METROPCS COMMUNICATIONS INC
Form S-1/A
March 19, 2007

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As filed with the Securities and Exchange Commission on March 19, 2007

Registration No. 333-139793

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

Amendment No. 3 to Form S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MetroPCS Communications, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**4812**	**20-0836269**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

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

Copies to:

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Dallas, Texas 75201	**New York, New York 10022**
(214) 953-6500	**(212) 906-1200**

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1),(2)	Amount of Registration Fee
Common Stock, par value $0.0001 per share	$1,125,000,000.00	$120,375.00
Rights to purchase Series A Junior Participating Preferred Stock(3)		

(1) Includes shares of common stock subject to an over-allotment option granted to the underwriters, if any.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act.

(3) Each share of common stock includes one Series A Junior Participating Preferred Stock purchase right pursuant to a rights agreement to be entered into between the registrant and the rights agent. The Series A Junior Participating Preferred Stock purchase rights will initially be attached to and trade with the shares of common stock being registered hereby. The value attributed to such rights, if any, is reflected in the market price of the common stock. Accordingly, no separate registration fee is payable with respect thereto.

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

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

SUBJECT TO COMPLETION, DATED MARCH 19, 2007

PROSPECTUS

Shares

MetroPCS Communications, Inc.

Common Stock

This is our initial public offering. We are offering shares of our common stock and the selling stockholders identified in this prospectus are offering an additional shares of our common stock. We will not receive any proceeds from the sale of our common stock by the selling stockholders. We currently expect the initial public offering price for our stock will be between $ and $ per share.

Unless otherwise indicated, all share numbers and per share prices in this prospectus give effect to a 3 for 1 stock split effected by means of a stock dividend of two shares of common stock for each share of common stock issued and outstanding at the close of business on March 14, 2007.

Prior to this offering, there has been no public market for our common stock. We have applied to list our common stock on the New York Stock Exchange under the symbol PCS .

Investing in our common stock involves risks. See Risk Factors beginning on page 12.

	Per Share	Total
Public offering price	$	$
Underwriting discounts	$	$
Proceeds, before expenses, to us	$	$
Proceeds to the selling stockholders	$	$

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

The underwriters expect to deliver the shares against payment in New York, New York on or about , 2007.

The underwriters have a 30-day option to purchase up to additional shares of common stock from the selling stockholders to cover over-allotments, if any. We will not receive any proceeds from the exercise of the over-allotment option.

Bear, Stearns & Co. Inc.

Banc of America Securities LLC

Merrill Lynch & Co.

Morgan Stanley

UBS Investment Bank

Thomas Weisel Partners LLC

Wachovia Securities

Raymond James

The date of this prospectus is , 2007.

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You should rely only on the information contained in this prospectus, any free writing prospectus prepared by us or the information to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with different information. This prospectus may only be used where it is legal to sell these securities and this prospectus is not an offer to sell or a solicitation to buy shares in any jurisdiction where an offer or sale of shares would be unlawful. The information in this prospectus and any free writing prospectus prepared by us may be accurate only as of their respective dates.

PROSPECTUS SUMMARY

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

Company Overview

We offer wireless broadband personal communication services, or PCS, on a no long-term contract, flat rate, unlimited usage basis in selected major metropolitan areas in the United States. Since we launched our innovative wireless service in 2002, we have been among the fastest growing wireless broadband PCS providers in the United States as measured by growth in subscribers and revenues during that period. We currently own or have access to wireless licenses covering a population of approximately 140 million in the United States, which includes 14 of the top 25 largest metropolitan areas in the country. As of December 31, 2006, we had launched service in seven of the top 25 largest metropolitan areas covering a licensed population of approximately 39 million and had approximately 2.9 million total subscribers, representing a 53% growth rate over total subscribers as of December 31, 2005. As of February 28, 2007, we had approximately 3.3 million subscribers.

