METROPCS COMMUNICATIONS INC
Form 10-Q
May 15, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2007

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number
000-50869
METROPCS COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-0836269**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8144 Walnut Hill Lane, Suite 800 Dallas, Texas	**75231-4388**
(Address of principal executive offices)	(Zip Code)

(214) 265-2550
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

On April 30, 2007, there were 346,643,726 shares of the registrant s common stock, $0.0001 par value, outstanding.

METROPCS COMMUNICATIONS, INC.
Quarterly Report on Form 10-Q
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* No reportable information under this item.

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PART I.
FINANCIAL INFORMATION

Item 1. Financial Statements.

MetroPCS Communications, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except share and per share information)
(Unaudited)

	March 31, 2007	December 31, 2006
CURRENT ASSETS:		
Cash and cash equivalents	$ 231,318	$ 161,498
Short-term investments	308,353	390,651
Restricted short-term investments		607
Inventories, net	106,721	92,915
Accounts receivable (net of allowance for uncollectible accounts of $2,228 and $1,950 at March 31, 2007 and December 31, 2006, respectively)	25,531	28,140
Prepaid expenses	40,203	33,109
Deferred charges	27,953	26,509
Deferred tax asset	815	815
Other current assets	26,844	24,283
Total current assets	767,738	758,527
Property and equipment, net	1,363,786	1,256,162
Long-term investments		1,865
FCC licenses	2,072,885	2,072,885
Microwave relocation costs	9,369	9,187
Other assets	58,434	54,496
Total assets	$ 4,272,212	$ 4,153,122
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 364,742	$ 325,681
Current maturities of long-term debt	16,000	16,000
Deferred revenue	105,631	90,501
Other current liabilities	3,920	3,447
Total current liabilities	490,293	435,629
Long-term debt	2,576,000	2,580,000
Deferred tax liabilities	199,106	177,197
Deferred rents	24,243	22,203
Redeemable minority interest	4,267	4,029
Other long-term liabilities	31,755	26,316
Total liabilities	3,325,664	3,245,374
COMMITMENTS AND CONTINGENCIES (See Note 9)		
	448,665	443,368

SERIES D CUMULATIVE CONVERTIBLE REDEEMABLE PARTICIPATING PREFERRED STOCK, par value $0.0001 per share, 4,000,000 shares designated, 3,500,993 shares issued and outstanding at March 31, 2007 and December 31, 2006; Liquidation preference of $452,567 and $447,388 at March 31, 2007 and December 31, 2006, respectively		
SERIES E CUMULATIVE CONVERTIBLE REDEEMABLE PARTICIPATING PREFERRED STOCK, par value $0.0001 per share, 500,000 shares designated, 500,000 shares issued and outstanding at March 31, 2007 and December 31, 2006; Liquidation preference of $54,759 and $54,019 at March 31, 2007 and December 31, 2006, respectively	51,960	51,135
STOCKHOLDERS EQUITY:		
Preferred stock, par value $0.0001 per share, 25,000,000 shares authorized, 4,000,000 of which have been designated as Series D Preferred Stock and 500,000 of which have been designated as Series E Preferred Stock; no shares of preferred stock other than Series D & E Preferred Stock (presented above) issued and outstanding at March 31, 2007 and December 31, 2006		
Common Stock, par value $0.0001 per share, 300,000,000 shares authorized, 157,135,815 and 157,052,097 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	16	16
Additional paid-in capital	170,980	166,315
Retained earnings	275,919	245,690
Accumulated other comprehensive (loss) income	(992)	1,224
Total stockholders equity	445,923	413,245
Total liabilities and stockholders equity	$ 4,272,212	$ 4,153,122

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

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MetroPCS Communications, Inc. and Subsidiaries
Condensed Consolidated Statements of Income and Comprehensive Income
(in thousands, except share and per share information)
(Unaudited)

	For the three months ended March 31,	
	2007	**2006**
REVENUES:		
Service revenues	$ 439,516	$ 275,416
Equipment revenues	97,170	54,045
Total revenues	536,686	329,461
OPERATING EXPENSES:		
Cost of service (excluding depreciation and amortization expense of $35,174 and $24,854, shown separately below)	145,335	92,489
Cost of equipment	173,308	100,911
Selling, general and administrative expenses (excluding depreciation and amortization expense of $4,206 and $2,406, shown separately below)	72,937	51,437
Depreciation and amortization	39,380	27,260
Loss on disposal of assets	3,050	10,365
Total operating expenses	434,010	282,462
Income from operations	102,676	46,999
OTHER EXPENSE (INCOME):		
Interest expense	48,976	20,884
Accretion of put option in majority-owned subsidiary	238	157
Interest and other income	(7,157)	(4,572)
Gain on extinguishment of debt		(217)
Total other expense	42,057	16,252
Income before provision for income taxes	60,619	30,747
Provision for income taxes	(24,267)	(12,377)
Net income	36,352	18,370
Accrued dividends on Series D Preferred Stock	(5,180)	(5,180)
Accrued dividends on Series E Preferred Stock	(740)	(740)
Accretion on Series D Preferred Stock	(118)	(118)
Accretion on Series E Preferred Stock	(85)	(85)

Net income applicable to Common Stock	$	30,229	$	12,247
Net income	$	36,352	$	18,370
Other comprehensive income:				
Unrealized gain on available-for-sale securities, net of tax		595		227
Unrealized (loss) gain on cash flow hedging derivative, net of tax		(1,769)		611
Reclassification adjustment for gains included in net income, net of tax		(1,042)		(495)
Comprehensive income	$	34,136	$	18,713
Net income per common share: (See Note 8)				
Basic	$	0.11	$	0.04
Diluted	$	0.11	$	0.04
Weighted average shares:				
Basic		157,035,119		155,174,314
Diluted		163,447,880		159,287,504

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

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MetroPCS Communications, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	For the three months ended March 31,	
	2007	**2006**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 36,352	$ 18,370
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,380	27,260
Provision for (recovery of) uncollectible accounts receivable	127	(138)
Deferred rent expense	2,039	1,415
Cost of abandoned cell sites	1,796	230
Non-cash interest expense	1,096	379
Loss on disposal of assets	3,050	10,365
Gain on extinguishment of debt		(217)
Gain on sale of investments	(959)	(299)
Accretion of asset retirement obligation	282	133
Accretion of put option in majority-owned subsidiary	238	157
Deferred income taxes	23,611	11,753
Stock-based compensation expense	4,211	1,811
Changes in assets and liabilities:		
Inventories	(13,976)	(11,032)
Accounts receivable	2,482	1,000
Prepaid expenses	(5,431)	(3,646)
Deferred charges	(1,445)	(7,626)
Other assets	(5,417)	(237)
Accounts payable and accrued expenses	8,119	2,682
Deferred revenue	15,141	12,066
Other liabilities	876	1,202
Net cash provided by operating activities	111,572	65,628
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(156,235)	(134,740)
Change in prepaid purchases of property and equipment	(1,654)	(6,488)
Purchase of investments	(321,322)	(270,893)
Proceeds from sale of investments	404,551	276,692
Change in restricted cash and investments	556	(3,116)
Net cash used in investing activities	(74,104)	(138,545)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in book overdraft	38,281	23,611
Debt issuance costs	(740)	
Cost of raising capital	(1,288)	
Repayment of debt	(4,000)	(1,795)

Proceeds from minority interest in majority-owned subsidiary		2,000
Proceeds from exercise of stock options	99	151
Net cash provided by financing activities	32,352	23,967
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69,820	(48,950)
CASH AND CASH EQUIVALENTS, beginning of period	161,498	112,709
CASH AND CASH EQUIVALENTS, end of period	$ 231,318	$ 63,759

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

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MetroPCS Communications, Inc. and Subsidiaries
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited)

1. Basis of Presentation:

The accompanying unaudited condensed consolidated interim financial statements include the balances and results of operations of MetroPCS Communications, Inc. (MetroPCS) and its consolidated subsidiaries (the Company). MetroPCS indirectly owns, through its wholly-owned subsidiaries, 85% of the limited liability company member interest in Royal Street Communications, LLC (Royal Street Communications). The consolidated financial statements include the balances and results of operations of MetroPCS and its wholly-owned subsidiaries as well as the balances and results of operations of Royal Street Communications and its wholly-owned subsidiaries (collectively Royal Street). The Company consolidates its interest in Royal Street in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 46-R, *Consolidation of Variable Interest Entities,* because Royal Street is a variable interest entity and the Company will absorb all of Royal Street s expected losses. All intercompany accounts and transactions between the Company and Royal Street have been eliminated in the consolidated financial statements. The redeemable minority interest in Royal Street is included in long-term liabilities. The condensed consolidated interim balance sheets as of March 31, 2007 and December 31, 2006, the condensed consolidated statements of income and comprehensive income and cash flows for the periods ended March 31, 2007 and 2006, and the related footnotes are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

The unaudited condensed consolidated financial statements included herein reflect all adjustments (consisting of normal, recurring adjustments) which are, in the opinion of management, necessary to state fairly the results for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the operating results to be expected for any subsequent interim period or for the fiscal year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Universal Service Fund (FUSF) and E-911 fees are assessed by various governmental authorities in connection with the services that the Company provides to its customers. The Company reports these fees on a gross basis in services revenues and cost of service on the accompanying statements of income and comprehensive income. For the three months ended March 31, 2007 and 2006, the Company recorded approximately $19.9 million and $8.6 million, respectively, of FUSF and E-911 fees. Sales, use and excise taxes are reported on a net basis in selling, general and administrative fees on the accompanying statements of income and comprehensive income.

On March 14, 2007, the Company s board of directors approved a 3 for 1 stock split 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. Unless otherwise indicated, all share numbers and per share prices included in the accompanying unaudited condensed consolidated interim financial statements give effect to the stock split.

2. Share-Based Payments:

In accordance with Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment,* (SFAS No. 123(R)), the Company has recognized stock-based compensation expense in an amount equal to the fair value of share-based payments, which includes stock options granted to employees. SFAS No. 1 23(R) replaces SFAS No. 123, *Accounting for Stock-Based Compensation,* (SFAS No. 123) and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees,* and its related interpretations (APB No. 25). The Company adopted SFAS No. 123(R) on January 1, 2006. The Company records stock-based compensation expense in cost of service and selling, general and administrative expenses. Stock-based compensation expense recognized under SFAS No. 123(R) was $4.2 million and $1.8 million for the three months ended March 31, 2007 and 2006, respectively. Cost of service for the three months ended March 31, 2007, includes $0.2 million of stock-based compensation. For the three months ended March

MetroPCS Communications, Inc. and Subsidiaries
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited)

31, 2007 and 2006, selling, general and administrative expenses include $4.0 million and $1.8 million of stock-based compensation, respectively.

