Common Stock Warrants issued pursuant to the Unsecured Creditors' Credit Agreement were fully settled and terminated for cash consideration of \$53.7 million. Approximately \$39.8 million was allocated to the retirement of the Lucent Senior Notes resulting in a loss on the early extinguishment of debt of \$7.1 million. The remaining \$13.9 million was allocated to the repurchase of the warrants resulting in a reduction of paid-in capital.

*Redemption*

If, at any time, ownership of shares of Class C Common Stock by a holder would cause the Company to violate any FCC ownership requirements or restrictions, the Company may, at the option of the Board of Directors, redeem a number of shares of Class C Common Stock sufficient to eliminate such violation.

*Conversion Rights*

Each share of Class A and B Common Stock shall automatically be converted into one share of Class C Common Stock in January 2007 or such earlier date as may be determined by the Board of Directors. The Board of Directors may approve the conversion of shares of Class B Common Stock into shares of Class C Common Stock at any time following the consummation of an initial public offering of the Company's capital stock.

*Voting Rights*

The holders of Class A Common Stock, as a class, have the right to (i) vote 50.1% of the Company's voting interests on all matters and (ii) elect four (of seven) members of the Board of Directors. The holders of Class B Common Stock, as a class, have no voting rights. The holders of Class C Common Stock, as a class with the holders of Series D Preferred Stock, have the right to (i) vote 49.9% of the Company's voting interests on all matters and (ii) elect the remaining number of members of the Board of Directors (collectively, three of seven) as are from time-to-time set forth in the Company's bylaws.

**11. Stock Option Plan:**

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The Company has a stock option plan (the Option Plan ) under which it grants options to purchase Class B and Class C Common Stock. As of December 31, 2002 and 2003, the maximum number of shares reserved for the Option Plan was 24,643,000 shares. The Option Plan is administered by the Board of Directors. Vesting periods and terms for stock option grants are determined by the plan administrator. No option granted shall have a term in excess of fifteen years. Options granted during 2001, 2002 and 2003 have a vesting period of three to four years.

Options granted under the Option Plan are exercisable upon grant. Shares received upon exercising options are restricted from sale based on a vesting schedule. In the event an option holder's service with the Company is terminated, the Company may repurchase unvested shares issued under the Option Plan at the option exercise price.

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Table of ContentsIndex to Financial Statements**MetroPCS, Inc. and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

Generally, 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. The Company utilized the following weighted-average assumptions in estimating the fair value of the options grants in 2001, 2002 and 2003:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Expected dividends	0.00%	0.00%	0.00%
Expected volatility	43.63%	60.67%	68.01%
Risk-free interest rate	4.60%	4.08%	2.82%
Expected lives in years	5.00	5.00	5.00
Weighted-average fair value of options:			
Granted at below market price	\$ 1.47	\$ 1.73	\$ 2.76
Weighted-average exercise price of options:			
Granted at below market price	\$ 2.35	\$ 2.35	\$ 2.35

The Black-Scholes model was not developed for use in valuing employee stock options, but was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, it 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.

A summary of the status of the Company's Option Plan as of December 31, 2001, 2002 and 2003, and changes during the periods then ended, is presented in the table below:

	<u>2001</u>		<u>2002</u>		<u>2003</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding and exercisable, beginning of year	15,538,980	\$ 0.51	18,873,913	\$ 0.64	19,113,663	\$ 0.78
Granted	3,816,133	2.35	1,551,950	2.35	2,026,850	2.35
Exercised	(100,334)	2.35	(759,350)	0.25	(141,892)	0.30
Forfeited	(380,866)	2.35	(552,850)	1.24	(306,874)	2.35

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Outstanding and exercisable, end of year	18,873,913	0.64	19,113,663	0.78	20,691,747	0.91
Options vested at year-end	12,497,739		14,939,324		16,551,391	

The following table summarizes information about stock options outstanding at December 31, 2003:

