METROPCS COMMUNICATIONS INC
Form S-1/A
July 12, 2004
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As filed with the Securities and Exchange Commission on July 12, 2004

Registration No. 333-113865

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 4

to

FORM S-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

MetroPCS Communications, Inc.

(Exact name of registrant as specified in its charter)

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

8144 Walnut Hill Lane, Suite 800

Dallas, Texas 75231

(214) 265-2550

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Roger D. Linquist

President, Chief Executive Officer,

Secretary and Chairman of the Board

8144 Walnut Hill Lane, Suite 800

Dallas, Texas 75231

(214) 265-2550

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Andrews Kurth LLP

600 Travis, Suite 4200

Houston, Texas 77002

(713) 220-4200

Attn: Henry Havre

Kin Gill

Latham & Watkins LLP

885 Third Avenue, Suite 1000

New York, New York 10022

(212) 906-1200

Attn: Ian Blumenstein

Approximate date of commencement of proposed sale to the public: As soon as practicable following the effectiveness of this registration statement.

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

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

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

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

If the delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (2)
Common stock, par value $0.0001 per share (1)	$607,200,000	$76,933 (3)

(1) Includes shares of common stock issuable upon the exercise of the underwriters over-allotment option.
(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(3) The registrant has previously paid these fees.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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

SUBJECT TO COMPLETION, DATED JULY 12, 2004

PROSPECTUS

24,000,000 Shares

MetroPCS Communications, Inc.

Common Stock

This is an initial public offering of 24,000,000 shares of common stock of MetroPCS Communications, Inc. No public market currently exists for any class of our capital stock. We are selling 12,000,000 of the shares of common stock offered under this prospectus, and certain of our stockholders, referred to in this prospectus as the selling stockholders, are selling the remaining 12,000,000 shares. We will not receive any of the net proceeds from the shares sold by the selling stockholders.

We currently anticipate the initial public offering price of our common stock to be between $20.00 and $22.00 per share. We have applied for quotation of the shares on the Nasdaq National Market under the symbol MPCS.

See Risk Factors beginning on page 8 to read about risks that you should consider before buying shares of our common stock.

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

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

The underwriters may purchase up to an additional 3,600,000 shares of common stock from the selling stockholders at the initial public offering price less the underwriting discount to cover over-allotments.

The underwriters expect to deliver the shares on , 2004.

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

UBS Investment Bank

JPMorgan

Thomas Weisel Partners LLC

The date of this prospectus is , 2004.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

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PROSPECTUS SUMMARY

This summary contains selected information about us and this offering. You should carefully read this entire prospectus, including the section entitled Risk Factors, and our consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

MetroPCS

We are among the fastest growing wireless communications providers in the United States, measured by annual percentage growth in customers and revenue. We offer wireless voice and data services on a no-contract, flat rate, unlimited usage basis in the San Francisco, Miami, Atlanta and Sacramento metropolitan areas, which include a total population of 22.6 million people. We launched service in all of these areas in the first quarter of 2002, except for San Francisco, which we launched in September 2002. We reported positive net income after four quarters of operations and one million customers after eight quarters of operations. As of March 31, 2004, we had approximately 1.15 million customers. We believe that we reached these growth and profitability milestones significantly faster than any other U.S. wireless carrier and that our no-contract, flat rate, unlimited usage service offering will allow us to continue to penetrate our existing markets and further drive our growth and profitability. In addition, we believe our services can be successfully introduced in new markets, and we continue to assess attractive expansion opportunities.

We provide wireless voice and data services to the mass market, which we believe is underserved by traditional wireless carriers. Our service, branded under the metroPCS name, allows our customers to place unlimited wireless calls within a local calling area and to receive unlimited calls from any area under our simple and affordable flat monthly rate plan of $35. For an additional $5 per month, our customers may place unlimited long distance calls from within a local calling area to any number in the continental United States. For additional fees, we also provide caller ID, voicemail, text messaging, camera functions, downloads of ringtones, games and content applications, international long distance and other value-added services. Our calling plans differentiate us from the more complex plans and long-term contracts required by other wireless carriers. Our customers pay for our service in advance, eliminating any customer credit exposure, and we do not require a long-term service contract. Our customers currently average approximately 1,800 minutes of use per month, compared to approximately 675 minutes per month for customers of traditional wireless carriers. We believe that average monthly usage by our customers also exceeds the average monthly usage for typical wireline customers. Average usage by our customers indicates that a majority of our customers use us as their primary telecommunications service provider, and our customer survey results indicate that approximately 35% of our customers use us as their sole telecommunications service provider.

To date, our strategy has resulted in high rates of customer acceptance and strong financial performance. For the year ended December 31, 2003, we reported total revenues of $459.5 million, net cash provided by operating activities of $109.6 million and net income of $20.6 million. In 2003, our net income declined from net income of $139.1 million reported in 2002, primarily as a result of a $279 million pre-tax gain realized on the sale of 10 MHz of spectrum in our Atlanta market in February 2002. As of December 31, 2003, we had $902.5 million of total assets, $236.0 million of cash and cash equivalents and $195.8 million of total debt.

Competitive Strengths

Our principal competitive strengths are:

Our flat rate calling plans, which provide unlimited usage within a local calling area with no long-term contracts

Our focus on densely populated markets, which provide significant operational efficiencies

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- Our leadership position as the lowest cost provider of wireless telephone services in the United States

- Our state-of-the-art CDMA 1XRTT network, which provides more efficient use of spectrum than other commonly deployed wireless technologies

- Our deep spectrum portfolio, which provides us with operational flexibility and the ability to swap or sell spectrum

Business Strategy

Our business strategy is to:

- Continue to target the underserved customer segments in our markets

- Offer affordable, fixed price calling plans without long-term service contracts

- Maintain our position as the lowest cost wireless telephone services provider in the United States

- Expand into attractive markets through acquisitions and spectrum swaps

As a result of our business strategy, we have ranked among the leaders in the U.S. wireless industry in incremental market penetration in every quarter since we launched operations. Historically, approximately 42% of our gross customer additions have been first time wireless customers. We believe our rapid adoption rates and customer mix demonstrate that our service is expanding the overall size of the wireless market and better meeting the needs of many existing wireless users. Our operating strategy, network design and rapidly increasing scale should allow us to maintain our cost leadership position, as we further reduce our operating costs per customer and enhance profitability in the future.

We expect that attractive expansion opportunities will become available, and we plan to target new markets that complement our existing footprint or can be operated as a standalone cluster with growth and profitability characteristics similar to our existing markets. Consistent with this strategy, on July 8, 2004, we agreed to pay $43.5 million in cash to acquire two 10MHz PCS licenses for areas in Tampa and Sarasota, Florida, with a total population of approximately 3.3 million people. These markets have similar characteristics to our existing markets and are geographically contiguous to our existing operations in southwest Florida.