3. Property and Equipment:

Property and equipment, net, consisted of the following (in thousands):

	March 31, 2007	December 31, 2006
Construction-in-progress	$ 259,766	$ 193,856
Network infrastructure	1,405,183	1,329,986
Office equipment	33,181	31,065
Leasehold improvements	24,450	21,721
Furniture and fixtures	6,415	5,903
Vehicles	207	207
	1,729,202	1,582,738
Accumulated depreciation	(365,416)	(326,576)
Property and equipment, net	$ 1,363,786	$ 1,256,162

4. Accounts Payable and Accrued Expenses:

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

	March 31, 2007	December 31, 2006
Accounts payable	$ 84,288	$ 90,084
Book overdraft	59,569	21,288
Accrued accounts payable	97,281	111,974
Accrued liabilities	7,530	9,405
Payroll and employee benefits	10,310	20,645
Accrued interest	51,062	24,529
Taxes, other than income	50,437	42,882
Income taxes	4,265	4,874
Accounts payable and accrued expenses	$ 364,742	$ 325,681

5. Long-Term Debt:

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

	March 31, 2007	December 31, 2006
9 1/4% Senior Notes	$ 1,000,000	$ 1,000,000

Senior Secured Credit Facility	1,592,000	1,596,000
Total debt	2,592,000	2,596,000
Less: current maturities	(16,000)	(16,000)
Total long-term debt	$ 2,576,000	$ 2,580,000

$1.0 Billion $9^{1}/4\%$ Senior Notes

On November 3, 2006, MetroPCS Wireless, Inc. (Wireless) completed the sale of $1.0 billion of $9^{1}/4\%$ Senior Notes due 2014 (the $9^{1}/4\%$ Senior Notes). The $9^{1}/4\%$ Senior Notes are unsecured obligations and are jointly and severally, fully and unconditionally guaranteed by MetroPCS, MetroPCS, Inc., and all of Wireless direct and indirect wholly-owned subsidiaries, but are not guaranteed by Royal Street. Interest is payable on the $9^{1}/4\%$ Senior Notes on May 1 and November 1 of each year, beginning on May 1, 2007. Wireless may, at its option, redeem some or all of the $9^{1}/4\%$ Senior Notes at any time on or after November 1, 2010 for the redemption prices set forth in the indenture governing the $9^{1}/4\%$ Senior Notes. In addition, Wireless may also redeem up to 35% of the aggregate principal amount of the $9^{1}/4\%$ Senior Notes with the net cash proceeds of certain sales of equity securities.

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MetroPCS Communications, Inc. and Subsidiaries
Notes to Condensed Consolidated Interim Financial Statements
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On November 3, 2006, Wireless also entered into a registration rights agreement. Under the registration rights agreement, Wireless must file a registration statement with the United States Securities and Exchange Commission (SEC) relating to an offer to exchange and issue notes equal to the outstanding principal amount of the 9 1/4% Senior Notes prior to the earlier of (i) 365 days after the closing date of the 9 1/4% Senior Notes and (ii) 30 days following the date that MetroPCS or any of its subsidiaries, other than Royal Street, consummates a public offering of its capital stock. In addition, Wireless must use all commercially reasonable efforts to cause such registration statement to be declared effective by the SEC on or prior to 180 days after the filing of the registration statement and consummate the exchange offer within 30 business days after the registration statement has been declared effective by the SEC. If (i) Wireless fails to file a registration statement by the applicable deadline, (ii) any such registration statement has not been declared effective by the SEC by the applicable deadline, (iii) the exchange offer has not been consummated by the applicable deadline or (iv) any registration statement required by the registration rights agreement is filed and declared effective but thereafter ceases to be effective or fails to be usable for its intended purpose without being cured under the terms of the registration rights agreement, then Wireless and the guarantors of the 9 1/4% Senior Notes must pay each holder liquidated damages in an amount equal to $0.05 per week per $1,000 in principal amount of 9 1/4% Senior Notes for each week or portion thereof that the default continues for the first 90-day period immediately following the occurrence of the default. The amount of liquidated damages increases by an additional $0.05 per week per $1,000 in principal amount of the 9 1/4% Senior Notes with respect to each subsequent 90-day period until all defaults have been cured, up to a maximum amount of liquidated damages of $0.20 per week per $1,000 in principal amount of 9 1/4% Senior Notes. On April 24, 2007, MetroPCS closed on its initial public offering (the Offering)(See Note 15). Under the terms of the registration rights agreement, Wireless is required to file a registration statement related to the exchange offer with the SEC by May 24, 2007. On May 15, 2007, Wireless filed such required initial registration statement on Form S-4.

Senior Secured Credit Facility

On November 3, 2006, Wireless entered into a secured credit facility, pursuant to which Wireless may borrow up to $1.7 billion, as amended, (the Senior Secured Credit Facility). The Senior Secured Credit Facility consists of a $1.6 billion term loan facility and a $100.0 million revolving credit facility. The term loan facility is repayable in quarterly installments in annual aggregate amounts equal to 1% of the initial aggregate principal amount of $1.6 billion. The term loan facility will mature in seven years and the revolving credit facility will mature in five years.

The facilities under the Senior Secured Credit Facility are guaranteed by MetroPCS, MetroPCS, Inc. and each of Wireless direct and indirect present and future wholly-owned domestic subsidiaries. The facilities are not guaranteed by Royal Street, but Wireless pledged the promissory note that Royal Street had given it in connection with amounts borrowed by Royal Street from Wireless and the limited liability company member interest held in Royal Street Communications. The Senior Secured Credit Facility contains customary events of default, including cross defaults. The obligations are also secured by the capital stock of Wireless as well as substantially all of Wireless present and future assets and the capital stock and substantially all of the assets of each of its direct and indirect present and future wholly-owned subsidiaries (except as prohibited by law and certain permitted exceptions), but excludes Royal Street.

The interest rate on the outstanding debt under the Senior Secured Credit Facility is variable. The rate as of March 31, 2007 was 7.389%. On November 21, 2006, Wireless entered into a three-year interest rate protection agreement to manage the Company s interest rate risk exposure and fulfill a requirement of the Senior Secured Credit Facility. The agreement covers a notional amount of $1.0 billion and effectively converts this portion of Wireless variable rate debt to fixed rate debt. The quarterly interest settlement periods began on February 1, 2007. The interest rate protection agreement expires on February 1, 2010. This financial instrument is included in other long-term liabilities at fair market value, which was approximately $1.8 million as of March 31, 2007. At December 31, 2006, this financial instrument was reported in long-term investments at fair market value, which was approximately $1.9 million. The change in fair value is reported in accumulated other comprehensive (loss) income in the

consolidated balance sheets, net of income taxes. On February 20, 2007, Wireless entered into an amendment to the Senior Secured Credit Facility. Under the amendment, the margin used to determine the Senior Secured Credit Facility interest rate was reduced to 2.25% from 2.50%.

MetroPCS Communications, Inc. and Subsidiaries
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited)

As of March 31, 2007, there was a total of approximately $1.6 billion outstanding under the Senior Secured Credit Facility, of which $16.0 million is reported in current maturities of long-term debt and approximately $1.6 billion is reported as long-term debt on the accompanying consolidated balance sheets.

6. Income Taxes:

The Company records income taxes pursuant to SFAS No. 109, *Accounting for Income Taxes,* (SFAS No. 109). 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, a valuation 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.

On January 1, 2007, the Company adopted FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes,* (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition issues. The Company has completed its review and assessment of uncertain tax positions and the adoption of FIN 48 for the quarter ended March 31, 2007 did not have a significant impact on the Company s financial statements. There was no cumulative effect adjustment related to adopting FIN 48. As of January 1, 2007, the amount of unrecognized tax benefits was $23.4 million of which $22.6 million would, if recognized, decrease the Company s effective tax rate.

The Company files income tax returns in the US federal and certain state jurisdictions and are subject to examinations by the IRS and other taxing authorities. Federal examinations of income tax returns filed by the Company and any of its subsidiaries for the years ending prior to January 1, 2004 are complete. The state of California is in the process of examining the Company s income tax returns for the years 2002 through 2003 and the Company has entered the appeals process. At this time, the Company cannot accurately predict when any issues raised in the California audit will be fully resolved.

The Company classifies interest and penalties related to unrecognized tax benefits as income tax expense. As of January 1, 2007, current liabilities included a total of $1.6 million and non-current liabilities included a total of $8.8 million in accrued interest and penalties. The amount of interest (after-tax) and penalties included in income tax expense for the quarter ended March 31, 2007 totaled $0.6 million.

The Company does not expect that the total amount of unrecognized tax benefits for the positions included as of the date of the adoption will significantly increase or decrease within the next twelve months.

7. Stockholders Equity:

Common Stock Issued to Directors

Non-employee members of MetroPCS Board of Directors receive compensation for serving on the Board of Directors, as defined in MetroPCS Non-Employee Director Remuneration Plan. The annual retainer provided under the Non-Employee Director Remuneration Plan may be paid, at the election of each non-employee director, in cash, common stock, or a combination of cash and common stock. During the three months ended March 31, 2007 and 2006, non-employee members of the Board of Directors were issued 31,230 and 43,845 shares of common stock, respectively, as payment of their annual retainer.

Stockholder Rights Plan

On March 27, 2007, in connection with the Offering, the Company adopted a Stockholder Rights Plan (See Note 15). Under the Stockholder Rights Plan, each share of the Company s common stock includes one right to purchase one one-thousandth of a share of series A junior participating preferred stock. The rights will separate from the

MetroPCS Communications, Inc. and Subsidiaries
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited)

common stock and become exercisable (1) ten calendar days after public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% of the Company s outstanding common stock or (2) ten business days following the start of a tender offer or exchange offer that would result in a person s acquiring beneficial ownership of 15% of the Company s outstanding common stock. A 15% beneficial owner is referred to as an acquiring person under the Stockholder Rights Plan.

8. Net Income Per Common Share:

The following table sets forth the computation of basic and diluted net income per common share for the periods indicated (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2007	**2006**
Basic EPS Two Class Method:		
Net income	$ 36,352	$ 18,370
Accrued dividends and accretion:		
Series D Preferred Stock	(5,298)	(5,298)
Series E Preferred Stock	(825)	(825)
Net income applicable to common stock	$ 30,229	$ 12,247
Amount allocable to common shareholders	57.2%	57.0%
Rights to undistributed earnings	$ 17,304	$ 6,975
Weighted average shares outstanding basic	157,035,119	155,174,314
Net income per common share basic	$ 0.11	$ 0.04
Diluted EPS:		
Rights to undistributed earnings	$ 17,304	$ 6,975
Weighted average shares outstanding basic	157,035,119	155,174,314
Effect of dilutive securities:		
Warrants		526,947
Stock options	6,412,761	3,586,243
Weighted average shares outstanding diluted	163,447,880	159,287,504
Net income per common share diluted	$ 0.11	$ 0.04

Net income (loss) per common share is computed in accordance with EITF 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128* (EITF 03-6). Under EITF 03-6, the preferred stock is considered a participating security for purposes of computing earnings or loss per common share and, therefore, the preferred stock is included in the computation of basic and diluted net income (loss) per common share using the two-class method, except during periods of net losses. When determining basic earnings per common share under EITF 03-6, undistributed earnings for a period are allocated to a participating security based on the contractual participation rights of the security to share in those earnings as if all of the earnings for the period had been distributed.

