METROPCS COMMUNICATIONS INC
Form 10-Q
August 03, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from to
Commission File Number
1-33409
METROPCS COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-0836269
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2250 Lakeside Boulevard Richardson, Texas	75082-4304
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 þ No o

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

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

On July 29, 2011, there were 361,965,610 shares of the registrant's common stock, $0.0001 par value, outstanding.

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

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Part I.
FINANCIAL INFORMATION
Item 1. Financial Statements
MetroPCS Communications, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except share and per share information)
(Unaudited)

	June 30, 2011	December 31, 2010
CURRENT ASSETS:		
Cash and cash equivalents	$1,855,994	$796,531
Short-term investments	299,954	374,862
Inventories	140,048	161,049
Accounts receivable (net of allowance for uncollectible accounts of $494 and $2,494 at June 30, 2011 and December 31, 2010, respectively)	62,506	58,056
Prepaid expenses	64,982	50,477
Deferred charges	88,641	83,485
Deferred tax assets	6,290	6,290
Other current assets	49,887	63,135
Total current assets	2,568,302	1,593,885
Property and equipment, net	3,856,869	3,659,445
Restricted cash and investments	2,876	2,876
Long-term investments	8,035	16,700
FCC licenses	2,538,360	2,522,241
Other assets	126,585	123,433
Total assets	$9,101,027	$7,918,580
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$427,922	$521,788
Current maturities of long-term debt	32,416	21,996
Deferred revenue	235,461	224,471
Other current liabilities	29,874	34,165
Total current liabilities	725,673	802,420
Long-term debt, net	4,714,512	3,757,287
Deferred tax liabilities	721,143	643,058
Deferred rents	109,237	101,411
Other long-term liabilities	80,744	72,828
Total liabilities	6,351,309	5,377,004
COMMITMENTS AND CONTINGENCIES (See Note 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $0.0001 per share, 100,000,000 shares authorized; no shares of preferred stock issued and outstanding at June 30, 2011 and December 31, 2010	—	—
Common stock, par value $0.0001 per share, 1,000,000,000 shares authorized, 361,574,806 and 355,318,666 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	36	36
Additional paid-in capital	1,763,946	1,686,761
Retained earnings	998,822	858,108
Accumulated other comprehensive loss	(7,582)	(1,415)
	(5,504)	(1,914)

Less treasury stock, at cost, 469,152 and 237,818 treasury shares at June 30, 2011 and December 31, 2010, respectively		
Total stockholders' equity	2,749,718	2,541,576
Total liabilities and stockholders' equity	$9,101,027	$7,918,580

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
REVENUES:				
Service revenues	$1,113,292	$922,137	$2,163,509	$1,775,420
Equipment revenues	96,161	90,399	240,320	207,619
Total revenues	1,209,453	1,012,536	2,403,829	1,983,039
OPERATING EXPENSES:				
Cost of service (excluding depreciation and amortization expense of $115,455, $95,883, $227,282 and $190,826 shown separately below)	366,030	308,168	707,447	592,820
Cost of equipment	342,534	235,354	751,796	549,092
Selling, general and administrative expenses (excluding depreciation and amortization expense of $19,070, $13,419, $35,937 and $26,276 shown separately below)	154,556	158,600	324,327	318,510
Depreciation and amortization	134,525	109,302	263,219	217,102
Loss on disposal of assets	1,553	2,700	1,448	1,872
Total operating expenses	999,198	814,124	2,048,237	1,679,396
Income from operations	210,255	198,412	355,592	303,643
OTHER EXPENSE (INCOME):				
Interest expense	66,980	65,503	123,541	132,985
Interest income	(511)	(392)	(1,026)	(856)
Other (income) expense, net	(186)	479	(442)	934
Loss on extinguishment of debt	9,536	—	9,536	—
Total other expense	75,819	65,590	131,609	133,063
Income before provision for income taxes	134,436	132,822	223,983	170,580
Provision for income taxes	(50,101)	(52,907)	(83,269)	(68,004)
Net income	$84,335	$79,915	$140,714	$102,576
Other comprehensive income (loss):				
Unrealized gains on available-for-sale securities, net of tax of $40, $58, $102 and $78, respectively	66	91	165	124
Unrealized losses on cash flow hedging derivatives, net of tax benefit of $8,299, $2,658, $7,923 and $6,437, respectively	(13,374)	(4,191)	(12,774)	(10,218)
Reclassification adjustment for gains on available-for-sale securities included in net income, net of tax of $57, $34, $122 and $83, respectively	(93)	(53)	(197)	(133)
Reclassification adjustment for losses on cash flow hedging derivatives included in net income, net of tax benefit of $2,319, $3,214, $4,118 and $7,436, respectively	3,762	5,071	6,639	11,805
Total other comprehensive (loss) income	(9,639)	918	(6,167)	1,578
Comprehensive income	$74,696	$80,833	$134,547	$104,154
Net income per common share:				
Basic	$0.23	$0.22	$0.39	$0.29

Diluted	$0.23	$0.22	$0.38	$0.29
Weighted average shares:				
Basic	360,226,487	353,278,423	358,616,324	353,032,030
Diluted	365,390,280	355,685,446	363,153,234	355,151,112