Our wireless services target a mass market which we believe is largely underserved by traditional wireless carriers. Our service, branded under the MetroPCS name, allows customers to place unlimited wireless calls from within our service areas and to receive unlimited calls from any area under our simple and affordable flat monthly rate plans. Our customers pay for our service in advance, eliminating any customer-related credit exposure. Our flat rate service plans start as low as $30 per month. For an additional $5 to $20 per month, our customers may select a service plan that offers additional services, such as unlimited nationwide long distance service, voicemail, caller ID, call waiting, text messaging, mobile Internet browsing, push e-mail and picture and multimedia messaging. For additional fees, we also provide international long distance and text messaging, ringtones, games and content applications, unlimited directory assistance, mobile Internet browsing, ring back tones, nationwide roaming and other value-added services. As of December 31, 2006, over 85% of our customers selected either our $40 or $45 rate plan. Our flat rate plans differentiate our service from the more complex plans and long-term contract requirements of traditional wireless carriers.

We launched our service initially in 2002 in the Miami, Atlanta, Sacramento and San Francisco metropolitan areas, which we refer to as our Core Markets and which currently comprise our Core Markets segment. Our Core Markets have a licensed population of approximately 26 million, of which our networks cover approximately 22 million as of December 31, 2006. In our Core Markets we reached the one million customer mark after eight full quarters of operation, and as of December 31, 2006 we served approximately 2.3 million customers, representing a customer penetration of covered population of 10.2%. We reported positive adjusted earnings before depreciation and amortization and non-cash stock-based compensation, or Core Markets segment Adjusted EBITDA, in our Core Markets segment after only four full quarters of operation. As of February 28, 2007, we served approximately 2.4 million customers, representing a customer penetration of covered population of 10.8%. Our Core Markets segment Adjusted EBITDA for the year ended December 31, 2006, was $493 million, representing a 56% increase over the comparable period in 2005 and representing 43% of our segment service revenue. For a discussion of our Core Markets segment Adjusted EBITDA, please read Summary Historical Financial and Operating Data and

Management s

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Discussion and Analysis of Financial Condition and Results of Operations Core Markets Performance Measures.

Beginning in the second half of 2004, we began to strategically acquire licenses in new geographic areas that share certain key characteristics with our existing Core Markets. These new geographic areas, which we refer to as our Expansion Markets and which currently comprise our Expansion Markets segment, include the Tampa/Sarasota, Dallas/Ft. Worth and Detroit metropolitan areas, as well as the Los Angeles and Orlando metropolitan areas and portions of northern Florida, which were acquired by Royal Street Communications, LLC, or Royal Street, a company in which we own an 85% limited liability company member interest. We launched service in the Tampa/Sarasota metropolitan area in October 2005, in the Dallas/Ft. Worth metropolitan area in March 2006, in the Detroit metropolitan area in April 2006, and, through our agreements with Royal Street, in the Orlando metropolitan area and portions of northern Florida in November 2006. As of December 31, 2006, our networks covered approximately 16 million people and we served approximately 640,000 customers in these Expansion Markets, representing a customer penetration of covered population of 4.0%. As of February 28, 2007, we served approximately 840,000 customers, representing a customer penetration of covered population of 5.2%. In the second or third quarter of 2007, also through our agreements with Royal Street, we expect to begin offering MetroPCS-branded services in Los Angeles, California. Together, our Core and Expansion Markets, including Los Angeles, are expected to cover a population of approximately 53 million by the end of 2008.

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

Competitive Strengths

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

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

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

- Our leadership position as one of the lowest cost providers of wireless telephone services in the United States;
- Our spectrum portfolio, which covers 9 of the top 12 and 14 of the top 25 largest metropolitan areas in the United States; and
- Our advanced CDMA network, which is designed to provide the capacity necessary to satisfy the usage requirements of our customers.

Business Strategy

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

- Target the underserved customer segments in our markets;
- Offer affordable, fixed price unlimited calling plans with no long-term service contract;
- Remain one of the lowest cost wireless telephone service providers in the United States; and
- Expand into new attractive markets.

Business Risks

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

- Our limited operating history;
- Competition from other wireline and wireless providers, many of whom have substantially greater resources than us;
- Our significant current debt levels of approximately $2.6 billion as of December 31, 2006, the terms of which may restrict our operational flexibility;
- Our need to supplement the proceeds from this offering with significant excess cash flows to meet the requirements for the build-out and launch of our Auction 66 Markets; and
- Increased costs which could result from higher customer churn, delays in technological developments or our inability to successfully manage our growth.

For a more detailed discussion of the risks associated with our business and an investment in our common stock, please see Risk Factors beginning on page 12.