For the three months ended March 31, 2007 and 2006, 142.8 million and 136.1 million, respectively, of convertible shares of Series D Preferred Stock were excluded from the calculation of diluted net income per common share since the effect was anti-dilutive.

For the three months ended March 31, 2007 and 2006, 6.0 million and 5.7 million, respectively, of convertible shares of Series E Preferred Stock were excluded from the calculation of diluted net income per common share since the effect was anti-dilutive.

See Note 15 for a discussion of the Offering and the related conversion of all outstanding preferred stock in April 2007.

9. Commitments and Contingencies:

The Company has entered into pricing agreements with various handset manufacturers for the purchase of wireless handsets at specified prices. The terms of these agreements expire on various dates during the year ending December 31, 2007. In addition, the Company entered into an agreement with a handset manufacturer for the purchase of 475,000 handsets at a specified price by September 30, 2007.

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(Unaudited)

Rescission Offer

Certain options granted under the Company s 1995 Stock Option Plan and 2004 Equity Incentive Plan may not have been exempt from registration or qualification under federal securities laws and the securities laws of certain states. As a result, on April 27, 2007, the Company s Board of Directors approved a rescission offer to the holders of certain options and on May 15, 2007 the Company filed an initial registration statement on Form S-1. If this rescission offer is accepted, the Company could be required to make aggregate payments to the holders of these options of up to approximately $1.4 million, which includes statutory interest, based on options outstanding as of March 31, 2007. This rescission offer may not terminate a purchaser s right to rescind a sale of a security that was not registered as required. If any or all of the offerees reject the rescission offer, the Company may continue to be liable for this amount under federal and state securities laws. Management does not believe that this rescission offer will have a material effect on the Company s results of operations, cash flows or financial position.

AWS Licenses Acquired in Auction 66

Spectrum allocated for advanced wireless services (AWS) currently is utilized by a variety of categories of commercial and governmental users. To foster the orderly clearing of the spectrum, the United States Federal Communications Commission (FCC) adopted a transition and cost sharing plan pursuant to which incumbent non-governmental users could be reimbursed for relocating out of the band and the costs of relocation would be shared by AWS licensees benefiting from the relocation. The FCC has established a plan where the AWS licensee and the incumbent non-governmental user are to negotiate voluntarily for three years and then, if no agreement has been reached, the incumbent licensee is subject to mandatory relocation where the AWS licensee can force the incumbent non-governmental licensee to relocate at the AWS licensee s expense. The spectrum allocated for AWS currently is utilized also by governmental users. The FCC rules provide that a portion of the money raised in Auction 66 will be used to reimburse the relocation costs of governmental users from the AWS band. However, not all governmental users are obligated to relocate and some such users may delay relocation for some time. For the three months ended March 31, 2007, the Company incurred approximately $0.2 million in microwave relocation costs. No relocation costs were incurred for the three months ended March 31, 2006.

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.

The Company is involved in various claims and legal actions in relation to claims of patent infringement. 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.

10. Supplemental Cash Flow Information:

	Three Months Ended March 31,	
	2007	2006
	(in thousands)	
Cash paid for interest	$22,069	$16,141
Cash paid for income taxes	710	525

Non-cash investing activities:

Net changes in the Company s accrued purchases of property, plant and equipment were $7.0 million and $32.6 million for the three months ended March 31, 2007 and 2006, respectively.

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Non-cash financing activities:

MetroPCS accrued dividends of $5.2 million and $5.2 million related to the Series D Preferred Stock for the three months ended March 31, 2007 and 2006, respectively.

MetroPCS accrued dividends of $0.7 million and $0.7 million related to the Series E Preferred Stock for the three months ended March 31, 2007 and 2006, respectively.

11. Related-Party Transactions:

One of the Company s current directors is a general partner of various investment funds affiliated with one of the Company s greater than 5% stockholders. These funds own in the aggregate an approximate 17% interest in a company that provides services to the Company s customers, including handset insurance programs and roadside assistance services. Pursuant to the Company s agreement with this related party, the Company bills its customers directly for these services and remits the fees collected from its customers for these services to the related party. During the three months ended March 31, 2007 and 2006, the Company received fees of approximately $1.1 million and $0.5 million, respectively, as compensation for providing this billing and collection service. In addition, the Company also sells handsets to this related party. For the three months ended March 31, 2007 and 2006, the Company sold approximately $3.2 million and $3.2 million in handsets, respectively, to the related party. As of March 31, 2007 and December 31, 2006, the Company owed approximately $3.7 million and $3.0 million, respectively, to this related party for fees collected from its customers that are included in accounts payable and accrued expenses on the accompanying consolidated balance sheets. As of March 31, 2007 receivables from this related party in the amount of approximately $1.2 million are included in accounts receivable. As of December 31, 2006, receivables from this related party in the amount of approximately $0.8 million and $0.1 million, respectively, are included in accounts receivable and other current assets, respectively.

12. Segment Information:

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

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

The Company aggregates its operating segments into two reportable segments: Core Markets and Expansion Markets.

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

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

economic characteristics.

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General corporate overhead, which includes expenses such as corporate employee labor costs, rent and utilities, legal, accounting and auditing expenses, is allocated equally across all operating segments. Corporate marketing and advertising expenses are allocated equally to the operating segments, beginning in the period during which the Company launches service in that operating segment. Expenses associated with the Company s national data center are allocated based on the average number of customers in each operating segment. There are no transactions between reportable segments.

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

Three Months Ended March 31, 2007	Core Markets	Expansion Markets	Other (4)	Total
		(in thousands)		
Service revenues	$336,934	$102,582	$	$439,516
Equipment revenues	68,268	28,902		97,170
Total revenues	405,202	131,484		536,686
Cost of service (1)	100,440	44,707	188	145,335
Cost of equipment	113,240	60,068		173,308
Selling, general and administrative expenses (2)	43,296	28,838	803	72,937
Adjusted EBITDA (deficit) (3)	150,322	(121)	(884)	
Depreciation and amortization	28,105	10,063	1,212	39,380
Stock-based compensation expense	2,095	2,009	107	4,211
Income (loss) from operations	117,225	(12,186)	(2,363)	102,676
Interest expense			48,976	48,976
Accretion of put option in majority-owned subsidiary			238	238
Interest and other income			(7,157)	(7,157)
Income (loss) before provision for income taxes	117,225	(12,186)	(44,420)	60,619

Three Months Ended March 31, 2006	Core Markets	Expansion Markets	Other	Total
		(in thousands)		
Service revenues	$264,597	$ 10,819	$	$275,416
Equipment revenues	50,047	3,998		54,045
Total revenues	314,644	14,817		329,461
Cost of service	78,932	13,557		92,489
Cost of equipment	90,928	9,983		100,911
Selling, general and administrative expenses (2)	37,475	13,962		51,437
Adjusted EBITDA (deficit) (3)	109,120	(22,685)		
Depreciation and amortization	25,007	1,547	706	27,260
Stock-based compensation expense	1,811			1,811
Income (loss) from operations	72,055	(24,350)	(706)	46,999
Interest expense			20,884	20,884
Accretion of put option in majority-owned subsidiary			157	157
Interest and other income			(4,572)	(4,572)

Gain on extinguishment of debt			217	217
Income (loss) before provision for income taxes	72,055	(24,350)	(16,958)	30,747

(1) Cost of service for the three months ended March 31, 2007, includes $0.2 million of stock-based compensation disclosed separately.

(2) Selling, general and administrative expenses include stock-based compensation disclosed separately. For the three months ended March 31, 2007 and 2006, selling, general and administrative expenses include $4.0 million and $1.8 million of stock-based compensation, respectively.

(3) Core and Expansion Markets Adjusted EBITDA (deficit) is presented in accordance with SFAS No. 131 as it is the primary financial measure utilized

by management to facilitate evaluation of the Company s ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth.

(4) Other includes expenses associated with the AWS licenses the Company was granted in November 2006 as a result of FCC Auction 66. These expenses are presented in the Other column as utilization of the Auction 66 AWS licenses in the Company s operations has not commenced and the Company has not allocated the Auction 66 AWS licenses to a reportable segment as of March 31, 2007.

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The following table reconciles segment Adjusted EBITDA (deficit) for the three months ended March 31, 2007 and 2006 to consolidated income before provision for income taxes:

	Three Months Ended March 31,	
	2007	2006
	(in thousands)	
Segment Adjusted EBITDA (Deficit):		
Core Markets Adjusted EBITDA	$ 150,322	$ 109,120
Expansion Markets Adjusted EBITDA (Deficit)	(121)	(22,685)
Other Adjusted EBITDA (Deficit)	(884)	
Total	149,317	86,435
Depreciation and amortization	(39,380)	(27,260)
Loss on disposal of assets	(3,050)	(10,365)
Non-cash compensation expense	(4,211)	(1,811)
Interest expense	(48,976)	(20,885)
Accretion of put option in majority-owned subsidiary	(238)	(157)
Interest and other income	7,157	4,572
Gain on extinguishment of debt		217
Consolidated income before provision for income taxes	$ 60,619	$ 30,746

13. Guarantor Subsidiaries:

In connection with Wireless sale of the 9 1/4% Senior Notes and the entry into the Senior Secured Credit Facility, MetroPCS and all of MetroPCS subsidiaries, other than Wireless and Royal Street (the guarantor subsidiaries), provided guarantees on the 9 1/4% Senior Notes and Senior Secured Credit Facility. These guarantees are full and unconditional as well as joint and several. Certain provisions of the Senior Secured Credit Facility restrict the ability of the guarantor subsidiaries to transfer funds to Wireless. Royal Street Communications and its subsidiaries (the non-guarantor subsidiaries) are not guarantors of the 9 1/4% Senior Notes or the Senior Secured Credit Facility.

The following information presents condensed consolidating balance sheets as of March 31, 2007 and December 31, 2006, condensed consolidating statements of income for the three months ended March 31, 2007 and 2006, and condensed consolidating statements of cash flows for the three months ended March 31, 2007 and 2006 of the parent company (MetroPCS), the issuer (Wireless), the guarantor subsidiaries and the non-guarantor subsidiaries. Investments include investments in subsidiaries held by the parent company and the issuer and have been presented using the equity method of accounting.