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

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

	For the Six Months Ended June 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$140,714	$102,576
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	263,219	217,102
Provision for uncollectible accounts receivable	261	58
Deferred rent expense	7,832	10,915
Cost of abandoned cell sites	380	903
Stock-based compensation expense	22,244	23,333
Non-cash interest expense	4,015	6,412
Loss on disposal of assets	1,448	1,872
Loss on extinguishment of debt	9,536	—
Gain on sale of investments	(319)	(217)
Accretion of asset retirement obligations	2,762	1,285
Other non-cash expense	—	963
Deferred income taxes	81,395	65,700
Changes in assets and liabilities:		
Inventories	21,001	(47,962)
Accounts receivable, net	(4,710)	3,692
Prepaid expenses	(14,512)	(17,243)
Deferred charges	(5,157)	(5,374)
Other assets	20,081	11,082
Accounts payable and accrued expenses	(85,346)	(51,936)
Deferred revenue	10,990	9,211
Other liabilities	6,266	5,079
Net cash provided by operating activities	482,100	337,451
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(451,573)	(315,337)
Change in prepaid purchases of property and equipment	(17,691)	(18,551)
Proceeds from sale of property and equipment	603	6,356
Purchase of investments	(299,826)	(312,225)
Proceeds from maturity of investments	375,000	237,500
Change in restricted cash and investments	—	1,762
Acquisitions of FCC licenses and microwave clearing costs	(3,283)	(1,976)
Cash used in asset acquisitions	(7,495)	—
Net cash used in investing activities	(404,265)	(402,471)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in book overdraft	1,263	(80,337)
Proceeds from debt issuance, net of discount	1,497,500	—
Debt issuance costs	(15,351)	—
Repayment of debt	(11,598)	(8,000)
Retirement of senior secured credit facility debt	(535,792)	—
Payments on capital lease obligations	(4,474)	(1,224)

Purchase of treasury stock	(3,591)	(852)
Proceeds from exercise of stock options	53,671	2,592
Net cash provided by (used in) financing activities	981,628	(87,821)
INCREASE (DECREASE) CASH AND CASH EQUIVALENTS	1,059,463	(152,841)
CASH AND CASH EQUIVALENTS, beginning of period	796,531	929,381
CASH AND CASH EQUIVALENTS, end of period	$1,855,994	$776,540

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

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

1. Basis of Presentation:
The accompanying unaudited condensed consolidated interim financial statements include the balances and results of operations of MetroPCS Communications, Inc. (“MetroPCS”) and its consolidated subsidiaries (collectively, the “Company”).
The condensed consolidated balance sheets as of June 30, 2011 and December 31, 2010, the condensed consolidated statements of income and comprehensive income and cash flows for the periods ended June 30, 2011 and 2010, and the related footnotes are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).
The unaudited condensed consolidated financial statements included herein reflect all adjustments (consisting of normal, recurring adjustments) which are, in the opinion of management, necessary to state fairly the results for the interim periods presented. Certain amounts reported in previous periods have been reclassified to conform to the current period presentation. The results of operations for the interim periods presented are not necessarily indicative of the operating results to be expected for any subsequent interim period or for the fiscal year.
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
The Company has thirteen operating segments based on geographic region within the United States: Atlanta, Boston, Dallas/Ft. Worth, Detroit, Las Vegas, Los Angeles, Miami, New York, Orlando/Jacksonville, Philadelphia, Sacramento, San Francisco and Tampa/Sarasota. In accordance with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 280 (Topic 280, “Segment Reporting”), the Company aggregates its thirteen operating segments into one reportable segment.
Federal Universal Service Fund (“FUSF”), E-911 and various other fees are assessed by various governmental authorities in connection with the services that the Company provides to its customers. The Company offers a family of service plans, which include all applicable taxes and regulatory fees (“tax inclusive plans”). The Company reports regulatory fees for the tax inclusive plans in cost of service on the accompanying condensed consolidated statements of income and comprehensive income. When the Company separately assesses these regulatory fees on its customers, the Company reports these regulatory fees on a gross basis in service revenues and cost of service on the accompanying condensed consolidated statements of income and comprehensive income. For the three months ended June 30, 2011 and 2010, the Company recorded $17.4 million and $21.5 million, respectively, of FUSF, E-911 and other fees on a gross basis. For the six months ended June 30, 2011 and 2010, the Company recorded $35.5 million and $44.6 million, respectively, of FUSF, E-911 and other fees on a gross basis. Sales, use and excise taxes for all service plans are reported on a net basis in selling, general and administrative expenses on the accompanying condensed consolidated statements of income and comprehensive income.
Recent Accounting Pronouncements
In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, "Fair Value Measurement - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," addressing how to measure fair value and what disclosures to provide about fair value measurements. This amendment is largely consistent with the existing GAAP guidance, but aligned the international guidance and eliminated unnecessary wording differences between GAAP and International Financial Reporting Standards ("IFRS"). The amendment is effective for interim and annual periods beginning after December 15, 2011, and should be applied prospectively. The implementation of this standard will not affect the Company's financial condition, results of operations, or cash flows.

