

METROPCS COMMUNICATIONS INC

Form 10-K

March 01, 2010

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-33409

**METROPCS COMMUNICATIONS, INC.**

(Exact name of registrant as specified in its charter)

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

**20-0836269**  
(I.R.S. Employer  
Identification No.)

**2250 Lakeside Boulevard**

**Richardson, Texas**  
(Address of principal executive offices)

**75082**  
(Zip code)

Registrant's telephone number, including area code: **(214) 570-5800**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

**Common Stock, par value \$0.0001 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of June 30, 2009, the aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant was approximately \$3,487,236,518 based on the closing price of MetroPCS Communications, Inc. common stock on the New York Stock Exchange on June 30, 2009, of \$13.31 per share.

352,714,663 shares of MetroPCS Communications, Inc. common stock were outstanding as of January 29, 2010.

Documents incorporated by reference: Portions of the definitive Proxy Statement relating to the 2010 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.



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**CAUTIONARY STATEMENT**

**REGARDING FORWARD-LOOKING STATEMENTS**

Any statements made in this annual report that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and should be evaluated as such. Forward-looking statements include information concerning any possible or assumed future financial condition and results of operations, including statements that relate to our plans, objectives, strategies, goals, future events, future revenues or performance, future penetration rates, planned market launches, capital expenditures, financing needs, outcomes of litigation and other information that is not historical information. Forward-looking statements often include words such as anticipate, expect, suggests, plan, believe, intend, estimates, targets, projects, would, could, should, forecast, and other similar expressions. Forward-looking statements are contained throughout this annual report, including in the Business, Regulation, Risk Factors, and Management's Discussion and Analysis of Financial Condition and Results of Operations sections of this report.

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

the highly competitive nature of our industry;

our and our competitors' current and planned promotions, marketing and sales initiatives;

increases or changes in taxes and regulatory fees;

our ability to negotiate and maintain acceptable roaming arrangements;

the seasonality of our business and any failure to have strong customer growth in the first and fourth quarters of a year;

the rapid technological changes in our industry;

the current economic environment and the state of the capital markets in the United States;

our ability to meet the demands and expectations of our customers, to maintain adequate customer care and manage our churn rate;

our ability to achieve planned growth and churn rates;

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our ability to manage our rapid growth, train additional personnel and maintain our financial and disclosure controls and procedures;

our ability to secure the necessary products, services, content, spectrum and network infrastructure equipment;

our ability to respond to technology changes, and to maintain and upgrade our networks and business systems;

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our deployment of new technologies, such as long term evolution, or LTE, in our network, its success and our ability to offer new services using such new technology;

our ability to adequately enforce or protect our intellectual property rights or defend against suits filed by others;

governmental regulation of and affecting our services and the costs of compliance and our failure to comply with such regulations;

our capital structure, including our indebtedness amounts and the limitations imposed by the covenants in our indebtedness;

changes in consumer preferences or demand for our products;

our inability to attract and retain key members of management;

the performance of our suppliers and other third parties on whom we rely;

our reliance on third parties to provide distribution, products, software and services that are integral to our business; and

other factors described in this annual report under Risk Factors.

These forward-looking statements and projections speak only as to the date made and are subject to and involve risks, uncertainties and assumptions, many of which are beyond our control or ability to predict, and you should not place undue reliance on these forward-looking statements and projections. The results presented for any period, including the year ended December 31, 2009, may not be reflective of results for any subsequent period. All future written and oral forward-looking statements and projections attributable to us or persons acting on our behalf are expressly qualified in their entirety by our cautionary statements. We do not intend to, and do not undertake a duty to, update any forward-looking statement or projection in the future to reflect the occurrence of events or circumstances, except as required by law.