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Consolidated Balance Sheet
As of March 31, 2007

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
CURRENT ASSETS:						
Cash and cash equivalents	$ 29,626	$ 124,436	$ 264	$ 76,992	$	$ 231,318
Short-term investments	32,861	275,492				308,353
Inventories, net		98,660	8,061			106,721
Accounts receivable, net		25,210		1,801	(1,480)	25,531
Prepaid expenses		3,739	34,539	1,925		40,203
Deferred charges		27,953				27,953
Deferred tax asset		815				815
Current receivable from subsidiaries		4,058			(4,058)	
Other current assets	271	11,006	15,969	39	(441)	26,844
Total current assets	62,758	571,369	58,833	80,757	(5,979)	767,738
Property and equipment, net		30,489	1,215,506	117,791		1,363,786
Investment in subsidiaries	354,283	1,033,514			(1,387,797)	
FCC licenses	1,391,410		387,876	293,599		2,072,885
Microwave relocation costs			9,369			9,369
Long-term receivable from subsidiaries		538,204			(538,204)	
Other assets	1,821	56,318	4,469	8,395	(12,569)	58,434
Total assets	$ 1,810,272	$ 2,229,894	$ 1,676,053	$ 500,542	$ (1,944,549)	$ 4,272,212
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	$ 543	$ 188,210	$ 150,186	$ 31,562	$ (5,759)	$ 364,742
Current maturities of long-term debt		16,000		4,058	(4,058)	16,000
Deferred revenue		19,410	86,221			105,631
Advances to subsidiaries	863,181	(1,149,521)	286,340			
Other current liabilities		41	3,879	1,150	(1,150)	3,920
Total current liabilities	863,724	(925,860)	526,626	36,770	(10,967)	490,293

Long-term debt		2,576,000		7,581	(7,581)	2,576,000
Long-term note to parent				538,204	(538,204)	
Deferred tax liabilities		199,106				199,106
Deferred rents			23,543	700		24,243
Redeemable minority interest		4,267				4,267
Other long-term liabilities		22,098	7,531	2,126		31,755
Total liabilities	863,724	1,875,611	557,700	585,381	(556,752)	3,325,664
COMMITMENTS AND CONTINGENCIES (See Note 9)						
SERIES D PREFERRED STOCK	448,665					448,665
SERIES E PREFERRED STOCK	51,960					51,960
STOCKHOLDERS EQUITY:						
Preferred stock						
Common stock	16			20,000	(20,000)	16
Additional paid-in capital	170,980					170,980
Retained earnings (deficit)	275,919	355,343	1,118,353	(104,839)	(1,368,857)	275,919
Accumulated other comprehensive (loss) income	(992)	(1,060)			1,060	(992)
Total stockholders equity	445,923	354,283	1,118,353	(84,839)	(1,387,797)	445,923
Total liabilities and stockholders equity	$ 1,810,272	$ 2,229,894	$ 1,676,053	$ 500,542	$ (1,944,549)	$ 4,272,212

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MetroPCS Communications, Inc. and Subsidiaries
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Consolidated Balance Sheet
As of December 31, 2006

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)			
CURRENT ASSETS:						
Cash and cash equivalents	$ 15,714	$ 99,301	$ 257	$ 46,226	$	$ 161,498
Short-term investments	45,365	345,286				390,651
Restricted short-term investments		556		51		607
Inventories, net		81,339	11,576			92,915
Accounts receivable, net		29,348		1,005	(2,213)	28,140
Prepaid expenses		8,107	23,865	1,137		33,109
Deferred charges		26,509				26,509
Deferred tax asset		815				815
Current receivable from subsidiaries		4,734			(4,734)	
Other current assets	97	9,478	15,354	120	(766)	24,283
Total current assets	61,176	605,473	51,052	48,539	(7,713)	758,527
Property and equipment, net		14,077	1,158,442	83,643		1,256,162
Long-term investments		1,865				1,865
Investment in subsidiaries	320,783	939,009			(1,259,792)	
FCC licenses	1,391,410		387,876	293,599		2,072,885
Microwave relocation costs			9,187			9,187
Long-term receivable from subsidiaries		456,070			(456,070)	
Other assets	399	51,477	4,078	5,810	(7,268)	54,496
Total assets	$ 1,773,768	$ 2,067,971	$ 1,610,635	$ 431,591	$ (1,730,843)	$ 4,153,122
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	$ 401	$ 138,953	$ 161,663	$ 29,614	$ (4,950)	$ 325,681
Current maturities of long-term debt		16,000		4,734	(4,734)	16,000
Deferred revenue		19,030	71,471			90,501
Advances to subsidiaries	865,612	(1,207,821)	341,950		259	
Other current liabilities		31	3,416	757	(757)	3,447

Total current liabilities	866,013	(1,033,807)	578,500	35,105	(10,182)	435,629
Long-term debt		2,580,000		4,540	(4,540)	2,580,000
Long-term note to parent				456,070	(456,070)	
Deferred tax liabilities	7	177,190				177,197
Deferred rents			21,784	419		22,203
Redeemable minority interest		4,029				4,029
Other long-term liabilities		19,517	6,285	514		26,316
Total liabilities	866,020	1,746,929	606,569	496,648	(470,792)	3,245,374
COMMITMENTS AND CONTINGENCIES (See Note 9)						
SERIES D PREFERRED STOCK	443,368					443,368
SERIES E PREFERRED STOCK	51,135					51,135
STOCKHOLDERS EQUITY:						
Preferred stock						
Common stock	16					16
Additional paid-in capital	166,315			20,000	(20,000)	166,315
Retained earnings (deficit)	245,690	319,863	1,004,066	(85,057)	(1,238,872)	245,690
Accumulated other comprehensive income	1,224	1,179			(1,179)	1,224
Total stockholders equity	413,245	321,042	1,004,066	(65,057)	(1,260,051)	413,245
Total liabilities and stockholders equity	$ 1,773,768	$ 2,067,971	$ 1,610,635	$ 431,591	$ (1,730,843)	$ 4,153,122

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Consolidated Statement of Income
Three Months Ended March 31, 2007

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
REVENUES:						
Service revenues	$	$ 577	$ 439,488	$ 4,225	$ (4,774)	$ 439,516
Equipment revenues		3,080	94,090			97,170
Total revenues		3,657	533,578	4,225	(4,774)	536,686
OPERATING EXPENSES:						
Cost of service (excluding depreciation and amortization expense shown separately below)			140,411	9,698	(4,774)	145,335
Cost of equipment		2,984	170,324			173,308
Selling, general and administrative expenses (excluding depreciation and amortization expense shown separately below)		97	68,331	4,509		72,937
Depreciation and amortization			38,708	672		39,380
Loss on disposal of assets			3,049	1		3,050
Total operating expenses		3,081	420,823	14,880	(4,774)	434,010
Income (loss) from operations		576	112,755	(10,655)		102,676
OTHER EXPENSE (INCOME):						
Interest expense		54,312	(1,522)	9,730	(13,544)	48,976
Earnings from consolidated subsidiaries	(35,481)	(94,505)			129,986	
Accretion of put option in majority-owned subsidiary		238				238
Interest and other income	(871)	(19,216)	(10)	(604)	13,544	(7,157)
	(36,352)	(59,171)	(1,532)	9,126	129,986	42,057

Total other (income) expense						
Income (loss) before provision for income taxes	36,352	59,747	114,287	(19,781)	(129,986)	60,619
Provision for income taxes		(24,267)				(24,267)
Net income (loss)	$ 36,352	$ 35,480	$ 114,287	$ (19,781)	$ (129,986)	$ 36,352

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Consolidated Statement of Income
Three Months Ended March 31, 2006

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
REVENUES:						
Service revenues	$	$	$ 275,416	$	$	$ 275,416
Equipment revenues		3,188	50,857			54,045
Total revenues		3,188	326,273			329,461
OPERATING EXPENSES:						
Cost of service (excluding depreciation and amortization expense shown separately below)			91,959	530		92,489
Cost of equipment		3,093	97,818			100,911
Selling, general and administrative expenses (excluding depreciation and amortization expense shown separately below)		95	48,020	3,322		51,437
Depreciation and amortization			27,260			27,260
Loss on disposal of assets			10,365			10,365
Total operating expenses		3,188	275,422	3,852		282,462
Income (loss) from operations			50,851	(3,852)		46,999
OTHER EXPENSE (INCOME):						
Interest expense		22,350	(1,424)	8,775	(8,817)	20,884
Earnings from consolidated subsidiaries	(17,828)	(40,000)			57,828	
Accretion of put option in majority-owned subsidiary		157				157
Interest and other income	(542)	(12,712)	(1)	(134)	8,817	(4,572)
Gain on extinguishment of debt			(217)			(217)
Total other (income) expense	(18,370)	(30,205)	(1,642)	8,641	57,828	16,252

Income (loss) before provision for income taxes	18,370	30,205	52,493	(12,493)	(57,828)	30,747
Provision for income taxes		(12,377)				(12,377)
Net income (loss)	$ 18,370	$ 17,828	$ 52,493	$ (12,493)	$ (57,828)	$ 18,370

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Three Months Ended March 31, 2007

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	$ 36,352	$ 35,480	$ 114,287	$ (19,781)	$ (129,986)	$ 36,352
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization			38,708	672		39,380
Provision for uncollectible accounts receivable		127				127
Deferred rent expense			1,758	281		2,039
Cost of abandoned cell sites			373	1,423		1,796
Non-cash interest expense		1,096		13,826	(13,826)	1,096
Loss on disposal of assets			3,049	1		3,050
Gain on sale of investments	(326)	(633)				(959)
Accretion of asset retirement obligation			213	69		282
Accretion of put option in majority-owned subsidiary		238				238
Deferred income taxes		23,611				23,611
Stock-based compensation expense			4,211			4,211
Changes in assets and liabilities	(33,751)	(133,187)	(37,592)	(6,379)	211,258	349
Net cash provided by (used in) operating activities	2,275	(73,268)	125,007	(9,888)	67,446	111,572
CASH FLOWS FROM INVESTING ACTIVITIES:						
		(10,418)	(119,025)	(26,792)		(156,235)