Exercise Price	Options Outstanding			Options Vested	
	Number of Shares	Weighted Average Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
\$0.12	12,687,380	8.2	\$ 0.12	12,687,380	\$ 0.12
\$0.50	798,000	11.5	\$ 0.50	681,625	\$ 0.50
\$2.35	7,206,367	8.2	\$ 2.35	3,182,386	\$ 2.35

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**MetroPCS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

During 2002, 759,350 options granted under the Option Plan were exercised for 726,850 shares of Class B Common Stock and 32,500 shares of Class C Common Stock for an aggregate of approximately \$188,000. During 2003, 141,892 options granted under the Option Plan were exercised for 130,000 shares of Class B Common Stock and 11,892 shares of Class C Common Stock for total proceeds of approximately \$43,000.

As of December 31, 2001, 2002, and 2003, options outstanding under the Option Plan have a weighted average remaining contractual life of 10.3, 9.1 and 8.3 years, respectively.

During 2001, 2002 and 2003, the Company recorded deferred compensation of \$2.5 million, \$0.8 million and \$3.4 million, representing the difference between the estimated fair value of the stock and the option exercise price at the date of grant. The deferred compensation is amortized over the vesting period. The Company recognized amortization of deferred compensation of \$1.5 million, \$1.1 million and \$1.1 million in 2001, 2002 and 2003, respectively. In addition, the Company has approximately 1.7 million stock options outstanding that are required to be marked-to-market under variable accounting. The Company recognized additional compensation expense of \$6.2 million related to these options in 2003 to reflect an increase in the estimated value of the Company's common stock.

**12. Employee Benefit Plan:**

The Company sponsors a savings plan under Section 401(k) of the Internal Revenue Code for the majority of its employees. The plan allows employees to contribute a portion of their pretax income in accordance with specified guidelines. The Company does not match employee contributions but may make discretionary or profit-sharing contributions. The Company has made no contributions to the savings plan through December 31, 2003.

**13. Income Taxes:**

The provision for taxes on income consists of the following (in thousands):

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Current:			
Federal	\$	\$ 7,186	\$ 1,087

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State		1,807	556
		<u>8,993</u>	<u>1,643</u>
Deferred:			
Federal		8,325	12,424
State		1,769	1,598
		<u>10,094</u>	<u>14,022</u>
Provision for income taxes	\$	\$ 19,087	\$ 15,665

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## MetroPCS, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

Deferred taxes are provided for those items reported in different periods for income tax and financial reporting purposes. The Company's significant deferred tax assets and liabilities and the changes in those assets and liabilities were as follows (in thousands):

	2002	Change	2003
	_____	_____	_____
Start-up costs capitalized for tax purposes	\$ 7,434	\$ (2,534)	\$ 4,900
Net operating loss carry forward		30,126	30,126
Net basis difference in PCS licenses	14,884	(3,606)	11,278
Revenue deferred for book purposes	6,426	(2,495)	3,931
Accrued interest expense	3,548	(3,548)	
Allowance for doubtful accounts	2,786	(1,368)	1,418
Deferred rent expense	1,107	458	1,565
Deferred compensation	1,005	2,872	3,877
Accrued property tax	900	(635)	265
Inventory		840	840
Accrued vacation	437	(24)	413
Depreciation	(42,184)	(35,915)	(78,099)
Deferred cost of handset sales	(3,125)	558	(2,567)
Amortization of original issue discount	(3,077)	1,184	(1,893)
Other	(235)	65	(170)
Valuation allowance			
	_____	_____	_____
	\$ (10,094)	\$ (14,022)	\$ (24,116)
	_____	_____	_____

At December 31, 2001, the Company had approximately \$45 million of net operating loss carryforwards for federal income tax purposes. In connection with the gain on sale of spectrum (see Note 4) the Company fully utilized the net operating loss carryforward in 2002. During 2003, the Company generated approximately \$76.8 million of net operating loss for federal income tax purposes, of which \$15.3 million will be carried back to 2002 and the remaining amount of \$61.5 million will be available for carryforward to offset future income. In addition, the Company has approximately \$162 million of net operating loss carryforwards for state income tax purposes. The federal net operating loss will expire in 2023. The state net operating losses will begin to expire in 2013. The Company has been able to take advantage of additional depreciation available under federal tax law in 2002 and 2003 for federal income tax purposes, therefore creating a significant deferred tax liability. The reversal of the timing differences which gave rise to the deferred tax liability will allow the Company to benefit from the deferred tax assets. As such, the valuation allowance was released in 2002.