**MARKET AND OTHER DATA**

Market data and other statistical information used throughout this report are based on independent industry publications, government publications, reports by market research firms and other published independent sources. Some data also is based on our good faith estimates, which we derive from our review of internal surveys and independent sources, including information provided to us by the U.S. Census Bureau. Although we believe these sources are reliable, we have not independently verified the information. By including such market data and information, we do not guarantee its accuracy or undertake a duty to provide such data in the future or to update such data if and when such data is updated.

This report contains trademarks, service marks and trade names of companies and organizations other than us. MetroPCS® and other trademarks are registered trademarks of MetroPCS Wireless, Inc., a wholly-owned subsidiary, and certain of our other subsidiaries.

In this annual report on Form 10-K, unless the context indicates otherwise, references to MetroPCS, MetroPCS Communications, our Company, the Company, we, our, ours and us refer to MetroPCS Communications, Inc., a Delaware corporation, and its wholly-owned subsidiaries.



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**PART I**

**Item 1. Business**

**General**

We are the fifth largest facilities-based wireless telecommunications provider in the United States measured by the number of subscribers served. We offer wireless broadband mobile services under the MetroPCS® brand in selected major metropolitan areas in the United States over our own licensed networks or networks of entities in which we hold a substantial non-controlling ownership interest. We provide a variety of wireless communications services to our subscribers on a no long-term contract, paid-in-advance, flat-rate, unlimited usage basis. As of January 2010, we now offer service plans on a flat-rate basis inclusive of applicable taxes and regulatory fees. As of December 31, 2009, we had over 6.6 million subscribers.

MetroPCS Communications, Inc., or MetroPCS, was incorporated in 2004 by MetroPCS, Inc. in the state of Delaware, and MetroPCS maintains its corporate headquarters in Richardson, Texas. In July 2004, as a result of a merger between a wholly-owned subsidiary of MetroPCS and MetroPCS, Inc., with MetroPCS, Inc. being the surviving corporation, and MetroPCS, Inc. and all of its subsidiaries became wholly-owned subsidiaries of MetroPCS. In April 2007, MetroPCS consummated an initial public offering of its common stock, par value \$0.0001 per share, and became listed for trading on The New York Stock Exchange under the symbol PCS.

Our web site address is [www.metropcs.com](http://www.metropcs.com). Information contained on, or accessible from, our web site is not incorporated by reference into this annual report on Form 10-K and should not be considered part of this report or any other filing we make with the Securities and Exchange Commission, or the SEC. We file with, or furnish to, the SEC, all our periodic filings and reports, including an annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments thereto, as well as other information. Certain information in our periodic filings and reports may incorporate by reference other filings and reports we have filed with or furnished to the SEC. All of our reports and filings with the SEC are available free of charge through the Investor Relations page of our web site as soon as practicable after providing such information to the SEC. Copies of any of our reports and filings also may be requested, without charge, by sending a written request to Investor Relations, MetroPCS Communications, Inc., 2250 Lakeside Blvd., Richardson, Texas 75082.

**Business Overview**

We currently provide our wireless broadband mobile services primarily in selected major metropolitan areas in the United States, including the Atlanta, Boston, Dallas/Ft. Worth, Detroit, Las Vegas, Los Angeles, Miami, New York, Orlando/Jacksonville, Philadelphia, Sacramento, San Francisco and Tampa/Sarasota metropolitan areas. As of December 31, 2009, we hold, or have access to, wireless spectrum covering a total population of approximately 144 million people in over 11,000 cities and towns in the United States. In addition, we have roaming agreements with other wireless carriers that allow us to offer our customers service in certain areas when they are outside our service area. We provide our services using code division multiple access, or CDMA, networks using 1xRTT technology. We have publicly announced that we are in the process of upgrading our networks in certain metropolitan areas to LTE.