Purchases of property and equipment						
Change in prepaid purchases of property and equipment		4,321	(5,975)			(1,654)
Purchase of investments	(54,727)	(266,595)				(321,322)
Proceeds from sale of investments	67,553	336,998				404,551
Change in restricted cash and investments		556				556
Net cash provided by (used in) investing activities	12,826	64,862	(125,000)	(26,792)		(74,104)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Change in book overdraft		38,281				38,281
Proceeds from long-term note to parent				70,000	(70,000)	
Debt issuance costs		(740)				(740)
Cost of raising capital	(1,288)					(1,288)
Payments on capital lease obligations				(187)	187	
Repayment of debt		(4,000)		(2,367)	2,367	(4,000)
Proceeds from exercise of stock options	99					99
Net cash (used in) provided by financing activities	(1,189)	33,541		67,446	(67,446)	32,352
INCREASE IN CASH AND CASH EQUIVALENTS	13,912	25,135	7	30,766		69,820
CASH AND CASH EQUIVALENTS, beginning of period	15,714	99,301	257	46,226		161,498
CASH AND CASH EQUIVALENTS, end of period	$ 29,626	$ 124,436	$ 264	$ 76,992	$	$ 231,318

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Three Months Ended March 31, 2006

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	$ 18,370	$ 17,828	$ 52,493	$ (12,493)	$ (57,828)	$ 18,370
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:						
Depreciation and amortization			27,260			27,260
Recovery of uncollectible accounts receivable		(138)				(138)
Deferred rent expense			1,415			1,415
Cost of abandoned cell sites			230			230
Non-cash interest expense		(94)	473	8,817	(8,817)	379
Loss on disposal of assets			10,365			10,365
Loss (gain) on extinguishment of debt			(217)			(217)
Gain on sale of investments	(170)	(129)				(299)
Accretion of asset retirement obligation			133			133
Accretion of put option in majority-owned subsidiary		157				157
Deferred income taxes		11,753				11,753
Stock-based compensation expense			1,811			1,811
Changes in assets and liabilities	(17,867)	(114,183)	45,392	14,422	66,645	(5,591)
Net cash provided by (used in) operating activities	333	(84,806)	139,355	10,746		65,628
CASH FLOWS FROM INVESTING						

ACTIVITIES:						
Purchases of property and equipment			(131,068)	(3,672)		(134,740)
Change in prepaid purchases of property and equipment			(6,488)			(6,488)
Purchase of investments	(82,454)	(188,439)				(270,893)
Proceeds from sale of investments	76,450	200,242				276,692
Change in restricted cash and investments		(3,122)	6			(3,116)
Net cash used in investing activities	(6,004)	8,681	(137,550)	(3,672)		(138,545)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Change in book overdraft		23,611				23,611
Proceeds from minority interest in subsidiary		2,000				2,000
Repayment of debt			(1,795)			(1,795)
Proceeds from exercise of stock options	151					151
Net cash (used in) provided by financing activities	151	25,611	(1,795)			23,967
INCREASE IN CASH AND CASH EQUIVALENTS	(5,520)	(50,514)	10	7,074		(48,950)
CASH AND CASH EQUIVALENTS, beginning of period	10,624	95,772	219	6,094		112,709
CASH AND CASH EQUIVALENTS, end of period	$ 5,104	$ 45,258	$ 229	$ 13,168	$	$ 63,759

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MetroPCS Communications, Inc. and Subsidiaries
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited)

14. Recent Accounting Pronouncements:

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

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

15. Subsequent Events:

Initial Public Offering

On April 24, 2007, the Company consummated the Offering of 57,500,000 shares of common stock priced at $23.00 per share (less underwriting discounts and commissions). The Company offered 37,500,000 shares of common stock and certain of the Company s existing stockholders offered 20,000,000 shares of common stock in the Offering, which included 7,500,000 shares sold by the Company s existing stockholders pursuant to the underwriters exercise of their over-allotment option. Concurrent with the Offering, all outstanding shares of preferred stock, including accrued but unpaid dividends, were converted into 150,962,690 shares of common stock. The shares began trading on April 19, 2007 on The New York Stock Exchange under the symbol PCS .

Stock Option Grants

On April 18, 2007, the Company granted stock options to purchase an aggregate of 5,480,148 shares of the Company s common stock to certain employees. The exercise price for the option grants is $23.00, which is the price of the Company s common stock on the date of the Offering. The stock options granted will generally vest on a four-year vesting schedule with 25% vesting on the first anniversary date of the award and the remainder pro-rata on a monthly basis thereafter.

Purchase Agreement

In May 2007, the Company entered into an agreement to use commercially reasonable efforts to deploy 1,001 nodes in distributed antenna systems pursuant to a 15 year lease at a specified price.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Forward-Looking Statements

Any statements made in this report that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements within the meaning of the Private Securities Reform Act of 1995, as amended, and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including statements that may relate to our plans, objectives, strategies, goals, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. These forward-looking statements often include words such as anticipate, expect, suggests, plan, believe, intend, estimates, targets, projects, should, may, will, forecast, and other similar ex forward-looking statements are contained throughout this report, including Management s Discussion and Analysis of Financial Condition and Results of Operations.

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

- the highly competitive nature of our industry;
- the rapid technological changes in our industry;
- our ability to maintain adequate customer care and manage our churn rate;
- our ability to sustain the growth rates we have experienced to date;
- our ability to access the funds necessary to build and operate our Auction 66 Markets;
- the costs associated with being a public company and our ability to comply with the internal financial and disclosure controls and reporting obligations of public companies;
- our ability to manage our rapid growth, train additional personnel and improve our financial and disclosure controls and procedures;
- our ability to secure the necessary spectrum and network infrastructure equipment;
- our ability to clear the Auction 66 Market spectrum of incumbent licensees;
- our ability to adequately enforce or protect our intellectual property rights;
- governmental regulation of our services and the costs of compliance and any failure to comply with such regulations;
- our capital structure, including our indebtedness amounts;
- changes in consumer preferences or demand for our products;

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

- other factors described under Risk Factors disclosed in Item 1A. Risk Factors.

The forward-looking statements and projections are subject to and involve risks, uncertainties and assumptions and you should not place undue reliance on these forward-looking statements and projections. All future written and oral forward-looking statements and projections attributable to us or persons acting on our behalf are expressly qualified in their entirety by our cautionary statements. We do not intend to, and do not undertake a duty to, update any forward-looking statement or projection in the future to reflect the occurrence of events or circumstances, except as required by law.

Company Overview

Except as expressly stated, the financial condition and results of operations discussed throughout Management s Discussion and Analysis of Financial Condition and Results of Operations are those of MetroPCS Communications, Inc. and its consolidated subsidiaries. References to MetroPCS, MetroPCS Communications, our Company, the Company, we, our, ours and us refer to MetroPCS Communications, Inc., a Delaware corporation, and its wholly-owned subsidiaries. Unless otherwise indicated, all share numbers and per share prices 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. On April 18, 2007, the registration statement for our initial public offering became effective and our common stock began trading on New York Stock Exchange under the symbol PCS on April 19, 2007. We consummated our initial public offering on April 24, 2007.

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

As a result of the significant growth we have experienced since we launched operations, our results of operations to date are not necessarily indicative of the results that can be expected in future periods. Moreover, we expect that our number of customers will continue to increase, which will continue to contribute to increases in our revenues and operating expenses. In November 2006, we were granted advanced wireless services, or AWS, licenses covering a total unique population of approximately 117 million for an aggregate purchase price of approximately $1.4 billion. Approximately 69 million of the total licensed population associated with our Auction 66 licenses represents expansion opportunities in geographic areas outside of our Core and Expansion Markets, which we refer to as our Auction 66 Markets. These new expansion opportunities in our Auction 66 Markets cover six of the 25 largest metropolitan areas in the United States. The balance of our Auction 66 Markets, which cover a population of approximately 48 million, supplements or expands the geographic boundaries of our existing operations in Dallas/Ft. Worth, Detroit, Los Angeles, San Francisco and Sacramento. We currently plan to focus on building out approximately 40 million of the total population in our Auction 66 Markets with a primary focus on the New York, Philadelphia, Boston and Las Vegas metropolitan areas. Of the approximate 40 million total population, we are targeting launch of operations with an initial covered population of approximately 30 to 32 million by late 2008 or early 2009. Total estimated capital expenditures to the launch of these operations are expected to be between $18 and $20 per covered population, which equates to a total capital investment of approximately $550 million to $650 million. Total estimated expenditures, including capital expenditures, to become free cash flow positive, defined as Adjusted EBITDA less capital expenditures, is expected to be approximately $29 to $30 per covered population, which equates to $875 million to $1.0 billion based on an estimated initial covered population of approximately 30 to 32 million. We believe that our existing cash, cash equivalents and short-term investments, proceeds from our recently completed initial public offering, and our anticipated cash flows from operations will be sufficient to fully fund this

planned expansion.

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

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates of our 2006 Form 10-K filed with the SEC on March 30, 2007. Our accounting policy for income taxes was recently modified due to the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48 *Accounting for Uncertainty in Income Taxes,* (FIN 48) and is described below.

On January 1, 2007, the Company adopted FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN 48 requires significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and consequently, affect our operating results.

Other than the adoption of FIN 48, our critical accounting policies and the methodologies and assumptions we apply under them have not materially changed from our 2006 Form 10-K.

Customer Recognition and Disconnect Policies

When a new customer subscribes to our service, the first month of service and activation fee is included with the handset purchase. Under GAAP, we are required to allocate the purchase price to the handset and to the wireless service revenue. Generally, the amount allocated to the handset will be less than our cost, and this difference is included in Cost Per Gross Addition, or CPGA. We recognize new customers as gross customer additions upon activation of service. Prior to January 23, 2006, we offered our customers the Metro Promise, which allowed a customer to return a newly purchased handset for a full refund prior to the earlier of 7 days or 60 minutes of use. Beginning on January 23, 2006, we expanded the terms of the Metro Promise to allow a customer to return a newly purchased handset for a full refund prior to the earlier of 30 days or 60 minutes of use. Customers who return their phones under the Metro Promise are reflected as a reduction to gross customer additions. Customers monthly service payments are due in advance every month. Our customers must pay their monthly service amount by the payment date or their service will be suspended, or hotlined, and the customer will not be able to make or receive calls on our network. However, a hotlined customer is still able to make E-911 calls in the event of an emergency. There is no service grace period. Any call attempted by a hotlined customer is routed directly to our interactive

voice response system and customer service center in order to arrange payment. If the customer pays the amount due within 30 days of the original payment date then the customer s service is restored. If a hotlined customer does not pay the amount due within 30 days of the payment date the account is disconnected and counted as churn. Once an account is disconnected we charge a $15 reconnect fee upon reactivation to reestablish service and the revenue associated with this fee is deferred and recognized over the estimated life of the customer.

Revenues

We derive our revenues from the following sources:

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

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

Costs and Expenses

Our costs and expenses include:

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

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

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

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

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

Selling, General and Administrative Expenses. Our selling expense includes advertising and promotional costs associated with marketing and selling to new customers and fixed charges such as retail store rent and retail associates salaries. General and administrative expense includes support functions including, technical operations, finance, accounting, human resources, information technology and legal services. We record stock-based compensation expense in cost of service and selling, general and administrative expenses associated with employee stock options which is measured at the date of grant, based on the estimated fair value of the award.