A reconciliation of income taxes computed at the United States federal statutory income tax rate (35%) to the provision for income taxes reflected in the consolidated statements of operations for the years ended December 31, 2001, 2002 and 2003 is as follows (in thousands):

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	<u>2001</u>	<u>2002</u>	<u>2003</u>
U.S. Federal income tax (benefit) provision at statutory rate	\$ (15,813)	\$ 55,354	\$ 12,681
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal income tax impact	(2,033)	7,117	1,630
Change in valuation allowance	16,128	(43,209)	
Resolution of federal income tax audit			647
Other	1,718	(175)	707
	<u>          </u>	<u>          </u>	<u>          </u>
Provision for income taxes	<u>\$</u>	<u>\$ 19,087</u>	<u>\$ 15,665</u>

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## MetroPCS, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## 14. Net Income (Loss) Per Common Share:

	2001	2002	2003
	—————	—————	—————
(In Thousands, except Share Information)			
Basic EPS Two-Class Method:			
Net income (loss) before cumulative effect of change in accounting principle	\$ (45,180)	\$ 139,067	\$ 20,640
Accrued dividends on Series D Preferred Stock	(4,963)	(10,838)	(18,749)
	—————	—————	—————
Net income (loss) attributable to Common Stockholders before cumulative effect of change in accounting principle	\$ (50,143)	\$ 128,229	\$ 1,891
Amount allocable to Common Stockholders	100%	64%	50%
	—————	—————	—————
Rights to undistributed earnings (losses)	\$ (50,143)	\$ 82,067	\$ 946
Weighted average common shares outstanding	69,805,472	72,495,481	72,866,107
Basic EPS before cumulative effect of change in accounting principle	\$ (0.72)	\$ 1.13	\$ 0.01
	—————	—————	—————
Cumulative effect of change in accounting principle			(74)
Amount allocable to Common Stockholders	100%	64%	50%
	—————	—————	—————
Rights to undistributed earnings (losses)	\$ (50,143)	\$ 82,067	\$ (37)
Weighted average common shares outstanding	69,805,472	72,495,481	72,866,107
Cumulative effect of change in accounting principle	\$	\$	\$ 0.00
	—————	—————	—————
Net income attributable to Common Stockholders	\$ (50,143)	\$ 128,229	\$ 1,817
Amount allocable to Common Stockholders	100%	64%	50%
	—————	—————	—————
Rights to undistributed earnings (losses)	\$ (50,143)	\$ 82,067	\$ 909
Weighted average common shares outstanding	69,805,472	72,495,481	72,866,107
	—————	—————	—————
Basic EPS	\$ (0.72)	\$ 1.13	\$ 0.01
	—————	—————	—————
Diluted EPS:			
Net income (loss) before cumulative effect of change in accounting principle allocable to Common Stockholders	\$ (50,143)	\$ 82,067	\$ 946
Cumulative effect of change in accounting principle, allocable to Common Stockholders			(37)
	—————	—————	—————
Net income (loss), allocable to Common Stockholders	\$ (50,143)	\$ 82,067	\$ 909
Weighted average common shares outstanding	69,805,472	72,495,481	72,866,107
Dilutive effect of stock options and warrants		23,513,208	25,642,822
	—————	—————	—————

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Weighted average common stock and common stock equivalents outstanding	69,805,472	96,008,689	98,508,929
Diluted EPS before cumulative effect of change in accounting principle	\$ (0.72)	\$ 0.85	\$ 0.01
Cumulative effect of change in accounting principle			0.00
Diluted EPS	\$ (0.72)	\$ 0.85	\$ 0.01

At December 31, 2001, 2002 and 2003, 18.4 million, 41.2 million and 72.9 million of convertible shares of Series D preferred stock, respectively, were excluded from the calculation of diluted earnings per share since the effect was anti-dilutive.