**Competitive Strengths**

We believe our business model has the following competitive strengths that distinguish us from our principal wireless competitors:

*Our Fixed Price Unlimited Service Plans.* We currently offer our services on a no long-term contract, paid-in-advance, flat-rate, unlimited usage basis. Starting in January 2010, we began offering our services on a flat-rate basis that includes all applicable taxes and regulatory fees. We believe we offer a compelling value proposition to our customers through our service offerings that provide unlimited usage from within our service area for a low fixed price. Our average per minute cost to our customers for our service plans is significantly lower than the average per minute cost of other traditional wireless broadband mobile carriers. We believe our low average cost per minute has and will continue to position us very well for the growing trend of wireline displacement.



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*Our Densely Populated Markets.* The aggregate population density of the metropolitan areas we currently serve is substantially higher than the national average. We believe the high relative population density of the metropolitan areas we serve results in increased efficiencies in network deployment, operations and product distribution.

*Our Cost Leadership Position.* We believe we have the lowest costs of any of the providers of wireless broadband mobile services in the United States, which allows us to offer our services on a flat-rate unlimited basis at affordable prices while maintaining cash profits per subscriber as a percentage of revenue per subscriber that we believe are among the highest in the wireless broadband mobile services industry. We currently are the fifth largest facilities-based mobile wireless broadband mobile services provider in the United States measured by number of subscribers served, and we have, and we believe we will continue to enjoy, economies of scale as we grow the number of our subscribers.

*Our Spectrum Portfolio.* As of December 31, 2009, we hold or have access to wireless spectrum covering a population of approximately 144 million people in over 11,000 cities and towns in the United States.

*Our Advanced Network.* We utilize a CDMA network that is designed to provide the capacity necessary to satisfy the usage requirements of our customers and are in the process of upgrading our network in certain metropolitan areas to LTE. We believe CDMA technology provides, and LTE will provide us with substantially more voice and data capacity per MHz of spectrum than other commonly deployed wireless broadband mobile technologies.

### **Business Strategy**

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

*Target Underserved Customer Segments in our Markets.* We target a mass market that we believe has historically been largely underserved by traditional wireless broadband mobile carriers. Our recent customer surveys indicate that over 60% of our customers use our service as their primary phone service and that over 64% of our customers no longer have traditional landline phone service, which we believe is evidence that our services are gaining acceptance as a substitute for landline service.

*Offer Predictable, Affordable and Flexible Service Plans.* We plan to continue to focus on increasing the value provided to our subscribers by offering predictable, affordable and flexible service plans. In January 2010, we introduced a new family of service plans that include all applicable taxes and regulatory fees for a flat rate. We plan to continue to focus on increasing the value provided to our subscribers.

*Remain One of the Lowest Cost Wireless Service Providers in the United States.* We plan to continue to focus on controlling our costs to allow us to remain one of the lowest cost providers of wireless broadband mobile services in the United States.

*Expand into Attractive Markets.* We plan to continue to focus on expanding into metropolitan areas that have high relative population density and customer characteristics similar to our existing metropolitan areas, which may require us to acquire or gain access to additional spectrum. We also may in the future pursue means, other than purchasing spectrum, to expand into new metropolitan areas. See Competition.

*Continue to Invest in our Network.* We continue to make significant capital improvements to our network to be able to offer our subscribers competitive and technologically advanced services, including enhanced data services, location based services and digital technology as they become increasingly available. We have announced that we plan to initially launch LTE in certain of our

metropolitan areas in the second half of 2010, which will allow us to offer additional advanced broadband services.

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*Offer Nationwide Voice, Text and Web Services.* Beginning in January 2010, all of the service plans we offer to new subscribers offer nationwide voice, text and web services for a flat rate inclusive of applicable taxes and regulatory fees on an unlimited usage basis. In order to do so, we have entered, and plan to enter in the future, into roaming agreements with other wireless broadband mobile service providers to allow our subscribers to receive services when they are outside our service area.