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

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

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

Seasonality

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

Operating Segments

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

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

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

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

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

General corporate overhead, which includes expenses such as corporate employee labor costs, rent and utilities, legal, accounting and auditing expenses, is allocated equally across all operating segments. Corporate marketing and advertising expenses are allocated equally to the operating segments, beginning in the period during which we launch service in that operating segment. Expenses associated with our national data center are allocated based on the average number of customers in each operating segment. There are no transactions between reportable segments.

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

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Results of Operations

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

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

Reportable Operating Segment Data	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Change
	(in thousands)		
REVENUES:			
Service revenues:			
Core Markets	$ 336,934	$ 264,597	27%
Expansion Markets	102,582	10,819	**
Total	$ 439,516	$ 275,416	60%
Equipment revenues:			
Core Markets	$ 68,268	$ 50,047	36%
Expansion Markets	28,902	3,998	**
Total	$ 97,170	$ 54,045	80%
OPERATING EXPENSES:			
Cost of service (excluding depreciation and amortization disclosed separately below) (1):			
Core Markets	$ 100,440	$ 78,932	27%
Expansion Markets	44,707	13,557	**
Other (3)	188		**
Total	$ 145,335	$ 92,489	57%
Cost of equipment:			
Core Markets	$ 113,240	$ 90,928	25%
Expansion Markets	60,068	9,983	**
Total	$ 173,308	$ 100,911	72%
Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below)(1):			
Core Markets	$ 43,296	$ 37,475	16%
Expansion Markets	28,838	13,962	**
Other (3)	803		**
Total	$ 72,937	$ 51,437	42%
Adjusted EBITDA (Deficit)(2):			
Core Markets	$ 150,322	$ 109,120	38%
Expansion Markets	(121)	(22,685)	**
Other (3)	(884)		**

Depreciation and amortization:			
Core Markets	$ 28,105	$ 25,007	12%
Expansion Markets	10,063	1,547	**
Other (3)	1,212	706	72%
Total	$ 39,380	$ 27,260	44%
Stock-based compensation expense:			
Core Markets	$ 2,095	$ 1,811	16%
Expansion Markets	2,009		**
Other (3)	107		**
Total	$ 4,211	$ 1,811	133%
Income (loss) from operations:			
Core Markets	$ 117,225	$ 72,055	63%
Expansion Markets	(12,186)	(24,350)	50%
Other (3)	(2,363)	(706)	(235)%
Total	$ 102,676	$ 46,999	118%

** Not meaningful.

(1) Cost of service and selling, general and administrative expenses include stock-based compensation expense. For the three months ended March 31, 2007, cost of service includes $0.2 million and selling, general and administrative expenses includes $4.0 million of stock-based compensation expense. For the three months ended March 31, 2006,

selling, general and administrative expenses includes $1.8 million of stock-based compensation expense.

(2) Core and Expansion Markets Adjusted EBITDA (Deficit) is presented in accordance with SFAS No. 131 as it is the primary financial measure utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth.

(3) Other includes expenses associated with the AWS licenses we were granted in November 2006 as a result of FCC Auction 66. These expenses are presented in the Other column as utilization of the Auction 66 AWS licenses in our operations has not commenced and we have not allocated the Auction 66

AWS licenses to a reportable segment as of March 31, 2007.

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

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

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

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

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

Core Markets. Core Markets equipment revenues increased $18.2 million, or 36%, to $68.3 million for the three months ended March 31, 2007 from $50.1 million for the three months ended March 31, 2006. The increase in equipment revenues is primarily attributable to the sale of higher priced handset models accounting for $14.7 million of the increase, coupled with the increase in gross customer additions of approximately 31,000 customers for the three months ended March 31, 2007 as compared to the same period in 2006, which accounted for $3.5 million of the increase.

Expansion Markets. Expansion Markets equipment revenues increased $24.9 million to $28.9 million for the three months ended March 31, 2007 from $4.0 million for the three months ended March 31, 2006. The increase in equipments revenues is primarily attributable to the launch of the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. These new markets contributed to gross additions of approximately 287,000 customers for the three months ended March 31, 2007 as compared to the same period in 2006, which accounted for $16.2 million of the Expansion Markets increase, coupled with the sale of higher priced handset models accounting for $8.7 million of the Expansion Markets increase.

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

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

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

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

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

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

Expansion Markets. Expansion Markets cost of equipment increased $50.1 million to $60.1 million for the three months ended March 31, 2007 from $10.0 million for the three months ended March 31, 2006. These costs were primarily attributable to the launch of the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006. These new markets contributed to gross additions of approximately 287,000 customers for the three months ended March 31, 2007 as compared to the same period in 2006 which accounted for $40.5 million of the Expansion Markets increase, coupled with the sale of new handsets to existing customers accounting for $9.6 million of the Expansion Markets increase.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $21.5 million, or 42%, to $72.9 million for the three months ended March 31, 2007 from $51.4 million for the three months ended March 31, 2006. The increase is due to increases in Core Markets and Expansion Markets selling, general and administrative expenses as follows:

Core Markets. Core Markets selling, general and administrative expenses increased $5.8 million, or 16%, to $43.3 million for the three months ended March 31, 2007 from $37.5 million for the three months ended March 31, 2006. Selling expenses increased by $1.8 million, or approximately 12% for the three months ended March 31, 2007 compared to the three months ended March 31, 2006. General and administrative expenses increased $4.0 million, or approximately 18% for the three months ended March 31, 2007 compared to the same period in 2006. The increase in selling expenses is primarily due to an increase in employee costs which

were incurred to support the growth in the Core Markets, coupled with an increase in

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general and administrative expenses, which were higher during the three months ended March 31, 2007 primarily due to an increase in insurance cost as well as an increase in various administrative expenses..

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

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

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

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

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

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

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

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

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

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

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

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

Net Income. Net income increased $18.0 million, or 98%, to $36.4 million for the three months ended March 31, 2007 compared to $18.4 million for the three months ended March 31, 2006. The increase is primarily attributable to an increase in operating income in the Dallas/Ft. Worth, Detroit and the Tampa/Sarasota/Orlando metropolitan areas. The increase in operating income was achieved through cost benefits due to the increasing scale of our business in these markets. In addition, growth in average customers of approximately 55% during the twelve months ended March 31, 2007 contributed to an increase in net income during the first three months of 2007. However, these benefits have been partially offset by an increase in interest expense due to an increased average principal balance outstanding as a result of borrowings of $1.6 billion under our senior secured credit facility and $1.0 billion under our 9 1/4% senior notes during the fourth quarter of 2006.

Performance Measures

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

The following table shows consolidated metric information for the three months ended March 31, 2007 and 2006.

	Three Months Ended March 31,	
	2007	**2006**
Customers:		
End of period	3,395,203	2,170,059
Net additions	454,217	245,438
Churn:		
Average monthly rate	4.0%	4.4%
ARPU	$ 43.75	$ 43.12
CPGA	$ 108.80	$ 106.26
CPU	$ 18.56	$ 20.11

Customers. Net customer additions were 454,217 for the three months ended March 31, 2007, compared to 245,438 for the three months ended March 31, 2006, an increase of 85%. Total customers were 3,395,203 as of March 31, 2007, an increase of 56% over the customer total as of March 31, 2006 and 15% over the customer total as of December 31, 2006. These increases are primarily attributable to the continued demand for our service offering and the launch of our services in the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006.

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

Average Revenue Per User. ARPU represents (a) service revenues less activation revenues, E-911, Federal Universal Service Fund, or FUSF, and vendor s compensation charges for the measurement period, divided by (b) the sum of the average monthly number of customers during such period. ARPU was $43.75 and $43.12 for the three months ended March 31, 2007 and 2006, respectively, an increase of $0.63, or 1%. The increase in ARPU was primarily the result of attracting customers to higher priced service plans, which include unlimited nationwide long distance for $40 per month as well as unlimited nationwide long distance and certain calling and data features on an unlimited basis for $45 per month.

Cost Per Gross Addition. CPGA is determined by dividing (a) selling expenses plus the total cost of equipment associated with transactions with new customers less activation revenues and equipment revenues associated with transactions with new customers during the measurement period by (b) gross customer additions during such period. Retail customer service expenses and equipment margin on handsets sold to existing customers when they are identified, including handset upgrade transactions, are excluded, as these costs are incurred specifically for existing customers. CPGA costs have increased to $108.80 for the three months ended March 31, 2007 from $106.26 for the three months ended March 31, 2006, which was primarily driven by the selling expenses associated with the customer

growth in our Expansion Markets as well as the higher cost associated with the sale of higher priced handset models. In addition, on January 23, 2006, we revised the terms of our return policy from 7 days to 30 days, and as a result we revised our definition of gross customer additions to exclude

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customers that discontinue service in the first 30 days of service. This revision, commencing March 23, 2006, reduces deactivations and gross customer additions and increases CPGA. CPGA computed under the original 7 day allowable return period would have been $103.11 and $105.33 for the three months ended March 31, 2007 and 2006, respectively.

Cost Per User. CPU is cost of service and general and administrative costs (excluding applicable non-cash stock-based compensation expense included in cost of service and general and administrative expense) plus net loss on handset equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the sum of the average monthly number of customers during such period. CPU for the three months ended March 31, 2007 and 2006 was $18.56 and $20.11, respectively. We continue to achieve cost benefits due to the increasing scale of our business, which contributed to the decrease in CPU for the three months ended March 31, 2007. However, these benefits have been partially offset by construction expenses associated with our Expansion Markets, which contributed approximately $2.83 of CPU for the three months ended March 31, 2007.

Core Markets Performance Measures

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

	Three Months Ended March 31,	
	2007	2006
	(dollars in thousands)	
Core Markets Customers:		
End of period	2,484,811	2,055,550
Net additions	183,853	183,885
Core Markets Adjusted EBITDA	$ 150,322	$ 109,120
Core Markets Adjusted EBITDA as a Percent of Service Revenues	44.6%	41.2%

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

Customers. Net customer additions in our Core Markets were 183,853 for the three months ended March 31, 2007, compared to 183,885 for the three months ended March 31, 2006. Total customers were 2,484,811 as of March 31, 2007, an increase of 21% over the customer total as of March 31, 2006 and 8% over the customer total as of December 31, 2006. The increase in total customers is primarily attributable to the continued demand for our service offering.

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

Adjusted EBITDA as a Percent of Service Revenues. Adjusted EBITDA as a percent of service revenues is calculated by dividing Adjusted EBITDA by total service revenues. Core Markets Adjusted EBITDA as a percent of service revenues for the three months ended March 31, 2007 and 2006 was 45% and 41%, respectively. Consistent with the increase in Core Markets Adjusted EBITDA, we continue to experience corresponding increases in Core

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Markets Adjusted EBITDA as a percent of service revenues due to the growth in service revenues as well as cost benefits due to the increasing scale of our business in the Core Markets.