At December 31, 2001, 18.2 million of warrants to purchase common stock were excluded from the calculation of diluted earnings per share since the effect was anti-dilutive.

At December 31, 2001, 7.6 million of options to purchase common stock were excluded from the calculation of diluted earnings per share since the effect was anti-dilutive.

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## MetroPCS, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

Pro forma net income per share, presented below, gives effect to the conversion of all outstanding shares of Series D Preferred Stock and accrued, but unpaid dividends, as well as Class B common stock, in connection with the proposed initial public offering and the formation of our holding company, MetroPCS Communications, Inc. See Note 1. As a result of the conversion of the Series D Preferred Stock, pro forma earnings per share is not calculated using the two-class method, as presented above.

	<u>Year Ended</u> <u>December 31, 2003</u>
Net income before cumulative effect of change in accounting principle	\$ 20,640
Cumulative effect of change in accounting principle	(74)
Net income	<u>\$ 20,566</u>
<b>Basic Earnings Per Share Pro Forma</b>	
Net income before cumulative effect of change in accounting principle	\$ 0.14
Cumulative effect of change in accounting principle	0.00
Net income per share basic	<u>\$ 0.14</u>
<b>Diluted Earnings Per Share Pro Forma</b>	
Net income before cumulative effect of change in principle	\$ 0.12
Cumulative effect of change in accounting principle	0.00
Net income per share diluted	<u>\$ 0.12</u>
Shares used in computing pro forma basic net income per share	145,799,580
Shares used in computing pro forma diluted net income per share	171,442,402

**15. Supplemental Cash Flow Information:**

	<u>Year Ended December 31,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in thousands)		
Cash paid for interest	\$ 9,742	\$ 3,805	\$ 3,596

Cash paid for income taxes

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*Non-cash investing and financing activities:*

The Company accrued dividends of \$5.0 million, \$10.8 million and \$18.7 million related to the Series D Preferred Stock for the years ended December 31, 2001, 2002 and 2003, respectively.

The Company accrued \$36.0 million, \$29.0 million and \$55.6 million of plant and equipment at December 31, 2001, 2002 and 2003, respectively.

The Company accrued \$0, \$2.8 million and \$1.0 million of microwave relocation costs at December 31, 2001, 2002 and 2003, respectively.

In 2002, the Company sold 10 MHz of spectrum in which \$3.8 million of face value FCC debt was assumed by the purchaser (see Note 4).

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**Table of Contents****Index to Financial Statements****16. Quarterly Results of Operations (Unaudited)**

The following table summarizes the Company's quarterly financial data for the two years ended December 31, 2002 and 2003, respectively (in thousands):

<b>2002</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Total revenues	\$ 5,737	\$ 22,421	\$ 36,994	\$ 60,443
Income/(loss) from operations	243,832	(32,140)	(25,214)	(22,483)
Net income (loss)	190,434	(20,334)	(16,205)	(14,828)
Basic earnings (loss) per share	1.88	(0.31)	(0.26)	(0.26)
Diluted earnings (loss) per share	1.43	(0.31)	(0.26)	(0.26)
<b>2003</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Total revenues	\$ 99,398	\$ 107,650	\$ 116,852	\$ 135,582
Income from operations	1,811	19,088	15,593	9,403
Income before cumulative effect of change in accounting principle	83	10,693	8,514	1,350
Net income	9	10,693	8,514	1,350
Net income (loss) allocable to Common Stockholders	(4,259)	3,158	1,840	(3,762)
Net income (loss) per share				
Basic				
Income before cumulative effect of change in accounting principle	(0.06)	0.04	0.03	(0.05)
Cumulative effect of change in accounting principle, net of tax	(0.00)			
Net income (loss) per share - basic	(0.06)	0.04	0.03	(0.05)
Diluted				
Income before cumulative effect of change in accounting principle	(0.06)	0.03	0.02	(0.05)
Cumulative effect of change in accounting principle, net of tax	(0.00)			
Net income (loss) per share - diluted	(0.06)	0.03	0.02	(0.05)