In June 2011, the FASB issued ASU 2011-05 "Statement of Comprehensive Income," which revises the manner in which entities present comprehensive income in their financial statements, requiring entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 and should be applied retrospectively. The implementation of this standard will not affect the Company's financial condition, results of operations, or cash flows.

2. Asset Acquisition:

In October 2010, the Company entered into an asset purchase agreement to acquire 10 MHz of AWS spectrum and certain related network assets adjacent to the Northeast metropolitan areas for a total purchase price of $49.2 million. In November 2010, the Company closed on the acquisition of the network assets and paid a total of $41.1 million in cash. In February 2011, the Company closed on the acquisition of the 10 MHz of AWS spectrum and paid $8.0 million in cash. In June 2011, the Company completed its final settlement of costs and received $0.5 million in cash as reimbursement for pre-acquisition payments made on behalf of the seller. The Company used the relative fair values of the assets acquired to allocate the purchase price, of which $35.6 million was allocated to property and equipment and $13.6 million was allocated to Federal Communications Commission ("FCC") licenses.

3. Short-term Investments:

The Company's short-term investments consist of securities classified as available-for-sale, which are stated at fair value. The securities include U.S. Treasury securities with an original maturity of over 90 days. Unrealized gains, net of related income taxes, for available-for-sale securities are reported in accumulated other comprehensive income (loss), a component of stockholders' equity, until realized. The estimated fair values of investments are based on quoted market prices as of the end of the reporting period. The U.S. Treasury securities reported as of June 30, 2011 have contractual maturities of less than one year.

Short-term investments, with an original maturity of over 90 days, consisted of the following (in thousands):

	As of June 30, 2011			
	Amortized Cost	Unrealized Gain in Accumulated OCI	Unrealized Loss in Accumulated OCI	Aggregate Fair Value
Equity securities	$7	$—	$(5)	$2
U.S. Treasury securities	299,826	126	—	299,952
Total short-term investments	$299,833	$126	$(5)	$299,954

	As of December 31, 2010			
	Amortized Cost	Unrealized Gain in Accumulated OCI	Unrealized Loss in Accumulated OCI	Aggregate Fair Value
Equity securities	$7	$—	$(6)	$1
U.S. Treasury securities	374,681	180	—	374,861
Total short-term investments	$374,688	$180	$(6)	$374,862

4. Derivative Instruments and Hedging Activities:

In March 2009, MetroPCS Wireless, Inc. ("Wireless") entered into three separate two-year interest rate protection agreements to manage the Company's interest rate risk exposure under Wireless' senior secured credit facility, as amended (the "Senior Secured Credit Facility"). These agreements were effective on February 1, 2010 and cover a notional amount of $1.0 billion and effectively convert this portion of Wireless' variable rate debt to fixed rate debt at a weighted average annual rate of 5.927%. These agreements expire on February 1, 2012.

In October 2010, Wireless entered into three separate two-year interest rate protection agreements to manage its interest rate risk exposure under its Senior Secured Credit Facility. These agreements will be effective on February 1, 2012 and will cover a notional amount of $950.0 million and effectively convert this portion of Wireless' variable rate debt to fixed rate debt at a weighted average annual rate of 4.933%. The monthly interest settlement periods will begin on February 1, 2012. These agreements expire on February 1, 2014.

In April 2011, Wireless entered into three separate three-year interest rate protection agreements to manage its interest rate risk exposure under its Senior Secured Credit Facility. These agreements were effective on April 15, 2011 and cover a notional amount of $450.0 million and effectively convert this portion of Wireless' variable rate debt to fixed rate debt at a weighted average annual rate of 5.242%. The monthly interest settlement periods began on April 15, 2011. These agreements expire on April 15, 2014.

Interest rate protection agreements are entered into to manage interest rate risk associated with Wireless' variable-rate borrowings under the Senior Secured Credit Facility. The interest rate protection agreements have been designated as cash flow hedges. If a derivative is designated as a cash flow hedge and the hedging relationship qualifies for hedge accounting under the provisions of ASC 815 (Topic 815, "Derivatives and Hedging"), the effective portion of the change in fair value of the derivative is recorded in accumulated other comprehensive income (loss) and reclassified to interest expense in the period in which the hedged transaction affects earnings. The ineffective portion of the change in fair value of a derivative qualifying for hedge accounting is recognized in earnings in the period of the change. For the three months ended June 30, 2011, the change in fair value did not result in ineffectiveness.

At the inception of the cash flow hedges and quarterly thereafter, the Company performs an assessment to determine whether changes in the fair values or cash flows of the derivatives are deemed highly effective in offsetting changes in the fair values or cash flows of the hedged transaction. If at any time subsequent to the inception of the cash flow hedges, the assessment indicates that the derivative is no longer highly effective as a hedge, the Company will discontinue hedge accounting and recognize all subsequent derivative gains and losses in results of operations. The Company estimates that approximately $18.5 million of net losses that are reported in accumulated other comprehensive loss at June 30, 2011 are expected to be reclassified into earnings within the next 12 months.