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The Offering

Common stock offered by MetroPCS	12,000,000 shares
Common stock offered by the selling stockholders	12,000,000 shares
Capital stock to be outstanding after this offering:	
Common stock	97,106,870 shares
Class A common stock	90 shares
Voting rights	Holders of the common stock offered in this prospectus will have one vote per share. However, with respect to all matters submitted to a vote of stockholders for which a separate class vote is not required, the holders of our Class A common stock, consisting of Roger D. Linquist (our President, Chief Executive Officer, Secretary and Chairman of the Board) and C. Boyden Gray (a member of our board of directors), will have, collectively, votes equal to 50.1% of the aggregate voting power of all shares entitled to vote. The holders of our common stock will have, collectively, votes equal to 49.9% of the aggregate voting power of all shares entitled to vote.
	In addition, the holders of Class A common stock will be entitled to a separate class vote to elect five members of our board of directors, and the holders of common stock will be entitled to a separate class vote to elect four members of our board of directors.
	Following this offering, we intend to petition the FCC for the ability to convert our Class A common stock into common stock, with one vote per share. We expect to complete this process within approximately nine months of the consummation of this offering. However, we cannot assure you that the FCC will grant this request in a timely fashion or at all. See Legislation and Government Regulations and Description of Capital Stock.
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $235.0 million. We intend to use the net proceeds to us for general corporate purposes, including continued expansion of our networks in existing markets and expansion into new markets, including through acquisitions. In addition, we may use a portion of the net proceeds to redeem a portion of our 10 3/4% senior notes due 2011. We will not receive any proceeds from the sale of common stock by the selling stockholders. See Use of Proceeds.
Proposed Nasdaq National Market symbol	MPCS.
Risk factors	See Risk Factors beginning on page 8 of this prospectus for a discussion of factors you should consider carefully before deciding to invest in our common stock.

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

is based upon our outstanding capital stock as of May 31, 2004;

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

gives effect to the conversion of all of our outstanding Series D preferred stock into common stock, which will occur concurrently with the consummation of this offering (including shares of common stock to be issued in respect of unpaid dividends on our outstanding Series D preferred stock that have accumulated as of May 31, 2004);

excludes shares of common stock to be issued in respect of unpaid dividends on our outstanding Series D preferred stock that have accumulated subsequent to May 31, 2004;

excludes 16,010,389 shares reserved for issuance under our equity compensation plans (of which 10,627,486 shares are currently issuable upon the exercise of outstanding options with a weighted average exercise price of $2.3959 per share) and 1,215,570 shares issuable upon the exercise of outstanding warrants with a weighted average exercise price of $0.5697 per share; and

assumes no exercise of the underwriters over-allotment option.

MetroPCS Communications, Inc., a Delaware corporation, was incorporated on March 10, 2004, and is the holding company parent of MetroPCS, Inc., a Delaware corporation. MetroPCS, Inc. was incorporated on June 24, 1994. We operate principally through two subsidiaries and hold PCS licenses in 15 subsidiaries. Our principal executive offices are located at 8144 Walnut Hill Lane, Suite 800, Dallas, Texas 75231, and our telephone number is (214) 265-2550. Our website URL is www.metropcs.com. The information on our website is not a part of this prospectus.

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Summary Consolidated Financial and Other Data

The following table sets forth summary consolidated financial and other data of MetroPCS, Inc. at March 31, 2004, for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004. We derived our summary consolidated financial data for each of the three years in the period ended December 31, 2003 from the audited consolidated financial statements included elsewhere in this prospectus. We derived our summary consolidated financial data at March 31, 2004 and for the three months ended March 31, 2003 and 2004 from our unaudited consolidated financial statements included elsewhere in this prospectus. You should read the summary consolidated financial and other data in conjunction with Capitalization, Selected Consolidated Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements, including the notes thereto, included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			(In thousands)		
Statement of Operations Data:					
Revenues:					
Service revenues	$	$ 102,137	$ 370,920	$ 75,999	$ 132,921
Equipment revenues		23,458	88,562	23,399	40,077
Total revenues		125,595	459,482	99,398	172,998
Operating expenses:					
Cost of service (excluding depreciation included below)		61,881	118,335	25,929	40,909
Cost of equipment		100,651	155,084	44,213	64,047
Selling, general and administrative expenses (excluding non-cash compensation)	27,963	55,515	90,556	18,046	28,916
Non-cash compensation	1,455	1,115	7,379	241	3,256
Depreciation and amortization	208	21,394	41,900	9,047	12,774
(Gain) loss on sale of assets		(278,956)(1)	333	111	87
Total operating expenses	29,626	(38,400)	413,587	97,587	149,989
Income (loss) from operations	(29,626)	163,995	45,895	1,811	23,009
Other (income) expense:					
Interest expense	10,491	6,805	11,254	1,755	5,572
Interest income	(2,046)	(964)	(1,061)	(140)	(616)
(Gain) loss on extinguishment of debt	7,109		(603)		(201)
Total other expense	15,554	5,841	9,590	1,615	4,755
Income (loss) before income taxes and cumulative effect of change in accounting principle	(45,180)	158,154	36,305	196	18,254
Provision for income taxes		(19,087)	(15,665)	(113)	(7,417)
Income (loss) before cumulative effect of change in accounting principle	(45,180)	139,067	20,640	83	10,837

Cumulative effect of change in accounting, net of tax			(74)	(74)	
Net income (loss)	$ (45,180)	$ 139,067	$ 20,566	$ 9	$ 10,837
Other Financial and Operating Data (GAAP):					
Net cash provided by (used in) operating activities	$ (32,401)	$ (64,523)	$ 109,618	$ (4,826)	$ 24,368
Net cash provided by (used in) investing activities	24,183	(73,494)	(137,321)	(26,623)	(70,527)
Net cash provided by (used in) financing activities	41,708	157,066	201,951	5,581	(4,697)
Cash used for capital expenditures	133,604	212,305	117,212	26,899	73,338

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	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
Other Financial and Operating Data (Non-GAAP):					
Adjusted EBITDA (in thousands) (2)	$ (27,963)	$ (92,452)	$ 95,507	$ 11,210	$ 39,126
Adjusted EBITDA margin (3)			21%	11%	23%
Covered POPs (at period end) (4)		16,964,450	17,662,491	17,197,196	17,942,763
Customers (at period end)		513,484	976,899	708,965	1,150,954
Average monthly churn (5)		4.4%	4.6%	3.5%	3.8%
Average revenue per user (ARPU) (2)		$ 39.17	$ 37.68	$ 39.50	$ 40.00
Cost per gross addition (CPGA) (2)		158.50	99.86	104.97	96.74

	As of March 31, 2004	
	Actual	As Adjusted (6)
	(In thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 185,109	$ 420,119
Property and equipment, net	519,549	519,549
Total assets	895,220	1,130,230
Total debt, net of unamortized discount	193,102	193,102

(1) In February 2002, we sold 10 MHz of excess spectrum in our Atlanta market resulting in a pre-tax gain of $279.0 million.