Net income for the first quarter of 2002 included a \$279.0 million (\$245.3 million after tax) gain on the sale of spectrum in our Atlanta market.

In the first and fourth quarters of 2003 the net loss per share, allocable to Common Stockholders, resulted from the accrued dividends on Series D preferred stock.

**17. Related-Party Transactions:**

The Company paid approximately \$0.3 million, \$0.2 million and \$0.2 million for the years ended December 31, 2001, 2002 and 2003, respectively, to a firm for professional services, a partner of which is a director of the Company. The Company paid approximately \$1.3 million, \$0.1 million and \$0.7 million for the years ended December 31, 2001, 2002 and 2003, respectively, to a firm for professional services, a partner of which is related to a Company officer.

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## Shares

# MetroPCS Communications, Inc.

## Common Stock

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PROSPECTUS

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*Joint Book-Running Managers*

**Bear, Stearns & Co. Inc.**

**Merrill Lynch & Co.**

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**UBS Investment Bank**

*Joint Lead Manager*

**JPMorgan**

# **Thomas Weisel Partners LLC**

, 2004

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The following table sets forth the various expenses, other than the underwriting discounts and commissions, payable by us in connection with the sale and distribution of the securities being registered. All amounts shown are estimates, except the Securities and Exchange Commission registration fee, the National Association of Securities Dealers, Inc. filing fee and the Nasdaq National Market application fee.

SEC registration fee	\$ 31,675
NASD filing fee	25,500
Nasdaq National Market application fee	*
Blue sky qualification fees and expenses	*
Accounting fees and expenses	*
Legal fees and expenses	*
Printing and engraving expenses	*
Transfer agent fees and expenses	*
Miscellaneous fees and expenses	*
	<hr/>
Total	*

\* To be completed by amendment.

**Item 14. *Indemnification of Directors and Officers.***

Section 145 of the Delaware General Corporation Law permits a Delaware corporation to indemnify any person who was or is a party or witness or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reasons of the fact that he or she is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise. Depending on the character of the proceeding, a corporation may indemnify against expenses, costs and fees (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if the person indemnified acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. If the person indemnified is not wholly successful in such action, suit or proceeding, but is successful, on the merits or otherwise, in one or more but less than all claims, issues or matters in such proceeding, he or she may be indemnified against expenses actually and reasonably incurred in connection with each successfully resolved claim, issue or matter. In the case of an action or suit by or in the right of the corporation, no indemnification may be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware, or the court in which such action or suit was brought, shall determine that, despite the adjudication of liability, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. Section 145 provides that, to the extent a director, officer, employee or agent of a corporation has been successful in the defense of any action, suit or proceeding referred to above or in the defense of any claim, issue or manner therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Our bylaws provide that we shall, to the fullest extent permitted by Delaware law, indemnify any director made, or threatened to be made, a party to any action or proceeding by reason of being our director (or by reason of his or her service at our request as a director or officer of another corporation). Such indemnification:

shall not be deemed exclusive of any other rights to which an indemnified person may be entitled under any bylaw, agreement or vote of stockholders or disinterested directors or otherwise;

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shall continue as to a person who has ceased to be a director; and

shall inure to the benefit of the heirs, executors and administrators of such person.