Expansion Markets Performance Measures

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

	Three Months Ended March 31,	
	2007	2006
	(dollars in thousands)	
Expansion Markets Customers:		
End of period	910,392	114,509
Net additions	270,364	61,553
Expansion Markets Adjusted EBITDA (Deficit)	$ (121)	$ (22,685)

Customers. Net customer additions in our Expansion Markets were 270,364 for the three months ended March 31, 2007, compared to 61,553 for the three months ended March 31, 2006. Total customers were 910,392 as of March 31, 2007, an increase of 695% over the customer total as of March 31, 2006 and a 42% over the customer total as of December 31, 2006. The increase in 2007 as compared to the same period in 2006 is primarily attributable to the launch of the Dallas/Ft. Worth metropolitan area in March 2006, the Detroit metropolitan area in April 2006 and the expansion of the Tampa/Sarasota area to include the Orlando metropolitan area in November 2006.

Adjusted EBITDA (Deficit). Adjusted EBITDA is presented in accordance with SFAS No. 131 as it is the primary performance metric for which our reportable segments are evaluated and it is utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditures and working capital requirements and to fund future growth. For the three months ended March 31, 2007, Expansion Markets Adjusted EBITDA deficit was $0.1 million compared to $22.7 million for the same period in 2006. The decrease in Adjusted EBITDA deficit, when compared to the same periods in the previous year, was attributable to the growth in service revenues in the Dallas/Ft. Worth, Detroit and Tampa/Sarasota/Orlando metropolitan areas as well as the achievement of cost benefits due to the increasing scale of our business in these metropolitan areas.

Reconciliation of Non-GAAP Financial Measures

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

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

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

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

	Three Months Ended March 31,	
	2007	2006
	(in thousands, except average number of customers and ARPU)	
Calculation of Average Revenue Per User (ARPU):		
Service revenues	$ 439,516	$ 275,416
Less:		
Activation revenues	(2,459)	(1,923)
E-911, FUSF and vendor s compensation charges	(20,271)	(8,958)
Net service revenues	$ 416,786	$ 264,535
Divided by: Average number of customers	3,175,284	2,045,110
ARPU	$ 43.75	$ 43.12

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

	Three Months Ended March 31,	
	2007	2006
	(in thousands, except gross customer additions and CPGA)	
Calculation of Cost Per Gross Addition (CPGA):		
Selling expenses	$ 30,106	$ 20,298
Less: Activation revenues	(2,459)	(1,923)
Less: Equipment revenues	(97,170)	(54,045)
Add: Equipment revenue not associated with new customers	42,009	24,864
Add: Cost of equipment	173,308	100,911
Less: Equipment costs not associated with new customers	(55,169)	(35,364)
Gross addition expenses	$ 90,625	$ 54,741
Divided by: Gross customer additions	832,983	515,153

CPGA	$ 108.80	$ 106.26

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

calculation of CPU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CPU.

	Three Months Ended March 31,	
	2007	2006
	(in thousands, except average number of customers and CPU)	
Calculation of Cost Per User (CPU):		
Cost of service	$ 145,335	$ 92,489
Add: General and administrative expense	42,831	31,139
Add: Net loss on equipment transactions unrelated to initial customer acquisition	13,160	10,500
Less: Stock-based compensation expense included in cost of service and general and administrative expense	(4,211)	(1,811)
Less: E-911, FUSF and vendor s compensation revenues	(20,271)	(8,958)
Total costs used in the calculation of CPU	$ 176,844	$ 123,359
Divided by: Average number of customers	3,175,284	2,045,110
CPU	$ 18.56	$ 20.11

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash, cash equivalents and short-term investments, cash generated from operations, proceeds from our recent sale of 9 1/4% senior notes, our senior secured credit facility and our recently completed initial public offering. At March 31, 2007, we had a total of approximately $539.7 million in cash, cash equivalents and short-term investments.

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

As a result of the acquisition of the spectrum licenses from Auction 66 and the opportunities that these licenses provide for us to expand our operations into major metropolitan markets, we will require significant additional capital in the future to finance the construction and initial operating costs associated with such licenses, including clearing costs associated with non-governmental incumbent licenses which we currently estimate to be between approximately $40 million and $60 million. We generally do not intend to commence the construction of any individual license area until we have sufficient funds available to provide for the related construction and operating costs associated with such license area. We currently plan to focus on building out approximately 40 million of the total population in our Auction 66 Markets with a primary focus on the New York, Philadelphia, Boston and Las Vegas metropolitan areas. Of the approximate 40 million total population, we are targeting launch of operations with an initial covered population of approximately 30 to 32 million by late 2008 or early 2009. Total estimated capital expenditures to the launch of these operations are expected to be between $18 and $20 per covered population which equates to a total capital investment of approximately $550 million to $650 million. Total estimated expenditures, including capital expenditures, to become free cash flow positive, defined as Adjusted EBITDA less capital expenditures, are expected to be approximately $29 to $30 per covered population, which equates to $875 million to $1.0 billion based on an estimated initial covered population of approximately 30 to 32 million. We believe that our existing cash, cash equivalents and short-term investments, proceeds from our recently completed initial public offering, and our

anticipated cash flows from operations will be sufficient to fully fund this planned expansion. Moreover, we have made no commitments for capital expenditures and we have the ability to reduce the rate of capital expenditure deployment.

The construction of our network and the marketing and distribution of our wireless communications products and services have required, and will continue to require, substantial capital investment. Capital outlays have included license acquisition costs, capital expenditures for construction of our network infrastructure, costs associated with clearing and relocating non-governmental incumbent licenses, funding of operating cash flow losses incurred as we launch services in new metropolitan areas and other working capital costs, debt service and financing

fees and expenses. Our capital expenditures for the first three months of 2007 were approximately $156.2 million and aggregate capital expenditures for 2006 were approximately $550.7 million. These expenditures were primarily associated with the construction of the network infrastructure in our Expansion Markets and our efforts to increase the service area and capacity of our existing Core Markets network through the addition of cell sites and switches. We believe the increased service area and capacity in existing markets will improve our service offering, helping us to attract additional customers and increase revenues. In addition, we believe our new Expansion Markets have attractive demographics which will result in increased revenues.

As of March 31, 2007, we owed an aggregate of approximately $2.6 billion under our senior secured credit facility and 9 1/4% Senior Notes. On February 20, 2007, MetroPCS Wireless, Inc. entered into an amendment to the senior secured credit facility. Under the amendment, the margin used to determine the senior secured credit facility interest rate was reduced to 2.25% from 2.50%.

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

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

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

	Three Months Ended March 31,	
	2007	2006
	(in thousands)	
Calculation of Consolidated Adjusted EBITDA:		
Net income	$ 36,352	$ 18,370
Adjustments:		
Depreciation and amortization	39,380	27,260
Loss on disposal of assets	3,050	10,365
Stock-based compensation expense (1)	4,211	1,811
Interest expense	48,976	20,884
Accretion of put option in majority-owned subsidiary (1)	238	157
Interest and other income	(7,157)	(4,572)
Gain on extinguishment of debt		(217)
Provision for income taxes	24,267	12,377
Consolidated Adjusted EBITDA	$ 149,317	$ 86,435

(1) 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 three months ended March 31, 2007 and 2006.

	Three Months Ended March 31,	
	2007	2006
	(in thousands)	
Reconciliation of Net Cash Provided by Operating Activities to Consolidated Adjusted EBITDA:		
Net cash provided by operating activities	$ 111,572	$ 65,628
Adjustments:		
Interest expense	48,976	20,884
Non-cash interest expense	(1,096)	(379)
Interest and other income	(7,157)	(4,572)
Provision for uncollectible accounts receivable	(127)	138
Deferred rent expense	(2,039)	(1,415)
Cost of abandoned cell sites	(1,796)	(230)
Accretion of asset retirement obligation	(282)	(133)
Gain on sale of investments	959	299
Provision for income taxes	24,267	12,377
Deferred income taxes	(23,611)	(11,753)
Changes in working capital	(349)	5,591

Consolidated Adjusted EBITDA	$ 149,317	$ 86,435

Operating Activities

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

Investing Activities

Cash used in investing activities was $74.1 million during the three months ended March 31, 2007 compared to $138.5 million during the three months ended March 31, 2006. The decrease was due primarily to a $77.4 million increase in net proceeds from investments, partially offset by a $21.5 million increase in purchases of property and equipment which was related to the construction of the Expansion Markets.

Financing Activities

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

Senior Secured Credit Facility

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

Capital Expenditures and Other Asset Acquisitions and Dispositions

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

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

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

Other Acquisitions and Dispositions. We had no other acquisitions or dispositions during the three months ended March 31, 2007 and 2006.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Inflation

We believe that inflation has not materially affected our operations.

Effect of New Accounting Standards

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported as required by the SEC and that such information is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow for appropriate and timely decisions regarding required disclosure. Our management, with participation by our CEO and CFO, has designed the Company s disclosure controls and procedures to provide reasonable assurance of achieving these desired objectives. As required by SEC Rule 13a-15(e), we conducted an evaluation, with the participation of our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2007, the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is necessarily required to apply judgment in evaluating the cost-benefit relationship of possible controls and objectives. Based upon that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures are effective as of March 31, 2007, in timely making known to them material information relating to us and our consolidated subsidiaries required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company s internal control over financial reporting that occurred during the quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings

On June 14, 2006, Leap Wireless International, Inc. and Cricket Communications, Inc., or collectively Leap, filed suit against us in the United States District Court for the Eastern District of Texas, Marshall Division, Civil Action No. 2-06CV-240-TJW and amended on June 16, 2006, for infringement of U.S. Patent No. 6,813,497 *Method for Providing Wireless Communication Services and Network and System for Delivering of Same,* or the 497 Patent, issued to Leap. The complaint seeks both injunctive relief and monetary damages for our alleged infringement of such patent. On August 3, 2006, we (i) answered the complaint, (ii) raised a number of affirmative defenses, and (iii) together with two related entities, counterclaimed against Leap and several related entities and certain current and former employees of Leap, including Leap s CEO. We have also tendered Leap s claims to the manufacturer of our network infrastructure equipment for indemnity and defense. In our counterclaims, we claim that we do not infringe any valid or enforceable claim of the 497 Patent. Certain of the Leap defendants, including its CEO, answered our counterclaims on October 13, 2006. In its answer, Leap and its CEO denied our allegations and asserted affirmative defenses to our counterclaims. In connection with denying a motion to dismiss by certain individual defendants, the court concluded that our claims against those defendants were compulsory counterclaims. On April 3, 2007 the Court held a scheduling conference at which the Court set the date for the claim construction hearing for January 2008 and the trial date for August 2008. We plan to vigorously defend against Leap s claims relating to the 497 Patent.