Recent Financing Transactions

On November 3, 2006, MetroPCS Wireless, Inc., or MetroPCS Wireless, our indirect wholly-owned subsidiary, entered into a senior secured credit facility pursuant to which MetroPCS Wireless may borrow up to $1.7 billion and consummated an offering of 91/4% senior notes due 2014, or the senior notes, in the aggregate principal amount of $1.0 billion. Prior to the closing of our senior secured credit facility and the sale of senior notes, we owed an aggregate of $900 million under MetroPCS Wireless first and second lien secured credit agreements, $1.25 billion under an exchangeable secured bridge credit facility entered into by one of our indirect wholly-owned subsidiaries and $250 million under an exchangeable unsecured bridge credit facility entered into by another of our indirect wholly-owned subsidiaries. The funds borrowed under the bridge credit facilities were used primarily to pay the aggregate purchase price of approximately $1.4 billion for the licenses we acquired in Auction 66. We borrowed $1.6 billion under our senior secured credit facility concurrently with the closing of the sale of the senior notes and used the amount borrowed, together with the net proceeds from the sale of the senior notes, to repay all amounts owed under our existing first and second lien secured credit agreements and our bridge credit facilities and to pay related premiums, fees and expenses, and we will use the remaining amounts for general corporate purposes. On February 20, 2007 we amended and restated our senior secured facility to reduce the rate by 1/4%.

Corporate Information

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

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

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THE OFFERING

Common stock offered by MetroPCS	shares
Common stock offered by the selling stockholders	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	We estimate that the net proceeds to us from this offering after expenses will be approximately $ million, assuming an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus. We intend to use the net proceeds from this offering primarily to build-out our network and launch our services in certain of our recently acquired Auction 66 Markets as well as for general corporate purposes. See Use of Proceeds. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.
Proposed New York Stock Exchange symbol	PCS
Risk Factors	See Risk Factors beginning on page 12 for a discussion of some of the factors you should consider carefully before deciding to invest in our common stock.

The number of shares of our common stock outstanding after this offering is based on 157,052,097 shares of common stock outstanding as of December 31, 2006 , and

gives effect to the conversion of all of our outstanding Series D and Series E 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 and Series E preferred stock that have accumulated through the consummation of this offering), which as of December 31, 2006 would have converted into 148,785,393 shares of common stock;

reflects a 3 for 1 stock split effected by means of a stock dividend of two shares of common stock for each share of common stock issued and outstanding at the close of business on March 14, 2007;

excludes 23,499,462 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2006 at a weighted average exercise price of $6.91 (of which 10,750,692 were exercisable as of December 31, 2006 at a weighted average exercise price of $3.78);

excludes 26,283,582 shares of common stock available for issuance upon exercise of stock options not yet granted under our equity compensation plans.

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SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The following tables set forth selected consolidated financial and other data for MetroPCS and its wholly-owned and majority-owned subsidiaries for the years ended December 31, 2002, 2003, 2004, 2005 and 2006. We derived our summary historical financial data as of and for the years ended December 31, 2004, 2005 and 2006 from the consolidated financial statements of MetroPCS, which were audited by Deloitte & Touche LLP. We derived our summary historical financial data as of and for the years ended December 31, 2002 and 2003 from our consolidated financial statements. You should read the summary historical financial and operating data in conjunction with Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors and our audited consolidated financial statements, including the notes thereto, contained elsewhere in this prospectus. The summary historical financial and operating data presented in this prospectus may not be indicative of future performance.

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

accounting principle					
Provision for income taxes	(25,528)	(16,179)	(47,000)	(127,425)	(36,717)
Income before cumulative effect of change in accounting principle	130,305	15,478	64,890	198,677	53,806
Cumulative effect of change in accounting principle, net of tax		(120)			
Net income	130,305	15,358	64,890	198,677	53,806
Accrued dividends on Series D Preferred Stock	(10,619)	(18,493)	(21,006)	(21,006)	(21,006)
Accrued dividends on Series E Preferred Stock				(1,019)	(3,000)
Accretion on Series D Preferred Stock	(473)	(473)	(473)	(473)	(473)
Accretion on Series E Preferred Stock				(114)	(339)
Net income (loss) applicable to Common Stock	$ 119,213	$ (3,608)	$ 43,411	$ 176,065	$ 28,988
Basic net income (loss) per common share(1):					
Income (loss) before cumulative effect of change in accounting principle	$ 0.72	$ (0.03)	$ 0.18	$ 0.71	$ 0.11
Cumulative effect of change in accounting principle, net of tax		(0.00)			