Our bylaws also provide that expenses incurred by a director in defending a civil or criminal action, suit or proceeding by reason of the fact that he or she is or was our director (or was serving at our request as a director or officer of another corporation) shall be paid by us in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by us. Notwithstanding any other provision of our bylaws, we are not required to advance such expenses to an agent who is a party to an action, suit or proceeding brought by us and approved by a majority of our board of directors which alleges willful misappropriation of corporate assets by such agent, disclosure of confidential information in violation of such agent's fiduciary or contractual obligations to us or any other willful and deliberate breach in bad faith of such agent's duty to us or our stockholders.

Our bylaws also provide that our board of directors has the power on our behalf to indemnify any person, other than a director, made a party to any action, suit or proceeding by reason of the fact that such person is or was our officer or employee.

Our certificate of incorporation provides that our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

for any breach of the director's duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

under Section 174 of the Delaware General Corporation Law; or

for any transaction from which the director derived any improper personal benefit.

We have also entered into separate indemnification agreements with each of our directors and executive officers under which we have agreed to indemnify, and to advance expenses to, each director and executive officer to the fullest extent permitted by applicable law with respect to liabilities they may incur in their capacities as directors and officers.

We maintain director and officer liability insurance to insure each person who was, is, or will be our director or officer against specified losses and wrongful acts of such director or officer in his or her capacity as such, including breaches of duty and trust, neglect, error and misstatement. In accordance with the director and officer insurance policy, each insured party will be entitled to receive advances of specified defense costs.

**Item 15. *Recent Sales of Unregistered Securities.***

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In connection with its formation, MetroPCS Communications, Inc. issued 100 shares of common stock to MetroPCS, Inc. on March 10, 2004 for an aggregate purchase price of \$1,000. The transaction was deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) thereof as a transaction by an issuer not involving any public offering. MetroPCS, Inc. acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof. Appropriate legends were affixed to the share certificate issued in such transaction. MetroPCS, Inc. had adequate access, through its relationship with the registrant, to information about the registrant.

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(a) Exhibits. The following exhibits are filed as part of this registration statement:

**Exhibit No.**

1.1**	Form of Underwriting Agreement.
2.1**	Agreement and Plan of Merger, dated as of _____, 2004, by and among MetroPCS Communications, Inc., MPCS Holdco Merger Sub, Inc. and MetroPCS, Inc.
3.1**	Certificate of Incorporation of MetroPCS Communications, Inc.
3.2**	Bylaws of MetroPCS Communications, Inc.
4.1**	Specimen of common stock certificate.
5.1**	Opinion of Andrews Kurth LLP regarding the legality of the securities being registered hereby.
10.1(a)	General Agreement for Purchase of Personal Communications Services Systems, dated as of October 1, 2002, by and between MetroPCS Wireless, Inc. and Lucent Technologies, Inc. (incorporated by reference to Exhibit 10.2 to Amendment No. 1 to MetroPCS, Inc.'s Registration Statement on Form S-4 as filed with the SEC on January 6, 2004 (SEC File No. 333-111470)). (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.1(b)*	Amendment No. 3 to General Agreement for Purchase of Personal Communications Services Systems, dated as of February 1, 2004. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.2(a)	Securities Purchase Agreement, dated as of July 17, 2000, by and among MetroPCS, Inc., each of the Subsidiary parties listed on Schedule 1 thereto and each of the Purchaser parties listed on Schedule 2 thereto, as amended by (i) Amendment No. 1 to Securities Purchase Agreement, dated as of November 13, 2000, (ii) Amendment No. 2 to Securities Purchase Agreement, dated as of December 12, 2000, (iii) Amendment No. 3 to Securities Purchase Agreement, dated as of December 19, 2000, (iv) Amendment No. 4 to Securities Purchase Agreement, dated as of January 4, 2001, and (v) Amendment No. 5 to Securities Purchase Agreement, dated as of January 9, 2001 (incorporated by reference to Exhibit 10.3 to MetroPCS, Inc.'s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.2(b)*	Amendment No. 6 to Securities Purchase Agreement, dated as of November 3, 2003.
10.3(a)	Amended and Restated Stockholders Agreement, dated as of July 17, 2000, by and among MetroPCS, Inc. and the Stockholders named therein, as amended by (i) Amendment No. 1 to Amended and Restated Stockholders Agreement, dated as of November 13, 2000, and (ii) Amendment No. 2 to Amended and Restated Stockholders Agreement, dated as of January 4, 2001 (incorporated by reference to Exhibit 10.4 to MetroPCS, Inc.'s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.3(b)*	Amendment No. 3 to Amended and Restated Stockholders Agreement, dated as of November 3, 2003.
10.4(a)	Form of Installment Payment Plan Note, dated as of January 27, 1997, issued in favor of the Federal Communications Commission, as amended by First Amended and Modified Installment Payment Plan Note For Broadband PCS C Block, dated as of October 8, 1998 (incorporated by reference to Exhibit 10.5(a) to MetroPCS, Inc.'s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.4(b)	Schedule of Installment Payment Plan Notes containing provisions set forth in the Form of Installment Payment Plan Note filed as Exhibit 10.5(a) (incorporated by reference to Exhibit 10.5(b) to Amendment No. 1 to MetroPCS, Inc.'s Registration Statement on Form S-4 as filed with the SEC on January 6, 2004 (SEC File No. 333-111470)).