(2) We utilize certain financial measures that are not calculated in accordance with generally accepted accounting principles, or GAAP, to assess our financial performance. A non-GAAP financial measure is defined as a numerical measure of a company s financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the statement of operations 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.

Adjusted earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, average revenue per user, or ARPU, and cost per gross addition, or CPGA, 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.

We have presented adjusted EBITDA because this financial measure, in combination with other GAAP and non-GAAP financial measures, is an integral part of the internal reporting system utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditure and working capital requirements and fund future growth. Adjusted EBITDA is a supplement to GAAP financial information and 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 reconciles adjusted EBITDA to net cash provided by (used in) operating activities.

	Year Ended December 31,	Three Months Ended March 31,

	2001	2002	2003	2003	2004
			(In thousands)		
Calculation of Adjusted EBITDA:					
Net cash provided by (used in) operating activities	$ (32,401)	$ (64,523)	$ 109,618	$ (4,826)	$ 24,368
Interest expense, net of interest income	8,445	5,841	10,193	1,615	4,956
Bad debt expense		(381)	(991)	(749)	(433)
Accretion of asset retirement obligation			(50)	(25)	(79)
Non-cash interest	(3,882)	(3,028)	(3,090)	(784)	(688)
Deferred rents	(949)	(1,853)	(1,160)	(414)	(435)
Cost of abandoned cell sites			(824)	(477)	(183)
Non-deferred tax		8,993	1,643		
Working capital changes	824	(37,501)	(19,832)	16,870	11,620
Adjusted EBITDA	$ (27,963)	$ (92,452)	$ 95,507	$ 11,210	$ 39,126

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We believe average revenue per user, or ARPU, is a useful measure 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 charges, as these are generally pass through charges that we collect from our customers and remit to the appropriate government agencies.

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

		Year Ended December 31,		Three Months Ended March 31,	
		2002	2003	2003	2004
		(In thousands, except average number of customers and ARPU)			
Calculation of Average Revenue Per User (ARPU)					
Service revenues		$ 102,137	$ 370,920	$ 75,999	$ 132,921
Less:	Activation revenues	(3,018)	(14,410)	(1,860)	(3,186)
	E-911 charges		(5,823)	(1,166)	(2,076)
Net service revenues		99,119	350,687	72,973	127,659
Divided by: Average number of customers		210,881	775,605	615,876	1,063,815
ARPU		$ 39.17	$ 37.68	$ 39.50	$ 40.00

We utilize cost per gross addition, or 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 provides a gauge to compare our average acquisition costs per new customer to those of other wireless communications providers. Activation revenues and equipment revenues related to new customers are deducted from selling costs 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 shows the calculation of CPGA for the periods indicated:

		Year Ended December 31,		Three Months Ended March 31,	
		2002	2003	2003	2004
		(In thousands, except gross customer additions and CPGA)			
Calculation of Cost Per Gross Addition (CPGA):					
Selling expenses		$ 26,526	$ 44,076	$ 9,879	$ 12,214
Less:	Activation revenues	(3,018)	(14,410)	(1,860)	(3,186)
Less:	Equipment revenues	(23,458)	(88,562)	(23,399)	(40,077)
Plus:	Equipment revenue not associated with new customers	578	17,150	1,035	16,729
Plus:	Cost of equipment	100,651	155,084	44,213	64,047
Less:	Equipment costs not associated with new customers	(2,050)	(24,030)	(2,541)	(21,201)
Gross addition expenses		99,229	89,308	27,327	28,526

Divided by: Gross customer additions	626,050	894,348	260,320	294,886
CPGA	$ 158.50	$ 99.86	$ 104.97	$ 96.74

(3) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by total revenues.

(4) POPs represents the aggregate number of persons in a given area. Covered POPs represents the estimated number of POPs in our markets that reside within the areas covered by our network.

(5) 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. A customer s handset is disenabled if the customer has failed to make payment by the due date and is disconnected from our system if the customer fails to make payment within 30 days thereafter. See Management s Discussion and Analysis of Financial Condition and Results of Operations Customer Recognition and Disconnect Policies.

(6) As adjusted to reflect our sale of 12,000,000 shares of common stock in this offering at an assumed initial public offering price of $21.00 per share and our receipt of the estimated net proceeds to us from this offering.

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RISK FACTORS

You should consider carefully the following factors and other information in this prospectus.

Risks Related to Our Business

We have a limited operating history and our recent performance may not be indicative of our future results.

We began offering service in the first quarter of 2002, and we had no revenues prior to that time. Consequently, we have a limited operating and financial history upon which to evaluate our financial performance, business plan execution and ability to succeed in the future. You should consider our prospects in light of the risks, expenses and difficulties we may encounter, including those frequently encountered by new companies competing in rapidly evolving markets. If we are unable to execute our plans and grow our business, our financial results would be adversely affected.

If we experience a higher rate of customer turnover than forecasted, our costs could increase and our revenues could decline, which would reduce our profits and could reduce the trading price of our common stock.

Our average monthly rate of customer turnover, or churn, for the three months ended June 30, 2004 was approximately 5.2%, an increase over our average monthly churn rate for the three months ended March 31, 2004 of 3.8%. A higher rate of churn would reduce our revenues and increase our marketing costs to attract the replacement customers required to sustain our business plan, which would reduce our profit margin and could reduce the trading price of our common stock. Many wireless service providers have historically experienced a high rate of customer turnover. Our rate of customer turnover may be affected by several factors, including the following:

- network coverage;
- reliability issues, such as dropped and blocked calls;
- handset problems;
- the inability of our customers to cost-effectively roam onto other wireless networks;
- affordability; and

customer care concerns.

Unlike many of our competitors, we do not require our customers to enter into long-term service contracts. As a result, our customers retain the right to cancel their service at any time without penalty, and we expect our churn rate to be higher than other wireless carriers.