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	Year Ended December 31,				
	2002	2003	2004	2005	2006
	(In Thousands, Except Share and Per Share Data)				
Basic net income (loss) per common share	$ 0.72	$ (0.03)	$ 0.18	$ 0.71	$ 0.11
Diluted net income (loss) per common share(1):					
Income (loss) before cumulative effect of change in accounting principle	$ 0.52	$ (0.03)	$ 0.15	$ 0.62	$ 0.10
Cumulative effect of change in accounting principle, net of tax		(0.00)			
Diluted net income (loss) per common share	$ 0.52	$ (0.03)	$ 0.15	$ 0.62	$ 0.10
Weighted average shares(1):					
Basic	108,709,302	109,331,885	126,722,051	135,352,396	155,820,381
Diluted	150,218,097	109,331,885	150,633,686	153,610,589	159,696,608

	Year Ended December 31,				
	2002	2003	2004	2005	2006
	(Dollars, Customers and POPs in Thousands)				
Other Financial Data:					
Net cash (used in) provided by operating activities	$ (50,672)	$ 112,605	$ 150,379	$ 283,216	$ 364,761
Net cash used in investment activities	(88,311)	(306,868)	(190,881)	(905,228)	(1,939,665)
Net cash provided by (used in) financing activities	157,039	201,951	(5,433)	712,244	1,623,693
Consolidated Operating Data:					
Licensed POPs (at period end)(2)	22,584	22,584	28,430	64,222	65,618
Covered POPs (at period end)(2)	16,964	17,662	21,083	23,908	38,630
Customers (at period end)	513	977	1,399	1,925	2,941
Adjusted EBITDA (Deficit)(3)	$ (94,376)	$ 89,566	$ 203,597	$ 294,465	$ 395,559
Adjusted EBITDA as a percentage of service revenues(4)	NM	24.2%	33.0%	33.8%	30.6%
Capital Expenditures	$ 227,350	$ 117,731	$ 250,830	$ 266,499	$ 550,749
Core Markets Operating Data(5):					

Licensed POPs (at period end)(2)	22,584	22,584	24,686	25,433	25,881
Covered POPs (at period end)(2)	16,964	17,662	21,083	21,263	22,461
Customers (at period end)	513	977	1,399	1,872	2,301
Adjusted EBITDA (Deficit)(6)	$ (94,376)	$ 89,566	$ 203,597	$ 316,555	$ 492,773
Adjusted EBITDA as a percentage of service revenues(4)	NM	24.2%	33.0%	36.4%	43.3%
Capital Expenditures	$ 227,350	$ 117,731	$ 250,830	$ 171,783	$ 217,215
Expansion Markets Operating Data(5):					
Licensed POPs (at period end)(2)			3,744	38,789	39,737
Covered POPs (at period end)(2)				2,645	16,169
Customers (at period end)				53	640
Adjusted EBITDA (Deficit)(6)				$ (22,090)	$ (97,214)
Capital Expenditures				$ 90,871	$ 314,308

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

	As of December 31, 2006	
	Actual	**As Adjusted(13)**
	(In Thousands)	
Balance Sheet Data:		
Cash, cash equivalents & short-term investments	$ 552,149	
Property and equipment, net	1,256,162	
Total assets	4,153,122	
Long-term debt (including current maturities)	2,596,000	
Series D Cumulative Convertible Redeemable Participating Preferred Stock	443,368	
Series E Cumulative Convertible Redeemable Participating Preferred Stock	51,135	
Stockholders equity	413,245	

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

(2) Licensed POPs represent the aggregate number of persons that reside within the areas covered by our or Royal Street s licenses. Covered POPs represent the estimated number of POPs in our markets that reside within the areas covered by our network.