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10.5	Indenture, dated as of September 29, 2003, by and among MetroPCS, Inc., as issuer, the Guarantors, as defined therein, and U.S. Bank National Association, as Trustee, relating to our 10¾% Senior Notes due 2011 (incorporated by reference to Exhibit 4.1 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.6**	Form of Officer and Director Indemnification Agreement.
10.7**	Second Amended and Restated 1995 Stock Option Plan.
10.8**	2004 Equity Incentive Compensation Plan
21.1*	Subsidiaries of Registrant.
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2**	Consent of Andrews Kurth LLP (included in Exhibit 5.1).
24.1*	Powers of Attorney (included in the signature pages to this registration statement).

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\* Filed herewith.

\*\* To be filed by an amendment to this registration statement.  
Incorporated by reference herein.

(b) Financial Statement Schedules.

Report of Independent Auditors on Financial Statement Schedule

Consolidated Valuation and Qualifying Accounts

**Item 17. *Undertakings.***

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by one or more of the registrants of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

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- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
  
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Dallas, State of Texas, on this 23rd day of March 2004.

METROPCS COMMUNICATIONS, INC.

By:                   /s/ ROGER D. LINQUIST

**Roger D. Linquist**

**President, Chief Executive Officer, Secretary and**

**Chairman of the Board**

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Roger D. Linquist as such signatory's true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, to sign on his or her behalf, individually and in the capacities stated below, any and all amendments (including post-effective amendments) to this registration statement (and to any registration statement filed pursuant to Rule 462 under the Securities Act), and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as fully as to all intents and purposes as such signatory might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to requirements of the Securities Act, this registration statement has been signed on March 23, 2004 by the following persons in the capacities indicated.

                  /s/ ROGER D. LINQUIST

**Roger D. Linquist**

**President, Chief Executive Officer, Secretary and**

**Chairman of the Board**

**(Principal Executive Officer)**

                  /s/ C. BOYDEN GRAY

**/s/ C. Boyden Gray**

**Director**

                  /s/ MICHAEL N. LAVEY

**Michael N. Lavey**

**Vice President, Controller and  
Interim Chief Financial Officer**

**(Principal Financial and Accounting Officer)**

                  /s/ HARRY F. HOPPER, III

**Harry F. Hopper, III**

**Director**

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/s/ JOSEPH T. McCULLEN, JR.