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

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

Our customers pay in advance for our services. In accordance with generally accepted accounting principles, amounts received in advance are recorded on our balance sheet as deferred revenue, and are recognized as

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service revenues on our statement of operations only when the services actually are rendered. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates. Because we currently prepare service revenue calculations and reconciliations of deferred revenue balances manually, the process is inherently subject to error. This issue may become more significant as our business expands and our product offering becomes more complex.

In July 2003, during the preparation of quarterly financial statements, management noted that the balance of the deferred revenue accounts relative to service revenues had fluctuated from period to period in an inconsistent manner. Management called this inconsistency to the attention of our auditors. In August 2003, management and our auditors noted that the reconciliation of deferred revenue did not include all the appropriate accounts receivable and deferred revenue accounts, and was not prepared on a timely basis. In September 2003, management concluded that we were understaffed in our revenue accounting function and that we did not have personnel with the appropriate experience required to properly account for activity resulting from the billing system.

In October 2003, in connection with the review of our interim financial statements, our auditors issued a letter to us describing these deficiencies. In February 2004, in connection with the audit of our financial statements for the year ended December 31, 2003, our auditors identified the lack of automation in the revenue reporting process as a material weakness in our internal controls over revenue reporting. The Public Company Accounting Oversight Board has defined material weakness as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. This means that there is a risk that a material misstatement in the deferred revenue accounts and the related service revenue accounts in our financial statements for a future period is reasonably possible.

To address revenue reporting, management made significant changes to the manual service revenue calculations and deferred revenue reconciliation processes to insure proper revenue reporting and a more timely and complete monthly reconciliation of accounts receivable balances provided by our billing system to the corresponding balances in our general ledger and the related deferred revenue accounts. To further enhance our internal controls, subsequent to December 31, 2003, we have added a Vice President Controller and a Director of Revenue Accounting, each of whom has several years of relevant experience with revenue and billing systems in the telecommunications industry. We have also hired a senior accounting professional whose focus is to insure that we are effectively utilizing all of the functions available in our billing system, expand the related reporting capabilities, and continue to enhance and further automate our processes related to revenue accounting.

Management believes, and our auditors have advised us based on their review of our financial statements for the three months ended March 31, 2004, that the material weakness still exists due to the lack of automation in this area. Moreover, our auditors have advised us that they will not be able to confirm that the material weakness has been fully remediated until they complete an audit of our financial statements. We expect our next audit to be completed in March 2005. If we are not able to remediate this weakness, we may not be able to prevent or detect a material misstatement of our financial statements.

Our inability to manage our planned growth could increase our costs and adversely affect our level of service.

We have experienced rapid growth and development in a relatively short period of time and expect to continue to experience growth in the future. The management of such growth will require, among other things, continued development of our financial and management controls and management information systems, stringent control of costs, diligent management of our network infrastructure and its growth, increased capital requirements associated with marketing activities, the ability to attract and retain qualified management personnel and the training of new personnel. Failure to successfully manage our expected growth and development could have a material adverse effect on our business, increase our costs and adversely affect our level of service. Additionally, the costs of acquiring new customers could affect our near-term profitability

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adversely. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of advanced wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. We may lose customers if we fail to keep up with these changes.

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

The FCC regulates the licensing, construction, modification, operation, ownership, sale and interconnection arrangements of wireless communications systems, as do some state and local regulatory agencies. We cannot assure you that the FCC or the state and local agencies having jurisdiction over our business will not adopt regulations or take other actions that would adversely affect our business by imposing new costs or requiring changes in our current or planned operations, or that the Communications Act of 1934, from which the FCC obtains its authority, will not be amended in a manner that could be adverse to us.

Our principal assets are our FCC licenses to provide personal communications services. The loss of any of these licenses could have a material adverse effect on our business. Our FCC licenses are subject to revocation if we are found not to have complied with the FCC s rules or the Communications Act s requirements. We also could be subject to fines and forfeitures for such non-compliance, which could affect our business adversely. For example, absent a waiver, failure to comply with the FCC s enhanced 911, or E-911, requirements or with number portability requirements could subject us to significant penalties. In addition, because we acquired our licenses in an entrepreneur s block FCC auction, our licenses are subject to additional FCC requirements, which dictate the manner in which our voting control and equity must be held during the first ten years we hold the licenses (until 2007 with respect to our current licenses), and obligate us to make quarterly installment payments to the FCC on the debt we owe to the FCC for our licenses. Failure to comply with these requirements could result in revocation of the licenses and/or fines and forfeitures, and/or could require us to pay the outstanding debt to the FCC on an accelerated basis, any of which could have an adverse effect on our business. Finally, our current licenses expire in January 2007, and although the FCC s rules provide for renewal, there is no guarantee that the FCC will renew all or any of our licenses. Failure to have our licenses renewed would affect our business adversely. See Legislation and Government Regulations.

In addition, the market value of FCC licenses has been subject to significant volatility in the past. There can be no assurance as to the market value of our FCC licenses or that the market value of FCC licenses will not be volatile in the future.

Our business strategy is relatively new and unproven and may not succeed in the long term.

A major element of our business strategy is to offer consumers a service that allows them to make unlimited local and/or long distance calls from within a local calling area, depending on the service plan selected, and receive unlimited calls from any area for a flat monthly rate without entering into a long-term service contract. This is a relatively new approach to marketing wireless services and it may not prove to be successful in the long term. From time to time, we also evaluate our service offerings and the demands of our target customers and may modify, change or adjust our service offerings or trial new service offerings as a result. We cannot assure you that these service offerings will be successful or prove to be profitable.

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We face intense competition from other wireless and wireline communications providers.

We compete directly in each of our markets with other wireless providers and with wireline providers as a mobile alternative to traditional landline service. Many of our competitors have substantially greater resources and larger market share than we have, which may affect our ability to compete successfully. Additionally, many of our competitors offer larger coverage areas or nationwide calling plans that do not require additional charges for roaming, and the competitive pressures of the wireless communications industry have caused other carriers to offer service plans with increasingly large bundles of minutes of use at increasingly lower prices. These competitive plans could adversely affect our ability to maintain our pricing, market penetration and customer retention. Furthermore, the FCC may pursue policies designed to make available additional spectrum for the provision of wireless services in each of our markets, which may increase the number of wireless competitors and enhance the ability of our wireless competitors to offer additional plans and services.

We also compete with companies that use other communications technologies, including paging and digital two-way paging, enhanced specialized mobile radio and domestic and global mobile satellite service. These technologies may have advantages over the technology we use and may ultimately be more attractive to customers. We may compete in the future with companies that offer new technologies and market other services that we do not offer. Some of our competitors do or may offer these other services together with their wireless communications service, which may make their services more attractive to customers. In addition, energy companies, utility companies and cable operators are expanding their services to offer communications services.