If Leap were successful in its claim for injunctive relief, we could be enjoined from operating our business in the manner we currently operate, which could require us to expend additional capital to change certain of our technologies and operating practices, or could prevent us from offering some or all of our services using some or all of our existing systems. In addition, if Leap were successful in its claim for monetary damage, we could be forced to pay Leap substantial damages for past infringement and/or ongoing royalties on a portion of our revenues, which could materially adversely impact our financial performance.

On August 15, 2006, we filed a separate action in the California Superior Court, Stanislaus County, Case No. 382780, against Leap and others for unfair competition, misappropriation of trade secrets, interference with contracts, breach of contract, intentional interference with prospective business advantage, and trespass. In this suit we seek monetary and punitive damages and injunctive relief. Defendants responded to our complaint by filing demurrers on or about January 5, 2007 requesting that the Court dismiss the complaint. On February 1, 2007, the Court granted the demurrers in part and granted us leave to amend the complaint. We filed a First Amended Complaint on February 27, 2007. Defendants responded by filing demurrers on March 28, 2007, requesting that the Court dismiss our First Amended Complaint. On May 1, 2007, the court issued a tentative ruling granting on its own motion to strike the First Amended Complaint and grant us leave to amend the First Amended Complaint by on or before May 14, 2007 and held that the defendant s demurrers and motions to strike were moot. We filed a Second Amended Complaint on May 14, 2007. We intend to vigorously prosecute this complaint.

On September 22, 2006, Royal Street filed a separate action in the United States District Court for the Middle District of Florida, Tampa Division, Civil Action No. 8:06-CV-01754-T-23TBM, seeking a declaratory judgment that Leap s 497 Patent is invalid and not being infringed upon by Royal Street. Leap responded to Royal Street s complaint by filing a motion to dismiss Royal Street s complaint for lack of subject matter jurisdiction or, in the alternative, that the action be transferred to the United States District Court for the Eastern District of Texas, Marshall Division where Leap has brought suit against us under the same patent. Royal Street has responded to this motion. The Court has set a trial date in October 2008.

In addition, we are involved in litigation from time to time, including litigation regarding intellectual property claims, that we consider to be in the normal course of business. We are not currently party to any other 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.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Item 1A. Risk Factors of our Form 10-K filed with the SEC on March 30, 2007 other than changes to the Risk Factors as set forth below.

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

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

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

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

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

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

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

Because we may have issued stock options and shares of common stock in violation of federal and state securities laws and some of our stockholders and option holders may have a right of rescission, we intend to make a rescission offer to certain holders of shares of our common stock and options to purchase shares of our common stock.

Certain options to purchase our common stock granted since January 2004 and certain shares issued upon exercise of options granted during this period may not have been exempt from the registration and qualification requirements

of the Securities Act of 1933, as amended, or the Securities Act, or under the securities laws of a few states. Of such options, approximately 936,546 remain outstanding with a weighted average exercise price per option of $7.03. We issued these options to purchase shares of our common stock in reliance on Rule 701 under the Securities Act. However, we may not have been entitled to rely on Rule 701 because (1) during certain periods we exceeded certain

thresholds in the rule and may not have delivered to our option holders the financial and other information required to be delivered by Rule 701; and (2) during certain periods in 2004 and 2006 we were subject to, or should have been subject to, the periodic reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act. As a result, certain holders of options to purchase our common stock may have a right to require us to repurchase those securities if we are found to be in violation of federal or state securities laws.

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

There can be no assurance that the SEC or state regulatory bodies will not take the position that any rescission offers should extend to all holders of options granted during the relevant periods. The Securities Act also does not provide that a rescission offer will extinguish a holder s right to rescind the grant of an option that was not registered or exempt from the registration requirements under the Securities Act. Consequently, should any recipients of our rescission offer reject the offer, expressly or impliedly, we may remain liable under the Securities Act for the purchase price of the options that are subject to the rescission offer.

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

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

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

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

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

We will be able to incur additional debt in the future despite our current level of indebtedness. The terms of the senior secured credit facility and the indenture governing the senior notes will allow us to incur substantial amounts of additional debt, subject to certain limitations. There are no restrictions on our or any of our future unrestricted subsidiaries ability to incur additional indebtedness.

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

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

The FCC periodically makes additional spectrum available for wireless use. For instance, the FCC recently allocated and auctioned an additional 90 MHz of spectrum for AWS. The AWS band plan made some licenses available in small (Metropolitan Statistical Area (MSA) and Rural Service Area (RSA)) license areas, although the predominant amount of spectrum remains allocated on a regional basis in combinations of 10 MHz and 20 MHz spectrum blocks. This band plan tended to favor large incumbent carriers with nationwide footprints and presented challenges for us in acquiring additional spectrum. The FCC also has allocated an additional 40 MHz of spectrum devoted to AWS. It is in the process of considering the channel assignment policies for 20 MHz of this spectrum and has indicated that it will initiate a further proceeding with regard to the remaining 20 MHz in the future. The FCC

also is in the process of taking comments on the appropriate geographic license areas and channel blocks, service rules, and construction and performance build-out obligations for an additional 60 MHz of spectrum in the 700 MHz band. Specifically, on April 27, 2007, the FCC issued a Report and Order and Further Notice of Proposed Rulemaking seeking comment on possible changes to the 700 MHz band plan, including possible changes in the service area and channel block sizes for the 60 MHz of as yet unauctioned 700 MHz spectrum. The FCC is also seeking comments on performance build-out requirements, revisions to the 700 MHz guard bands, competitive bidding procedures and the configuration for the 700 MHz public safety spectrum. We, along with other small, regional and rural carriers, have previously filed comments advocating changes to the current 700 MHz band plan to create a greater number of licenses with smaller spectrum blocks and geographic area sizes and for relaxed performance build-out obligations. Several national wireless carriers have previously filed comments supporting larger license areas and other interested parties have made band plan and licensing proposals that differ from ours by favoring larger license areas, larger license blocks and the use of combinatorial bidding, which we do not favor, to enable applicants to more easily assemble a nationwide foot print. In addition, one commenter advocates reassigning 30 MHz of the 700 MHz band which now is allocated for commercial broadband use, to public safety use to create a nationwide, interoperable broadband network that public safety users can access on a priority basis. The FCC is also seeking comment on a proposal to allocate 10 MHz of the 700 MHz band, which now is allocated for commercial broadband use, on a nationwide basis, in accordance with specific public safety rules that would force the licensee to fund the construction of a nationwide broadband infrastructure, offer service only on a wholesale basis, and provide public safety with priority access to the 10 MHz of spectrum during emergencies. In September 2006, the FCC also sought comment on proposals to increase the flexibility of guard band licensees in the 700 MHz spectrum. Furthermore, in December 2006, the FCC sought comment on the possible implementation of a nationwide broadband interoperable network in the 700 MHz band allocated for public safety use, which also could be used by commercial service providers on a secondary basis. We cannot predict the likely outcome of those proceedings or whether they will benefit or adversely affect us.

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

Item 4. ***Submission of Matters to a Vote of Security Holders***

On February 9, 2007, our stockholders holding greater than a majority of shares then outstanding adopted resolutions by written consent authorizing the following actions:

(1) An amendment and restatement of the MetroPCS Communications, Inc. 2004 Equity Incentive Compensation Plan to increase the number of shares available for issuance to 40,500,000 and to make certain other changes.

(2) The amendment and restatement of our Certificate of Incorporation, to be effective upon the consummation of our initial public offering, to provide for certain changes consistent with becoming a public company.

(3) The amendment and restatement of our Bylaws, to be effective upon the consummation of our initial public offering, to provide for certain changes consistent with becoming a public company.

(4) The election of all of our directors, and, effective upon the consummation of our initial public offering, to the class and for the term set forth below:

Class III Directors (serving a 3 year initial term)

James N. Perry, Jr.
Arthur C. Patterson
C. Kevin Landry

Class II Directors (serving a 2 year initial term)

James F. Wade
John Sculley
W. Michael Barnes

Class I Directors (serving a 1 year initial term)

Roger D. Linquist
Walker C. Simmons

Item 5. Other Information

Effective February 9, 2007, our stockholders approved the Amended and Restated MetroPCS Communications, Inc. 2004 Equity Incentive Compensation Plan, which increased the number of shares available for issuance pursuant to the plan to 40,500,000 and made certain other changes.

Effective February 9, 2007, our stockholders elected the following directors: James N. Perry, Jr.; Arthur C. Patterson; C. Kevin Landry; James F. Wade; John Sculley; W. Michael Barnes; Roger D. Linquist; and Walker C. Simmons. See Item 4 "Submission of Matters to a Vote of Security Holders."

On February 20, 2007, MetroPCS Wireless, Inc. amended its senior secured credit facility to reduce the margin used to determine the senior secured credit facility interest rate to 2.25% from 2.50%.

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Item 6. Exhibits

Exhibit Number	Description
10.1	Amended and Restated Credit Agreement, dated as of February 20, 2007, among MetroPCS Wireless, Inc., as borrower, the several lenders from time to time parties thereto, Bear Stearns Corporate Lending Inc., as administrative agent and syndication agent, Bear, Stearns & Co. Inc., as sole lead arranger and joint book runner, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint book runner and Banc of America Securities LLC, as joint book runner (filed as Exhibit 10.12 to Amendment No. 2 to Form S-1 (Registration No. 333-139793) by MetroPCS Communications, Inc. filed on February 27, 2007 and incorporated herein by reference.)
10.2	Rights Agreement, dated as of March 29, 2007, between MetroPCS Communications, Inc. and American Stock Transfer & Trust Company, as Rights Agent, which includes the form of Certificate or Designation of Series A Junior Participating Preferred Stock of MetroPCS Communications, Inc. as Exhibit A, the Form of Rights Certificate as Exhibit B and Summary of Rights as Exhibit C (filed as Exhibit 4.1 to the Current Report on Form 8-K filed by MetroPCS Communications, Inc. on March 30, 2007 and incorporated herein by reference.)
31.1	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551, this Exhibit is furnished to the SEC and shall not be deemed to be filed.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551, this Exhibit is furnished to the SEC and shall not be deemed to be filed.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

METROPCS COMMUNICATIONS, INC.

Date: May 15, 2007

By: /s/ Roger D. Linquist
Roger D. Linquist
President and Chief Executive Officer

Date: May 15, 2007

By: /s/ J. Braxton Carter
J. Braxton Carter
Senior Vice President and Chief Financial Officer

INDEX TO EXHIBITS

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