**Products and Services**

We provide mobile broadband services under the MetroPCS® brand under simple and affordable flat monthly rate service plans. In 2009, our service plans started at \$30 per month, excluding taxes and regulatory fees associated with the service. In January 2010, we introduced a new family of service plans, which includes all applicable taxes and regulatory fees, offering nationwide voice, text and web services for a flat rate beginning at \$40 per month. For an additional \$5 to \$20 per month, our customers may select alternative service plans that offer additional features on an unlimited basis. For additional usage fees, we also provide certain other value-added services. All our service plans are paid-in-advance and do not require a long-term service contract. We provide the following products and services:

*Voice Services.* Our voice services allow customers to place voice calls to, and receive calls from, any telephone in the world, including local, domestic long distance and international calls. Our services also allow customers to receive and make calls while they are located in geographic areas served by certain other wireless broadband mobile carriers through roaming arrangements with such carriers.

*Data Services.* Our data services include services provided through the Binary Runtime Environment for Wireless, or BREW, platform, such as ringtones, ring back tones, games and content applications; text messaging services (domestic and international); multimedia messaging services; mobile Internet browsing; mobile instant messaging; location based services; social networking services; and push e-mail.

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

*Advanced Handsets.* We sell a variety of handsets manufactured by nationally recognized handset manufacturers for use on our network, including models that have cameras, can browse the Internet, play music and have other features facilitating digital data.

**Service Areas**

Our strategy has been to offer our services in major metropolitan markets and surrounding areas. We commenced providing commercial service in the first quarter of 2002. We launched service in our current major metropolitan areas as follows:

Miami, Atlanta and Sacramento in the first quarter of 2002  
San Francisco in September 2002  
Tampa/Sarasota in October 2005  
Dallas/Ft. Worth in March 2006  
Detroit in April 2006  
Orlando and portions of northern Florida in November 2006  
Los Angeles in September 2007  
Las Vegas in March 2008  
Philadelphia in July 2008  
New York and Boston in February 2009

We provide service in Los Angeles, California and certain portions of Northern Florida, including Orlando, through a wholesale arrangement with Royal Street Communications, LLC, or Royal Street Communications, a company in which we hold an 85% non-controlling interest. For a discussion of Royal Street Communications and its wholly owned subsidiaries, or collectively with Royal Street Communications, Royal Street, please see Royal Street.



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The table below provides an overview of the metropolitan areas in which we hold licenses, or have access, to spectrum, including the Federal Communications Commission, or FCC, licensed geographic area, the amount of broadband wireless spectrum held, and whether we hold the FCC license ourselves or provide or will provide our services in that metropolitan area through our agreements with Royal Street, which holds the license.