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

Our business is managed by a small number of key executive officers. The loss of one or more of these persons could disrupt our ability to react quickly to business developments and changes in market conditions, which could reduce profits and the trading price of our common stock. We believe our future success will also depend in large part on our continued ability to attract and retain highly qualified technical and management personnel. We believe that there is and will continue to be intense competition for qualified personnel in the personal communications services industry, and we may not be successful in retaining our key personnel or in attracting and retaining other highly qualified technical and management personnel. None of the members of our management team is party to an employment agreement.

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

We have entered into agreements with third-party contractors to provide equipment for our network and services required for our operation, such as customer care and billing and payment processing. Some of these agreements are subject to termination upon short notice. The loss or expiration of these contracts or our inability to renew them or negotiate contracts with other providers at comparable rates could harm our business. Our reliance on others to provide essential services on our behalf also gives us less control over the efficiency, timeliness and quality of these services.

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

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

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

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

If consumers health concerns over radio frequency emissions increase, consumers may be discouraged from using wireless handsets, and regulators may impose restrictions or increased requirements on the location and operation of cell sites or the use or design of mobile telephones. Such new restrictions or requirements could expose wireless providers to further litigation, which, even if not successful, may be costly to defend. In addition, compliance with such new requirements could adversely affect our business. The actual or perceived risk of radio frequency emissions could also adversely affect us through a reduction in customers or a reduction in the availability of financing in the future.

In addition to health concerns, safety concerns have been raised with respect to the use of wireless handsets while driving. There is a risk that local governments may adopt regulations restricting the use of wireless handsets while driving, which could reduce demand for our services.

Our indebtedness could affect our financial health adversely.

As of March 31, 2004, we had $193.1 million of outstanding indebtedness, which could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- limit our ability to borrow additional funds.

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

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

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

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Risks Related to the Offering

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

Our certificate of incorporation and the stockholders agreement to which our current stockholders are parties provide that, upon the consummation of this offering, with respect to all matters submitted to a vote of stockholders for which a separate class vote is not required, the holders of our Class A common stock will have, collectively, votes equal to 50.1% of the aggregate voting power of all shares entitled to vote, and the holders of our common stock will have, collectively, votes equal to 49.9% of the aggregate voting power of all shares entitled to vote. In addition, the holders of Class A common stock will be entitled to a separate class vote to elect five of the nine members of our board of directors. Although we expect to petition the FCC for the ability to combine our Class A common stock and our common stock into a single class of capital stock after the consummation of this offering, we cannot assure you that the FCC will grant this request in a timely fashion or at all. See Legislation and Government Regulations and Description of Capital Stock.

Roger D. Linquist (our President, Chief Executive Officer, Secretary and Chairman of the Board) and C. Boyden Gray (a member of our board of directors) together own all outstanding shares of our Class A common stock. In addition, after consummation of this offering, our executive officers and directors and principal stockholders together will beneficially own shares representing approximately 44.3% of the voting power underlying our common stock and 73.2% of the voting power underlying all classes of our capital stock, including shares subject to options and warrants that confer beneficial ownership of the underlying shares. As a result, these controlling stockholders will have the ability to determine the composition of our board of directors and to control our future operations and strategy.

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

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

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

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

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

In February 2002, we appointed PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for fiscal year 2001 after previously dismissing Arthur Andersen LLP. On June 15, 2002, Arthur Andersen LLP was convicted of federal obstruction of justice arising from the government s investigation of Enron Corp., and subsequently ceased operations. Arthur Andersen LLP had audited our financial statements for

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the fiscal years ended December 31, 1999 and 2000. Financial statements for those periods have not been reviewed by our current independent registered public accounting firm. Purchasers of our common stock may have no effective remedy against Arthur Andersen LLP in connection with any material misstatement or omission in those financial statements.

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

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

Our stock price is likely to be very volatile.

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

- variations in our operating results;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- changes in market valuations of other PCS companies;
- announcements of technological innovations or new services by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;

future sales of our capital stock;

stock market price and volume fluctuations; and

general political and economic conditions, such as a recession.

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

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

Immediately after this offering, we will have 97,106,870 shares of common stock outstanding. We have reserved an additional 16,010,389 shares of common stock for issuance under our equity compensation plans, of which 10,627,486 shares are subject to outstanding options. In addition, we have reserved 1,215,570 shares of common stock for issuance upon the exercise of outstanding warrants. Following this offering, all of the shares

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of common stock to be sold in this offering will be freely tradable without restriction or further registration under the federal securities laws unless purchased by our affiliates, as that term is defined in Rule 144 under the Securities Act, and an additional 32,683,857 shares will be freely tradable pursuant to Rule 144(k) under the Securities Act. The remaining 40,423,013 shares of our outstanding common stock will be restricted securities under the Securities Act, subject to restrictions on the timing, manner and volume of sales of such shares.

After this offering, the stockholder parties to our stockholders agreement, who will collectively hold 73,106,870 shares of our common stock, will be entitled to certain rights with respect to the registration of the sale of such shares under the Securities Act. By exercising their registration rights and causing a large number of shares to be sold in the public market, these holders could cause the market price of our common stock to decline. See Description of Capital Stock Stockholders Agreement.

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

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

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

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

Our certificate of incorporation provides for two classes of directors, those elected by holders of our Class A common stock and those elected by holders of our common stock. The classification of our board of directors could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us. See Description of Capital Stock.

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

Our business is subject to regulation by the FCC and state regulatory commissions or similar state regulatory agencies in the states in which we operate. The FCC and some states have statutes or regulations that would require an investor who acquires a specified percentage of our securities or the securities of one of our subsidiaries to obtain approval to own those securities from the FCC or the applicable state commission.

Therefore, such regulatory agencies have the ability to prevent a change of control even if such an acquisition is in the best interests of our stockholders.

You will experience immediate and substantial dilution.

The initial public offering price will be substantially higher than the net tangible book value of each outstanding share of common stock. Purchasers of common stock in this offering will suffer immediate and

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substantial dilution. The dilution will be $14.59 per share in the net tangible book value of the common stock at an assumed initial public offering price of $21.00 per share.

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

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

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

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

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of common stock in this offering will be approximately $235.0 million at an assumed initial public offering price of $21.00 per share and after deducting underwriting discounts and commissions and estimated transaction fees and expenses payable by us. We will not receive any proceeds from the sale of common stock by the selling stockholders.