Cross-default Provisions

Wireless' interest rate protection agreements contain cross-default provisions to its Senior Secured Credit Facility. Wireless' Senior Secured Credit Facility allows interest rate protection agreements to become secured if the counterparty to the agreement is a current lender under the facility. If Wireless were to default on the Senior Secured Credit Facility, it would trigger these provisions, and the counterparties to the interest rate protection agreements could request immediate payment on interest rate protection agreements in net liability positions, similar to their existing rights as a lender. There are no collateral requirements in the interest rate protection agreements. The aggregate fair value of interest rate protection agreements with cross-default provisions that are in a net liability position on June 30, 2011 is $18.2 million.

Fair Values of Derivative Instruments

(in thousands)	Liability Derivatives			
	As of June 30, 2011		As of December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC 815				
Interest rate protection agreements	Long-term investments	$1,716	Long-term investments	$10,381
Interest rate protection agreements	Other current liabilities	(18,508)	Other current liabilities	(17,508)
Interest rate protection agreements	Other long-term liabilities	(1,457)	Other long-term liabilities	(1,182)
Total derivatives designated as hedging instruments under ASC 815		$(18,249)		$(8,309)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Income and Comprehensive Income

For the Three Months Ended June 30,

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	
	2011	2010		2011	2010
Interest rate protection agreements	$(21,673)	$(6,849)	Interest expense	$(6,081)	$(8,285)

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MetroPCS Communications, Inc. and Subsidiaries
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(Unaudited)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Income and Comprehensive Income
For the Six Months Ended June 30,

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	
	2011	2010		2011	2010
Interest rate protection agreements	$(20,697)	$(16,655)	Interest expense	$(10,757)	$(19,241)

5. Intangible Assets:
The Company operates wireless broadband mobile networks under licenses granted by the Federal Communications Commission ("FCC") for a particular geographic area on spectrum allocated by the FCC for terrestrial wireless broadband services. The Company holds personal communications services (“PCS”) licenses, advanced wireless services (“AWS”) licenses, and 700 MHz licenses granted or acquired on various dates. The PCS licenses previously included, and the AWS licenses currently include, the obligation and resulting costs to relocate existing fixed microwave users of the Company’s licensed spectrum if the Company’s use of its spectrum interferes with their systems and/or reimburse other carriers (according to FCC rules) that relocated prior users if the relocation benefits the Company’s system. Accordingly, the Company incurs costs related to microwave relocation in constructing its PCS and AWS networks. FCC Licenses and related microwave relocation costs are recorded at cost.
The change in the carrying value of intangible assets during the six months ended June 30, 2011 is as follows (in thousands):

	FCC Licenses	Microwave Relocation Costs
Balance at January 1, 2011	$2,500,192	$22,049
Additions	13,579	2,540
Disposals	—	—
Balance at June 30, 2011	$2,513,771	$24,589

Although PCS, AWS and 700 MHz licenses are issued with a stated term, ten years in the case of the PCS licenses, fifteen years in the case of the AWS licenses and approximately ten years for 700 MHz licenses, the renewal of PCS, AWS and 700 MHz licenses is generally a routine matter without substantial cost and the Company has determined that no legal, regulatory, contractual, competitive, economic, or other factors currently exist that limit the useful life of its PCS, AWS and 700 MHz licenses. As such, under the provisions of ASC 350, (Topic 350, “Intangibles-Goodwill and Other”), the Company does not amortize its PCS, AWS and 700 MHz licenses and microwave relocation costs (collectively, its “indefinite-lived intangible assets”) as they are considered to have indefinite lives and together represent the cost of the Company’s spectrum.
In accordance with the requirements of ASC 350, the Company performs its annual indefinite-lived intangible assets impairment test as of each September 30th or more frequently if events or changes in circumstances indicate that the carrying value of the indefinite-lived intangible assets might be impaired. The impairment test consists of a comparison of estimated fair value with the carrying value. An impairment loss would be recorded as a reduction in the carrying value of the related indefinite-lived intangible assets and charged to results of operations. No impairment was recognized as a result of the test performed at September 30, 2010. Further, there have been no subsequent indicators of impairment including those indicated in ASC 360 (Topic 360, “Property, Plant, and Equipment”).

Accordingly, no subsequent interim impairment tests were performed.

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

6. Long-term Debt:

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

	June 30, 2011	December 31, 2010
Senior Secured Credit Facility	$2,484,610	$1,532,000
7 7/8% Senior Notes	1,000,000	1,000,000
6 5/8% Senior Notes	1,000,000	1,000,000
Capital Lease Obligations	271,442	254,336
Total long-term debt	4,756,052	3,786,336
Add: unamortized discount on debt	(9,124)	(7,053)
Total debt	4,746,928	3,779,283
Less: current maturities	(32,416)	(21,996)
Total long-term debt	$4,714,512	$3,757,287

7 7/8% Senior Notes due 2018

In September 2010, Wireless completed the sale of $1.0 billion of principal amount of 7 7/8% Senior Notes due 2018 (“7 7/8% Senior Notes”). The terms of the 7 7/8% Senior Notes are governed by the indenture, the first supplemental indenture, dated September 21, 2010, and the third supplemental indenture, dated December 23, 2010, among Wireless, the guarantors party thereto and the trustee. The net proceeds of the sale of the 7 7/8% Senior Notes were $974.0 million after underwriter fees, discounts and other debt issuance costs of $26.0 million.