<b>Metropolitan Area</b>	<b>Licensed Area</b>	<b>MHz</b>	<b>Metropolitan Area</b>	<b>Licensed Area</b>	<b>MHz</b>
<b>Core Markets:</b>			Lakeland-Winter Haven, FL(2)(10)	BTA239	20
<b>Georgia:</b>			Melbourne-Titusville, FL(2)(10)	BTA289	20
Atlanta, GA	BTA024	20	Gainesville, FL(1)	BTA159	10
Gainesville, GA	BTA160	30	Orlando, FL(1)	BTA336	10
Athens, GA	BTA022	20	Tallahassee, FL-GA	BEA035	10
Albany, GA	BEA037	10	Florida 6 Dixie	CMA365	20
Augusta-Aiken, GA-SC	BEA027	10	Florida 7 Hamilton	CMA366	20
Macon, GA	BEA038	10	Florida 8 Jefferson	CMA367	20
Georgia 1- Whitfield	CMA371	20	Florida 9 Calhoun	CMA368	20
Georgia 2 Dawson	CMA372	20	<b>Dallas/Ft. Worth:</b>		
Georgia 3 Chattooga	CMA373	20	Dallas/Ft. Worth, TX(9)	CMA009	10
Georgia 4 Jasper	CMA374	20		EA 127	10
Georgia 13 Early	CMA383	20	Sherman-Denison, TX(3)	BTA418	10
<b>South Florida:</b>			Shreveport-Bossier City, LA-AR(9)	EA 88	20
Miami-Fort Lauderdale, FL	BTA293	30	Waco, TX	CMA194	20
West Palm Beach, FL	BTA469	30	Longview-Marshall, TX	CMA206	10
Fort Myers, FL	BTA151	30	Tyler, TX	CMA237	10
	BEA032	10	Lufkin-Nacogdoches, TX	BTA265	10
Fort Pierce-Vero Beach, FL	BTA152	30	Abilene, TX	EA128	10
Naples, FL	BTA313	30	<b>Detroit:</b>		
Florida 1 Collier	CMA360	20	Detroit, MI	BTA112	10
Florida 2 Glades	CMA361	20		EA 57	10
Florida 11 Monroe	CMA370	20	Grand Rapids-Muskegon-Holland, MI	EA 62	10
<b>Northern California:</b>			Michigan 9 Cass, MI	CMA480	20
San Fran.-Oak.-S.J., CA(5)	BTA404	30	<b>Southern California:</b>		
Sacramento, CA(9)(5)	BTA389	30	Los Angeles, CA(2)(5)(10)	BTA262	20
Stockton, CA(5)	BTA434	40	Bakersfield, CA(5)	BTA028	20
Modesto, CA(5)	BTA303	25	<b>Las Vegas:</b>		
Salinas-Monterey, CA(5)	BTA397	40	Las Vegas, NV-AZ-UT(5)	EA 153	20
Redding, CA(5)	BTA371	40	<b>Philadelphia:</b>		
Merced, CA(5)	BTA291	25	Philadelphia, PA(6)	EA12	10
Chico-Oroville, CA(5)	BTA079	40	<b>Northeast Markets:</b>		
Eureka, CA(5)	BTA134	25	<b>New York:</b>		
Yuba City-Marysville, CA(5)	BTA485	40	New York-No. New Jer.-Long Island,		
California 5 San Luis Obispo	CMA340	20	NY-NJ-CT-PA-MA-VT(7)	EA 10	20
			New Jersey 1 Hunterdon	CMA550	20
California 9 Mendocino	CMA344	20	New Jersey 3 Sussex	CMA552	20
<b>Central and Northern Florida:</b>			<b>Boston:</b>		
Tampa-St. Petersburg, FL(9)	BTA440	20	Boston-Worcester, MA/NH/RI/VT(7)	EA 3	22
Sarasota-Bradenton, FL	BTA408	10	New London-Norwich, CT	BTA319	10
	BEA033	10	Providence-Pawtucket, RI Bedford-Fall		
Daytona Beach, FL	BTA107	20	River, MA	BTA364	10
Ocala, FL	BTA326	10	Worcester-Fitchburg-Leominster, MA	BTA480	10
	CMA245	20			
Jacksonville, FL(2)	BTA212	20	<b>Other Regional Spectrum(8):</b>		
			Northeast(8)	REA 1	10
			West(8)(9)	REA 6	10

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- (1) License held by a wholly-owned subsidiary of Royal Street Communications.
  - (2) 10 MHz license held by a wholly-owned subsidiary of Royal Street Communications and 10 MHz license held by MetroPCS.
  - (3) Comprised of Grayson and Fannin counties only.
  - (4) Spectrum licensed as part of West REA 6.
  - (5) Includes 10 MHz of spectrum from West REA 6.
  - (6) Spectrum licensed as part of Northeast REA 1.
  - (7) Includes 10 MHz of spectrum from Northeast REA 1.
  - (8) Portions listed in connection with other metropolitan areas.
  - (9) In February 2010 we entered into a spectrum exchange agreement with another wireless carrier to exchange 10 MHz of spectrum in certain markets and entered into short term leases of such spectrum pending FCC approval of the transaction.
  - (10) MetroPCS has entered into long-term leases of 10MHz of spectrum to Royal Street.
- The map below illustrates the geographic coverage of our licensed spectrum as of December 31, 2009.



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