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

DIVIDEND POLICY

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

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of March 31, 2004 on an actual basis, and on a pro forma basis to reflect:

- our sale of 12,000,000 shares of common stock in this offering at an assumed initial public offering price of $21.00 per share and our receipt of the estimated net proceeds to us from this offering; and

- the conversion of all of our outstanding Class B common stock into common stock and Series D preferred stock into common stock (including shares of common stock to be issued in respect of unpaid dividends on our outstanding Series D preferred stock that have accumulated as of March 31, 2004).

You should read this table together with Selected Consolidated Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements of MetroPCS, Inc., including the notes thereto, included elsewhere in this prospectus.

	As of March 31, 2004	
	Actual	Pro Forma
	(unaudited) (In thousands)	
Cash and cash equivalents	$ 185,109	$ 420,119
Total debt:		
FCC notes, net of unamortized discount	$ 39,285	$ 39,285
Senior notes	150,000	150,000
Other debt	3,817	3,817
Total debt, net of unamortized discount	193,102	193,102
Series D cumulative convertible redeemable participating preferred stock, par value $.0001 per share, 4,000,000 shares designated and 3,500,953 shares issued and outstanding, actual; none designated, issued or outstanding, pro forma	384,267	
Stockholders equity:		
Class A common stock, par value $.0001 per share, 300 shares authorized, and 90 shares issued and outstanding		
Class B common stock, par value $.0001 per share, 60,000,000 shares authorized and 4,113,785 shares issued and outstanding, actual; none authorized, issued or outstanding, pro forma		
Common stock, par value $.0001 per share, 240,000,000 shares authorized and 37,239,375 shares issued and outstanding, actual; 300,000,000 shares authorized and 94,798,683 shares issued and outstanding, pro forma	4	9
Additional paid-in capital	92,420	717,008
Subscription receivable	(93)	(93)
Deferred compensation	(4,328)	(4,328)

Retained earnings	6,383	1,062
Total stockholders equity	94,386	713,658
Total capitalization	$ 671,755	$ 906,760

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DILUTION

Our pro forma net tangible book value as of March 31, 2004 was approximately $372.5 million, or $4.50 per share of our common stock and Class A common stock. Pro forma net tangible book value represents the amount of total tangible assets less total liabilities, divided by the sum of the number of shares of our common stock and Class A common stock outstanding, assuming conversion of all outstanding shares of Series D preferred stock into common stock. Without taking into account any other changes in the net tangible book value after March 31, 2004, other than to give effect to our sale of shares of common stock in this offering at an assumed initial public offering price of $21.00 per share and our receipt of the estimated net proceeds from this offering, our as adjusted pro forma net tangible book value as of March 31, 2004 would have been approximately $607.5 million, or $6.41 per share. This represents an immediate increase in net tangible book value of $1.91 per share to existing stockholders and an immediate dilution of $14.59 per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share	$ 21.00
Pro forma net tangible book value per share before this offering	4.50
Increase per share attributable to new investors	1.91
As adjusted pro forma net tangible book value per share after this offering	6.41
Dilution per share to new investors	$ (14.59)

The following table summarizes, on a pro forma basis as of March 31, 2004, the differences between existing stockholders and the new investors with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders	82,798,773	87.3%	$ 482,012,000	65.7%	$ 5.82
New investors	12,000,000	12.7%	252,000,000	34.3%	21.00
Total	94,798,773	100.0%	$ 734,012,000	100.0%	$ 7.74

The foregoing table assumes no exercise of stock options or warrants. As of March 31, 2004, there were options outstanding to purchase 10,574,475 shares of common stock at a weighted average exercise price of $2.3046 per share and warrants outstanding to purchase 3,137,460 shares of common stock at a weighted average exercise price of $ 0.2304 per share. To the extent outstanding options and warrants are exercised, there will be further dilution to new investors. If these outstanding options and warrants were exercised in full, the additional dilution would be approximately $0.58 per share to new investors, based on receipt of the monetary consideration for the shares and the increase in the number of shares outstanding resulting from those exercises.

If the underwriters over-allotment option is exercised in full, the number of shares of common stock held by existing stockholders will be reduced to 83.5% of the total number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to 15,600,000 shares, or 16.5% of the total number of shares of common stock outstanding after this offering.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth selected consolidated financial and other data of MetroPCS, Inc. as of and for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 and as of and for the three months ended March 31, 2003 and 2004. We derived our selected consolidated financial data as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003 from the consolidated financial statements, which were audited by PricewaterhouseCoopers LLP and are included elsewhere in this prospectus. We derived our selected consolidated financial data as of December 31, 2001 from the consolidated financial statements, which were audited by PricewaterhouseCoopers LLP. We derived our selected consolidated financial data as of and for the years ended December 31, 1999 and 2000 from the consolidated financial statements, which were audited by Arthur Andersen LLP. We derived our selected consolidated financial data as of and for the three months ended March 31, 2003 and 2004 from our unaudited consolidated financial statements, which are included elsewhere in this prospectus. You should read the selected consolidated financial and other data in conjunction with Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, including the notes thereto, included elsewhere in this prospectus.

	Year Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	(Dollars in thousands, except per share data)						
Statement of Operations Data:							
Revenues:							
Service revenues	$	$	$	$ 102,137	$ 370,920	$ 75,999	$ 132,921
Equipment revenues				23,458	88,562	23,399	40,077
Total revenues				125,595	459,482	99,398	172,998
Operating expenses:							
Cost of service (excluding depreciation included below)				61,881	118,335	25,929	40,909
Cost of equipment				100,651	155,084	44,213	64,047
Selling, general and administrative expenses (excluding non-cash compensation)	3,170	3,411	27,963	55,515	90,556	18,046	28,916
Non-cash compensation	1,002	1,222	1,455	1,115	7,379	241	3,256
Depreciation and amortization	8	3	208	21,394	41,900	9,047	12,774
(Gain) loss on sale of assets				(278,956)(1)	333	111	87
Total operating expenses	4,180	4,636	29,626	(38,400)	413,587	97,587	149,989
Income (loss) from operations	(4,180)	(4,636)	(29,626)	163,995	45,895	1,811	23,009
Other (income) expense:							
Interest expense	15,261	16,142	10,491	6,805	11,254	1,755	5,572
Interest income	(67)	(169)	(2,046)	(964)	(1,061)	(140)	(616)
(Gain) loss on extinguishment of debt			7,109		(603)		(201)
Total other (income) expense	15,194	15,973	15,554	5,841	9,590	1,615	4,755
Income (loss) before income taxes and cumulative effect of change in accounting principle	(19,374)	(20,609)	(45,180)	158,154	36,305	196	18,254
Provisions for income taxes				(19,087)	(15,665)	(113)	(7,417)