6 5/8% Senior Notes due 2020

In November 2010, Wireless completed the sale of $1.0 billion of principal amount of 6 5/8% Senior Notes due 2020 (“6 5/8% Senior Notes”). The terms of the 6 5/8% Senior Notes are governed by the indenture, the second supplemental indenture, dated November 17, 2010, and the fourth supplemental indenture, dated December 23, 2010, among Wireless, the guarantors party thereto and the trustee. The net proceeds of the sale of the 6 5/8% Senior Notes were $988.1 million after underwriter fees, discounts and other debt issuance costs of approximately $11.9 million.

Senior Secured Credit Facility

In November 2006, Wireless entered into the Senior Secured Credit Facility, which consisted of a $1.6 billion term loan facility and a $100.0 million revolving credit facility. In November 2006, Wireless borrowed $1.6 billion under the Senior Secured Credit Facility. The term loan facility is repayable in quarterly installments in annual aggregate amounts equal to 1% of the initial aggregate principal amount of $1.6 billion. The term loan facility will mature in November 2013 and the revolving credit facility will mature in November 2011.

In July 2010, Wireless entered into an Amendment and Restatement and Resignation and Appointment Agreement (the “Amendment”) which amended and restated the Senior Secured Credit Facility. The Amendment amended the Senior Secured Credit Facility to, among other things, extend the maturity of $1.0 billion of existing term loans (“Tranche B-2 Term Loans”) under the Senior Secured Credit Facility to November 2016, increase the interest rate to LIBOR plus 3.50% on the extended portion only and reduce the revolving credit facility from $100.0 million to $67.5 million. The remaining term loans (“Tranche B-1 Term Loans”) under the Senior Secured Credit Facility will mature in November 2013 and the interest rate continues to be LIBOR plus 2.25%. This modification did not result in a loss on extinguishment of debt.

In March 2011, Wireless entered into an Amendment and Restatement Agreement (the “New Amendment”) which further amends and restates the Senior Secured Credit Facility. The New Amendment amended the Senior Secured Credit Facility to, among other things, provide for a new tranche of term loans in the amount of $500.0 million (“Tranche B-3 Term Loans”), with an interest rate of LIBOR plus 3.75% which will mature in March 2018, and increase the interest rate to LIBOR plus 3.821% on the existing Tranche B-1 and Tranche B-2 Term Loans. The Tranche B-3 Term Loans are repayable in quarterly installments of $1.25 million. In addition, the aggregate amount of the revolving credit facility was increased from $67.5 million to $100.0 million and the maturity of the revolving credit facility was extended to March 2016. The net proceeds from the Tranche B-3 Term Loans were $490.2 million after underwriter fees, discounts and other debt issuance costs of approximately $9.8 million.

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In May 2011, Wireless entered into an Incremental Commitment Agreement (the “Incremental Agreement”) which supplements the New Amendment to provide for an additional $1.0 billion of Tranche B-3 Term Loans (the “Incremental Tranche B-3 Terms Loans”), which amount was borrowed on May 10, 2011. The Incremental Tranche B-3 Term Loans have an interest rate of LIBOR plus 3.75% and will mature in March 2018. The Incremental Tranche B-3 Term Loans are repayable in quarterly installments of $2.5 million. A portion of the proceeds from the Incremental Tranche B-3 Term Loans were used to prepay the $535.8 million in outstanding principal under the Tranche B-1 Term Loans, with the remaining proceeds to be used for general corporate purposes, including opportunistic spectrum acquisitions. The net proceeds from the Incremental Tranche B-3 Term Loans were $455.9 million after prepayment of the Tranche B-1 Term Loans, underwriter fees, and other debt issuance costs of approximately $8.3 million. The prepayment of the Tranche B-1 Term Loans resulted in a loss on extinguishment of debt in the amount of $9.5 million. The Incremental Agreement did not modify the interest rate, maturity date or any of the other terms of the New Amendment applicable to the Tranche B-2 Term Loans or the existing Tranche B-3 Term Loans.

The facilities under the Senior Secured Credit Facility are guaranteed by MetroPCS, MetroPCS, Inc. and each of Wireless’ direct and indirect present and future wholly-owned domestic subsidiaries. The Senior Secured Credit Facility contains customary events of default, including cross-defaults. The obligations under the Senior Secured Credit Facility are also secured by the capital stock of Wireless as well as substantially all of Wireless’ present and future assets and the capital stock and substantially all of the assets of each of its direct and indirect present and future wholly-owned subsidiaries (except as prohibited by law and certain permitted exceptions).

The New Amendment modified certain limitations under the Senior Secured Credit Facility, including limitations on Wireless' ability to incur additional debt, make certain restricted payments, sell assets, make certain investments or acquisitions, grant liens and pay dividends. In addition, Wireless is no longer subject to certain financial covenants, including maintaining a maximum senior secured consolidated leverage ratio, except under certain circumstances.

The interest rate on the outstanding debt under the Senior Secured Credit Facility is variable. The weighted average rate as of June 30, 2011 was 5.008%, which includes the impact of the interest rate protection agreements (See Note 4).