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

We consider Adjusted EBITDA, as defined above, to be an important indicator to investors because it provides information related to our ability to provide cash flows to meet future debt service, capital expenditures and working capital requirements and fund future growth. We present this discussion of Adjusted EBITDA because covenants in our senior secured credit facility contain ratios based on this measure. If our Adjusted EBITDA were to decline below certain levels, covenants in our senior secured credit facility that are based on Adjusted EBITDA, including our maximum senior secured leverage ratio covenant, may be violated and could cause, among other things, an inability to incur further indebtedness and in certain circumstances a default or mandatory prepayment under our senior secured credit facility. Our maximum senior secured leverage ratio is required to be less than 4.5 to 1.0 based on Adjusted EBITDA plus the impact of certain new markets. In addition, consolidated Adjusted EBITDA is also utilized, among other measures, to determine management s compensation levels. See Executive Compensation. Adjusted EBITDA is not a measure calculated in accordance with GAAP and should not be considered a substitute for operating income (loss), net income (loss), or any other measure of financial performance reported in accordance with GAAP. In addition, Adjusted EBITDA should not be construed as an alternative to, or more meaningful, than cash flows from operating activities, as determined in accordance with GAAP. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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

	Year Ended December 31,				
	2002	**2003**	**2004**	**2005**	**2006**
			(In Thousands)		
Calculation of Consolidated Adjusted EBITDA (Deficit):					
Net income	$ 130,305	$ 15,358	$ 64,890	$ 198,677	$ 53,806
Adjustments:					
Depreciation and amortization	21,472	42,428	62,201	87,895	135,028
(Gain) loss on disposal of assets	(279,659)	392	3,209	(218,203)	8,806
Non-cash compensation expense(a)	1,519	5,573	10,429	2,596	14,472
Interest expense	6,720	11,115	19,030	58,033	115,985
			8	252	770

Accretion of put option in majority-owned subsidiary(a)					
Interest and other income	(964)	(996)	(2,472)	(8,658)	(21,543)
Loss (gain) on extinguishment of debt	703	(603)	(698)	46,448	51,518
Provision for income taxes	25,528	16,179	47,000	127,425	36,717
Cumulative effect of change in accounting principle, net of tax(a)		120			
Consolidated Adjusted EBITDA (Deficit)	$ (94,376)	$ 89,566	$ 203,597	$ 294,465	$ 395,559

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

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

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

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

(5) Core Markets include Atlanta, Miami, Sacramento and San Francisco. Expansion Markets include Dallas/Ft. Worth, Detroit, Tampa/Sarasota/Orlando and Los Angeles. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

(6) Core and Expansion Markets Adjusted EBITDA is presented in accordance with SFAS No. 131 as it is the primary financial measure utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth. See Management s Discussion and Analysis of Financial Condition and Results of Operations Operating Segments.

(7) Average monthly churn represents (a) the number of customers who have been disconnected from our system during the measurement period less the number of customers who have reactivated service, divided by (b) the sum of the average monthly number of customers during such period. See Management s Discussion and Analysis of Financial Condition and Results of Operations Performance Measures. A customer s handset is disabled if the customer has failed to make payment by the due date and is disconnected from our system if the customer fails to make payment within 30 days thereafter. See Management s Discussion and Analysis of Financial Condition and Results of Operations Customer Recognition and Disconnect Policies.

(8) In the first quarter of 2006, based upon a change in the allowable return period from 7 days to 30 days, we revised our definition of gross additions to exclude customers that discontinue service in the first 30 days of

service as churn. This revision has the effect of reducing deactivations and gross additions, commencing March 23, 2006, and reduces churn and increases CPGA. Churn computed under the original 7 day allowable return period would have been 5.1% for the year ended December 31, 2006.

(9) Average revenue per user, or ARPU, cost per gross addition, or CPGA, and cost per user, or CPU, are non-GAAP financial measures utilized by our management to evaluate our operating performance. We believe these measures are important in understanding the performance of our operations from period to period, and although every company in the wireless industry does not define each of these measures in precisely the same way, we believe that these measures (which are common in the wireless industry) facilitate operating performance comparisons with other companies in the wireless industry.

(10) ARPU Average revenue per user, or ARPU, represents (a) service revenues less activation revenues, E-911, Federal Universal Service Fund, or FUSF, and vendor s compensation charges for the measurement period, divided by (b) the sum of the average monthly number of customers during such period. We utilize ARPU to evaluate our per-customer service revenue realization and to assist in forecasting our future service revenues. ARPU is calculated exclusive of activation revenues, as these amounts are a component of our costs of acquiring new customers and are included in our calculation of CPGA. ARPU is also calculated exclusive of E-911, FUSF and vendor s compensation charges, as these are generally pass through charges that we collect from our customers and remit to the appropriate government agencies.