Income (loss) before cumulative effect of change in accounting principle	(19,374)	(20,609)	(45,180)	139,067	20,640	83	10,837
Cumulative effect of change in accounting principle, net of tax					(74)	(74)	
Net income (loss)	(19,374)	(20,609)	(45,180)	139,067	20,566	9	10,837
Accrued dividends on Series C preferred stock	(400)	(422)					
Accrued dividends on Series D preferred stock		(195)	(4,963)	(10,838)	(18,749)	(4,268)	(4,747)
Net income (loss) applicable to common stock	$ (19,774)	$ (21,226)	$ (50,143)	$ 128,229	$ 1,817	$ (4,259)	$ 6,090
Income (loss) per share:							
Income (loss) per share before cumulative effect of change in accounting principle basic	$ (0.86)	$ (0.76)	$ (1.44)	$ 2.26	$ 0.02	$ (0.12)	$ 0.08
Cumulative effect per share of change in accounting principle, net of tax basic					(0.00)	(0.00)	
Net income (loss) per share basic	(0.86)	(0.76)	(1.44)	2.26	0.02	(0.12)	0.08
Net income (loss) per share diluted	(0.86)	(0.76)	(1.44)	1.71	0.02	(0.12)	0.06
Other Financial and Operating Data (GAAP):							
Net cash provided by (used in) operating activities	$ (9,884)	$ (9,463)	$ (32,401)	$ (64,523)	$ 109,618	$ (4,826)	$ 24,368
Net cash provided by (used in) investing activities	(669)	(15,093)	24,183	(73,494)	(137,321)	(26,623)	(70,527)
Net cash provided by (used in) financing activities	10,420	31,015	41,708	157,066	201,951	5,581	(4,697)
Cash used for capital expenditures	669	93	133,604	212,305	117,212	26,899	73,338
Other Financial and Operating Data (Non-GAAP):							
Adjusted EBITDA (2)	$ (3,170)	$ (3,411)	$ (27,963)	$ (92,452)	$ 95,507	$ 11,210	$ 39,126
Adjusted EBITDA margin (3)					21%	11%	23%

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	As of December 31,					As of March 31,
	1999	2000	2001	2002	2003	2004
	(In thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 2,719	$ 9,178	$ 42,668	$ 61,717	$ 235,965	$ 185,109
Property and equipment, net	995	98	169,459	353,360	482,965	519,549
Total assets	108,296	126,520	324,010	562,922	902,494	895,220
Total debt, net of unamortized discount	79,697	81,251	48,548	50,850	195,795	193,102

(1) In February 2002, we sold 10 MHz of excess spectrum in our Atlanta market resulting in a pre-tax gain of $279.0 million.

(2) We utilize certain financial measures that are not calculated in accordance with GAAP to assess our financial performance. A non-GAAP financial measure is defined as a numerical measure of a company s financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the statement of operations 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.

We have presented adjusted EBITDA because this financial measure, in combination with other GAAP and non-GAAP financial measures, is an integral part of the internal reporting system utilized by management to facilitate evaluation of our ability to meet future debt service, capital expenditure and working capital requirements and fund future growth. Adjusted EBITDA is a supplement to GAAP financial information and 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 reconciles adjusted EBITDA to net cash provided by (used in) operating activities.

	Year Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	(In thousands)						
Calculation of Adjusted EBITDA:							
Net cash provided by (used in) operating activities	$ (9,884)	$ (9,463)	$ (32,401)	$ (64,523)	$ 109,618	$ (4,826)	$ 24,368
Interest expense, net interest income	15,194	15,973	8,445	5,841	10,193	1,615	4,956
Bad debt expense				(381)	(991)	(749)	(433)
Accretion of asset retirement obligation					(50)	(25)	(79)
Non-cash interest	(4,396)	(5,506)	(3,882)	(3,028)	(3,090)	(784)	(688)
Deferred rents			(949)	(1,853)	(1,160)	(414)	(435)
Cost of abandoned cell sites					(824)	(477)	(183)
Loss on impairment of property, plant and equipment		(987)					
Non-deferred tax				8,993	1,643		
Working capital changes	(4,084)	(3,428)	824	(37,501)	(19,832)	16,870	11,620
Adjusted EBITDA	$ (3,170)	$ (3,411)	$ (27,963)	$ (92,452)	$ 95,507	$ 11,210	$ 39,126

(3) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by total revenues.

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

We are a wireless communications provider that offers digital wireless service in the San Francisco, Miami, Atlanta and Sacramento metropolitan areas. The year 2003 was the first full year of operations in all of our four market clusters. 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.

We sell products and services to customers through our 50 company-owned retail stores as well as through relationships with indirect retailers. We primarily offer two monthly calling plans to our customers. One plan provides customers with unlimited calling within the local calling area for $35 per month; the other plan provides customers with unlimited calling from within a local calling area to anywhere within the continental United States for $40 per month. For additional fees, we also provide caller ID, voicemail, text messaging, camera functions, downloads of ringtones, games and content applications, international long distance and other value-added services. In 2002, we offered only one handset to customers for $149. Our offering of handsets has grown and as of June 30, 2004 we offered seven different handsets priced from $109 to $239.

Recent Developments

Although full results for the second quarter of 2004 are not yet available, based upon information available to us and except as otherwise described in this prospectus, we are not aware and do not anticipate that our results for the second quarter will be adversely impacted, in the aggregate, by material or unusual adverse events, and we do not believe that, during the second quarter, we incurred material additional borrowings or other liabilities, contingent or otherwise, or defaulted under our debt covenants. Nevertheless, our actual results for the second quarter of 2004 may differ from these expectations and from the estimates disclosed below. Moreover, our results from the second quarter of 2004 and these estimates have not been compiled or examined by our independent registered public accounting firm which does not express an opinion or any other form of assurance with respect thereto. Our results for this interim period are not indicative of the results that can be expected for the full year.

The following are estimates for certain key financial results that we expect for the second quarter of 2004:

- total revenues of between $177 million and $183 million;
- operating income of between $34 million and $37 million;
- net income of between $17 million and $20 million; and

adjusted EBITDA of between $53 million and $57 million.

In addition, we expect to report approximately 63,200 net new customer additions and an average monthly churn rate of approximately 5.2% for the three months ended June 30, 2004.

Adjusted EBITDA is a supplement to GAAP financial information and should not be construed as an alternative to, or more meaningful than, GAAP financial information. We have not provided a reconciliation of our projected adjusted EBITDA to net cash provided by operating activities as to do so would require us to make projections of balance sheet amounts that we believe are not subject to meaningful projection. See Reconciliation of Non-GAAP Financial Measures for more information about adjusted EBITDA.