Capital Lease Obligations

The Company has entered into various non-cancelable capital lease agreements, with varying expiration terms through 2026. Assets and future obligations related to capital leases are included in the accompanying condensed consolidated balance sheets in property and equipment and long-term debt, respectively. Depreciation of assets held under capital leases is included in depreciation and amortization expense. As of June 30, 2011, the Company had $7.0 million and $264.4 million of capital lease obligations recorded in current maturities of long-term debt and long-term debt, respectively.

7. Fair Value Measurements:

The Company follows the provisions of ASC 820 (Topic 820, “Fair Value Measurements and Disclosures”) which establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
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Level 3 - Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use.

ASC 820 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation. The Company's financial assets and liabilities measured at fair value on a recurring basis include cash and cash equivalents, short and long-term investments securities and derivative financial instruments.

Included in the Company's cash equivalents are investments in money market funds consisting of U.S. Treasury securities with an original maturity of 90 days or less. Included in the Company's short-term investments are securities classified as available-for-sale, which are stated at fair value. These securities include U.S. Treasury securities with an original maturity of over 90 days. Fair value is determined based on observable quotes from banks and unadjusted quoted market prices from identical securities in an active market at the reporting date. Significant inputs to the valuation are observable in the active markets and are classified as Level 1 in the hierarchy.

Included in the Company's long-term investments securities are certain auction rate securities, some of which are secured by collateralized debt obligations with a portion of the underlying collateral being mortgage securities or related to mortgage securities. Due to the lack of availability of observable market quotes on the Company's investment portfolio of auction rate securities, the fair value was estimated based on valuation models that rely exclusively on unobservable Level 3 inputs including those that are based on expected cash flow streams and collateral values, including assessments of counterparty credit quality, default risk underlying the security, discount rates and overall capital market liquidity. The valuation of the Company's investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact the Company's valuation include changes to credit ratings of the securities as well as the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral values, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity. Significant inputs to the investments valuation are unobservable in the active markets and are classified as Level 3 in the hierarchy.

Included in the Company's derivative financial instruments are interest rate swaps. Derivative financial instruments are valued in the market using discounted cash flow techniques. These techniques incorporate Level 1 and Level 2 inputs such as interest rates. These market inputs are utilized in the discounted cash flow calculation considering the instrument's term, notional amount, discount rate and credit risk. Significant inputs to the derivative valuation for interest rate swaps are observable in the active markets and are classified as Level 2 in the hierarchy.

The following table summarizes assets and liabilities measured at fair value on a recurring basis at June 30, 2011, as required by ASC 820 (in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$1,853,846	$—	$—	$1,853,846
Short-term investments	299,954	—	—	299,954
Restricted cash and investments	2,876	—	—	2,876
Long-term investments	—	—	6,319	6,319
Derivative assets	—	1,716	—	1,716
Total assets measured at fair value	$2,156,676	$1,716	$6,319	$2,164,711
Liabilities				
Derivative liabilities	$—	$19,965	$—	$19,965
Total liabilities measured at fair value	$—	$19,965	$—	$19,965

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2010, as required by ASC 820 (in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$787,829	$—	$—	$787,829
Short-term investments	374,862	—	—	374,862
Restricted cash and investments	2,876	—	—	2,876
Long-term investments	—	—	6,319	6,319
Derivative assets	—	10,381	—	10,381
Total assets measured at fair value	$1,165,567	$10,381	$6,319	$1,182,267
Liabilities				
Derivative liabilities	$—	$18,690	$—	$18,690
Total liabilities measured at fair value	$—	$18,690	$—	$18,690

The following table summarizes the changes in fair value of the Company’s net derivative liabilities included in Level 2 assets (in thousands):

Fair Value Measurements of Net Derivative Liabilities Using Level 2 Inputs	Net Derivative Liabilities Three Months Ended June 30,	
	2011	2010
Beginning balance	$2,657	$23,709
Total losses (realized or unrealized):		
Included in earnings (1)	6,081	8,285
Included in accumulated other comprehensive income (loss)	(21,673)	(6,849)
Transfers in and/or out of Level 2	—	—
Purchases, sales, issuances and settlements	—	—
Ending balance	$18,249	$22,273

(1) Losses included in earnings that are attributable to the reclassification of the effective portion of those derivative liabilities still held at the reporting date as reported in interest expense in the condensed consolidated statements of income and comprehensive income.

Fair Value Measurements of Net Derivative Liabilities Using Level 2 Inputs	Net Derivative Liabilities Six Months Ended June 30,	
	2011	2010
Beginning balance	$8,309	$24,859
Total losses (realized or unrealized):		
Included in earnings (2)	10,757	19,241
Included in accumulated other comprehensive income (loss)	(20,697)	(16,655)
Transfers in and/or out of Level 2	—	—
Purchases, sales, issuances and settlements	—	—
Ending balance	$18,249	$22,273

(2) Losses included in earnings that are attributable to the reclassification of the effective portion of those derivative liabilities still held at the reporting date as reported in interest expense in the condensed consolidated statements of income and comprehensive income.