/s/ ARTHUR C. PATTERSON

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**Joseph T. McCullen, Jr.**

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**Arthur C. Patterson**

**Director**

**Director**

/s/ JOHN SCULLEY

/s/ JAMES F. WADE

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**John Sculley**

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**James F. Wade**

**Director**

**Director**

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**Report of Independent Auditors on  
Financial Statement Schedule**

To the Board of Directors of MetroPCS, Inc.:

Our audits of the consolidated financial statements referred to in our report dated February 25, 2004 appearing in this Registration Statement on Form S-1 of MetroPCS Communications, Inc. also included an audit of the consolidated financial statement schedule of MetroPCS, Inc. included in this Form S-1. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Dallas, Texas

February 25, 2004

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**Table of Contents****Index to Financial Statements****SCHEDULE II****MetroPCS, Inc. and Subsidiaries****Consolidated Valuation and Qualifying Accounts****For the Period December 31, 2000 through 2003****(in thousands)**

<b>Classification</b>	<b>Balance at Beginning of Period</b>	<b>Additions Charged to Costs and Expenses</b>	<b>Additions Charged to Other Accounts</b>	<b>Deductions</b>	<b>Balance At End of Period</b>
December 31, 2001					
Allowance for doubtful accounts					
Deferred tax valuation	15,921	27,288			43,209
December 31, 2002					
Allowance for doubtful accounts		383			383
Deferred tax valuation	43,209			(43,209)(1)	
December 31, 2003					
Allowance for doubtful accounts	383	991		(289)	1,085
Deferred tax valuation					

<sup>(1)</sup> This amount represents the reversal of the valuation allowance as a result of the sale of the spectrum and the utilization of the NOL carryforward. See Note 13 to our audited financial statements.

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**EXHIBIT INDEX**

**Exhibit No.**

1.1**	Form of Underwriting Agreement.
2.1**	Agreement and Plan of Merger, dated as of _____, 2004, by and among MetroPCS Communications, Inc., MPCS Holdco Merger Sub, Inc. and MetroPCS, Inc.
3.1**	Certificate of Incorporation of MetroPCS Communications, Inc.
3.2**	Bylaws of MetroPCS Communications, Inc.
4.1**	Specimen of common stock certificate.
5.1**	Opinion of Andrews Kurth LLP regarding the legality of the securities being registered hereby.
10.1(a)	General Agreement for Purchase of Personal Communications Services Systems, dated as of October 1, 2002, by and between MetroPCS Wireless, Inc. and Lucent Technologies, Inc. (incorporated by reference to Exhibit 10.2 to Amendment No. 1 to MetroPCS, Inc.'s Registration Statement on Form S-4 as filed with the SEC on January 6, 2004 (SEC File No. 333-111470)). (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.1(b)*	Amendment No. 3 to General Agreement for Purchase of Personal Communications Services Systems, dated as of February 1, 2004. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.2(a)	Securities Purchase Agreement, dated as of July 17, 2000, by and among MetroPCS, Inc., each of the Subsidiary parties listed on Schedule 1 thereto and each of the Purchaser parties listed on Schedule 2 thereto, as amended by (i) Amendment No. 1 to Securities Purchase Agreement, dated as of November 13, 2000, (ii) Amendment No. 2 to Securities Purchase Agreement, dated as of December 12, 2000, (iii) Amendment No. 3 to Securities Purchase Agreement, dated as of December 19, 2000, (iv) Amendment No. 4 to Securities Purchase Agreement, dated as of January 4, 2001, and (v) Amendment No. 5 to Securities Purchase Agreement, dated as of January 9, 2001 (incorporated by reference to Exhibit 10.3 to MetroPCS, Inc.'s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
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10.5	Indenture, dated as of September 29, 2003, by and among MetroPCS, Inc., as issuer, the Guarantors, as defined therein, and U.S. Bank National Association, as Trustee, relating to our 10 <sup>3</sup> / <sub>4</sub> % Senior Notes due 2011 (incorporated by reference to Exhibit 4.1 to MetroPCS, Inc.'s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).

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**Exhibit No.**

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23.2**	Consent of Andrews Kurth LLP (included in Exhibit 5.1).
24.1*	Powers of Attorney (included in the signature pages to this registration statement).

\* Filed herewith.

\*\* To be filed by an amendment to this registration statement.

Incorporated by reference herein.