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On July 8, 2004, we entered into an agreement with NextWave Telecom, Inc. and certain of its affiliates to acquire two 10MHz licenses for $43.5 million. The licenses cover areas in southwest Florida (Tampa, St. Petersburg, Clearwater, Sarasota and Bradenton) with a population of approximately 3.3 million people. Consummation of the acquisition is subject to satisfaction of several conditions, including the approvals of the FCC and the bankruptcy court in which NextWave s Chapter 11 bankruptcy cases are pending. We intend to begin planning network deployment shortly and we expect to spend approximately $31.5 million, primarily in 2005, to complete the initial build out of our network and launch service in these areas.

Critical Accounting Policies and Estimates

The following discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. You should read this discussion and analysis in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this prospectus. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, allowance for doubtful accounts, inventory valuations, deferred income taxes, and the impairment of long-lived and indefinite-lived assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our customers pay in advance for our services. In accordance with generally accepted accounting principles, amounts received in advance are recorded on our balance sheet as deferred revenue, and are recognized as service revenues on our statement of operations only when the services are actually rendered. Although our billing system properly calculates the amount due from customers for service and properly records customer payments, it is not integrated with our accounting system and does not calculate service revenues or deferred revenue balances on a customer-by-customer basis. As a result, management calculates gross service revenues based on the average number of customers within each service offering multiplied by the price of the relevant service offering. Gross service revenues are then reduced by an amount attributable to the estimated number of customers included in our customer counts with handsets that have been disenabled, or hotlined, and whose service will be disconnected before they make a payment. Management s controls over this process include detailed manual reconciliations between our billing system and our general ledger to insure that the balances in our deferred revenue accounts on the balance sheet are properly stated and we have properly recorded service revenues on our statement of operations.

In July 2003, during the preparation of quarterly financial statements, management noted that the balance of the deferred revenue accounts relative to service revenues had fluctuated from period to period in an inconsistent manner. Management called this inconsistency to the attention of our auditors. In August 2003, prior to the time that MetroPCS, Inc. became a reporting company under the Securities Exchange Act of 1934, management and our auditors noted that the reconciliation of deferred revenue did not include all the appropriate accounts receivable and deferred revenue accounts, and was not prepared on a timely basis. In September 2003, management concluded that we were understaffed in our revenue accounting function and that we did not have personnel with the appropriate experience required to properly account for activity resulting from the billing system.

Management immediately began to implement steps to improve the capabilities and reliability of our financial and accounting systems in order to provide reasonable assurance that our financial statements would not contain a material misstatement. At that time, our Chief Financial Officer began devoting substantial additional attention to our revenue accounting function in order to augment the Controller s increased focus on this area that had begun in July 2003. In September 2003, we hired a Director of External Reporting, which enabled our

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Controller to devote additional time to our revenue accounting function. In October 2003, we began a search for additional accounting personnel with relevant training and experience in this area. Management believes the increased attention by our Chief Financial Officer and our Controller during the second half of 2003 was sufficient to remediate any understaffing in our revenue accounting function. In December 2003, we hired a Vice President Controller and a Director of Revenue Accounting, whose responsibilities include direct oversight and supervision of our revenue accounting function. These new personnel assumed their positions with us in early January 2004.

In October 2003, in connection with the review of our interim financial statements, our auditors issued a letter to us describing these deficiencies. In February 2004, in connection with the audit of our financial statements for the year ended December 31, 2003, our auditors identified the lack of automation in the revenue reporting process as a material weakness in our internal controls over revenue reporting. The Public Company Accounting Oversight Board has defined material weakness as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. This means that there is a risk that a material misstatement in the deferred revenue accounts and the related service revenue accounts in our financial statements for a future period is reasonably possible.

To address revenue reporting, management made significant changes to the manual calculation and reconciliation processes to insure proper revenue reporting, including implementation of the following procedures by the end of the third quarter of 2003:

- a more timely and complete monthly reconciliation of accounts receivable balances provided by our billing system to the corresponding balances in our general ledger and the related deferred revenue accounts;
- monthly comparative analyses of our balance sheet account and income statement account trends, and monthly actual-to-budget variance analyses of income statement accounts; and
- monthly comparative analysis of revenues per customer compared to prior months and compared to budget, on both a market-by-market basis and a company-wide basis.

We began a monthly reconciliation of cash received to recorded revenues and deferred revenues that was utilized in the December 31, 2003 year-end close.

As a result of these procedures, management and our auditors identified and recorded adjustments to our deferred revenue and service revenues accounts during the course of the preparation of the financial statements for the related periods. These adjustments totaled $110,000 for the three months ended December 31, 2003, or 0.1% of service revenues and 1.2% of income from operations for such period, and $665,000 for the three months ended March 31, 2004, or 0.5% of service revenues and 2.9% of income from operations for such period. These procedures also resulted in reclassification entries on our balance sheet prior to its issuance to properly classify amounts between deferred revenues and other liability accounts related to taxes and other charges to customers.

Management believes that the implementation of these procedures, together with the recording of the resulting adjustments prior to issuance of the related financial statements, were sufficient to permit it to conclude that the material weakness in our internal controls over revenue reporting had not resulted in a material misstatement of our financial statements.

To further enhance our internal controls, as discussed above, we have added a Vice President, Controller and a Director of Revenue Accounting, each of whom has several years of relevant experience with revenue and billing systems in the telecommunications industry. We have also hired a senior accounting professional whose focus is to make sure that we are effectively utilizing all of the functions available in our billing system, expand the related reporting capabilities, and continue to enhance and further automate our processes related to revenue

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accounting. We have increased the overall size of the revenue accounting staff from three persons during most of 2003 to a staff of six currently. In order to reduce the risk of manual errors, we are automating the summarization and transfer of information from our billing system to our general ledger. We are also developing reports that will substantially improve our control over the revenue calculation and deferred revenue reconciliation process.

While these efforts represent significant steps in remediating the material weakness, management believes, and our auditors have advised us based on their review of our financial statements for the three months ended March 31, 2004, that the material weakness still exists due to the lack of automation in this area. Moreover, our auditors have advised us that they will not be able to confirm that the material weakness has been fully remediated until they complete an audit of our financial statements. We expect our next audit to be completed in March 2005.

Remediation of the material weakness requires the automation of reports, including the development of reporting that details the deferred revenue and service revenues accounts on a customer-by-customer basis. Remediation will also require the automation of the transfer of information between our billing system and our general ledger, which is currently being performed manually. Development of these automated processes is currently ongoing. Although we intend to eliminate the material weakness by December 31, 2004, we cannot assure you that we will be able to do so.