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The following table summarizes the changes in fair value of the Company's Level 3 assets (in thousands):

Fair Value Measurements of Assets Using Level 3 Inputs	Long-Term Investments Three Months Ended June 30,	
	2011	2010
Beginning balance	$6,319	$6,319
Total losses (realized or unrealized):		
Included in earnings	—	—
Included in accumulated other comprehensive income (loss)	—	—
Transfers in and/or out of Level 3	—	—
Purchases, sales, issuances and settlements	—	—
Ending balance	$6,319	$6,319

Fair Value Measurements of Assets Using Level 3 Inputs	Long-Term Investments Six Months Ended June 30,	
	2011	2010
Beginning balance	$6,319	$6,319
Total losses (realized or unrealized):		
Included in earnings	—	—
Included in accumulated other comprehensive income (loss)	—	—
Transfers in and/or out of Level 3	—	—
Purchases, sales, issuances and settlements	—	—
Ending balance	$6,319	$6,319

The carrying value of the Company's financial instruments, with the exception of long-term debt including current maturities, reasonably approximate the related fair values as of June 30, 2011 and December 31, 2010. The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. As of June 30, 2011, the carrying value and fair value of long-term debt, including current maturities, were $4.5 billion and approximately $4.5 billion, respectively. As of December 31, 2010, the carrying value and fair value of long-term debt, including current maturities, were $3.5 billion and $3.5 billion, respectively.

Although the Company has determined the estimated fair value amounts using available market information and commonly accepted valuation methodologies, considerable judgment is required in interpreting market data to develop fair value estimates. The fair value estimates are based on information available at June 30, 2011 and December 31, 2010 and have not been revalued since those dates. As such, the Company's estimates are not necessarily indicative of the amount that the Company, or holders of the instruments, could realize in a current market exchange and current estimates of fair value could differ significantly.

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8. Net Income Per Common Share:

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Basic EPS:				
Net income applicable to common stock	$84,335	$79,915	$140,714	$102,576
Amount allocable to common shareholders	99.0 %	99.2 %	99.1 %	99.2 %
Rights to undistributed earnings	$83,496	$79,291	$139,420	$101,775
Weighted average shares outstanding—basic	360,226,487	353,278,423	358,616,324	353,032,030
Net income per common share—basic	$0.23	$0.22	$0.39	$0.29
Diluted EPS:				
Rights to undistributed earnings	$83,496	$79,291	$139,420	$101,775
Weighted average shares outstanding—basic	360,226,487	353,278,423	358,616,324	353,032,030
Effect of dilutive securities:				
Stock options	5,163,793	2,407,023	4,536,910	2,119,082
Weighted average shares outstanding—diluted	365,390,280	355,685,446	363,153,234	355,151,112
Net income per common share—diluted	$0.23	$0.22	$0.38	$0.29

In accordance with ASC 260 (Topic 260, "Earnings Per Share"), unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents, whether paid or unpaid, are considered a "participating security" for purposes of computing earnings or loss per common share and the two-class method of computing earnings per share is required for all periods presented. During the three and six months ended June 30, 2011 and 2010, the Company issued restricted stock awards. Unvested shares of restricted stock are participating securities such that they have rights to receive non-forfeitable dividends. In accordance with ASC 260, the unvested restricted stock was considered a "participating security" for purposes of computing earnings per common share and was therefore included in the computation of basic and diluted earnings per common share.

Under certain of the Company's restricted stock award agreements, unvested shares of restricted stock have rights to receive non-forfeitable dividends. For the three and six months ended June 30, 2011 and 2010, the Company has calculated diluted earnings per share under both the treasury stock method and the two-class method. There was not a significant difference in the per share amounts calculated under the two methods, and the two-class method is disclosed. For the three and six months ended June 30, 2011, approximately 3.7 million and 3.4 million, respectively, of restricted common shares issued to employees have been excluded from the computation of basic net income per common share since the shares are not vested and remain subject to forfeiture. For the three and six months ended June 30, 2010, approximately 2.8 million of restricted common shares issued to employees have been excluded from the computation of basic net income per common share since the shares are not vested and remain subject to forfeiture.

For the three months ended June 30, 2011 and 2010, 10.3 million and 25.8 million, respectively, of stock options were excluded from the calculation of diluted net income per common share since the effect was anti-dilutive. For the six months ended June 30, 2011 and 2010, 14.4 million and 25.2 million, respectively, of stock options were excluded from the calculation of diluted net income per common share since the effect was anti-dilutive.

9. Commitments and Contingencies:

The Company has entered into a pricing agreement with a handset manufacturer for the purchase of wireless handsets at specified prices. The term of this agreement expires on March 31, 2012. The total aggregate commitment outstanding under this pricing agreement is $15.8 million.

Litigation

The Company is involved in litigation from time to time, including litigation regarding intellectual property claims, that it considers to be in the normal course of business. The Company is not currently party to any pending legal proceedings that the Company believes could, individually or in the aggregate, have a material adverse effect on the Company's financial condition, results of operations or liquidity. However, legal proceedings are inherently unpredictable, and the matters in which the Company is involved often present complex legal and factual issues. The Company intends to vigorously pursue defenses in litigation in which it is involved and engage in discussions where possible to resolve these matters on terms favorable to the Company. The Company believes that any amounts which parties to such litigation allege the Company is liable are not necessarily meaningful indicators of the Company's potential liability. The Company determines whether it should accrue an estimated loss for a contingency in a particular legal proceeding by assessing whether a loss is probable and can be reasonably estimated. The Company reassesses its views on estimated losses on a quarterly basis to reflect the impact of any developments in the matters in which it is involved. It is possible, however, that the Company's business, financial condition and results of operations in future periods could be materially adversely affected by increased expense, significant settlement costs and/or unfavorable damage awards relating to such matters.

10. Supplemental Cash Flow Information:

	Six Months Ended June 30,	
	2011	2010
	(in thousands)	
Cash paid for interest	$113,313	$134,690
Cash paid for income taxes	3,873	2,237

Non-cash investing and financing activities

The Company's accrued purchases of property and equipment were $96.9 million and $81.8 million as of June 30, 2011 and 2010, respectively. Included within the Company's accrued purchases are estimates by management for construction services received based on a percentage of completion.

Assets acquired under capital lease obligations were $20.3 million and $10.4 million for the six months ended June 30, 2011 and 2010, respectively.

During the six months ended June 30, 2010, the Company returned obsolete network infrastructure assets to one of its vendors in exchange for $17.8 million in credits towards the purchase of additional network infrastructure assets with the vendor.

11. Related-Party Transactions:

One of the Company's current directors is a managing director of various investment funds affiliated with one of the Company's greater than 5% stockholders. These funds own interest in a company that provides services to the Company's customers, including handset insurance programs. Pursuant to the Company's agreement with this related-party, the Company bills its customers directly for these services and remits the fees collected from its customers for these services to the related-party. In addition, the Company receives compensation for selling handsets to the related-party.

One of the Company's current directors is the chairman of an equity firm that owns interest in a company that provides wireless caller ID with name services to the Company. Pursuant to an additional agreement with this related-party, the Company receives compensation for providing access to the Company's line information database/calling name data storage to the related-party.

One of the Company's current directors is a managing director of various investment funds affiliated with one of the Company's greater than 5% stockholders. These funds own interest in a company that provides advertising services to the Company.

One of the Company's current directors is a managing director of various investment funds affiliated with one of the Company's greater than 5% stockholders. These funds own interest in a company that provides distributed antenna systems ("DAS") leases and maintenance to wireless carriers, including the Company. In addition, another of the

Company's current directors is a general partner of various investment funds which own interest in the same company. These DAS leases are accounted for as capital or operating leases in the Company's financial statements.

Transactions associated with the related parties described above are included in various line items in the accompanying condensed consolidated balance sheets, condensed consolidated statements of income and comprehensive income, and condensed consolidated statements of cash flows. The following tables summarize the transactions with related-parties (in millions):

	June 30, 2011	December 31, 2010
Network service fees included in prepaid expenses	$1.5	$1.5
Receivables from related-party included in other current assets	3.0	0.6
DAS equipment included in property and equipment, net	375.8	366.4
Deferred network service fees included in other assets	9.1	9.9
Payments due to related-party included in accounts payable and accrued expenses	9.4	7.8
Current portion of capital lease obligations included in current maturities of long-term debt	6.2	5.2
Non-current portion of capital lease obligations included in long-term debt, net	231.1	215.4
Deferred DAS service fees included in other long-term liabilities	1.3	1.2

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Fees received by the Company as compensation included in service revenues	$3.9	$2.9	$7.4	$5.1
Fees received by the Company as compensation included in equipment revenues	6.7	6.8	11.3	9.9
Fees paid by the Company for services and related expenses included in cost of service	5.5	5.9	9.6	10.8
Fees paid by the Company for services included in selling, general and administrative expenses	0.9	1.0	2.6	2.8
DAS equipment depreciation included in depreciation expense	9.7	6.3	18.5	11.7
Capital lease interest included in interest expense	4.8	3.5	9.4	7.0

	Six Months Ended June 30,	
	2011	2010
Capital lease payments included in financing activities	$4.0	$1.0

12. Guarantor Subsidiaries:

In connection with Wireless' 7 7/8% Senior Notes, 6 5/8% Senior Notes, and the Senior Secured Credit Facility, MetroPCS, together with its wholly owned subsidiaries, MetroPCS, Inc., and each of Wireless' direct and indirect present and future wholly-owned domestic subsidiaries (the "guarantor subsidiaries"), provided guarantees which are full and unconditional as well as joint and several. Certain provisions of the Senior Secured Credit Facility, the indentures and the supplemental indentures relating to the 7 7/8% Senior Notes and 6 5/8% Senior Notes restrict the ability of Wireless to loan funds to MetroPCS or MetroPCS, Inc. However, Wireless is allowed to make certain permitted payments to MetroPCS under the terms of the Senior Secured Credit Facility, the indentures and the supplemental indentures.

Prior to December 2010, Royal Street Communications, LLC and its subsidiaries ("Royal Street Communications") and MetroPCS Finance, Inc. ("MetroPCS Finance") (collectively, the "non-guarantor subsidiaries") were not guarantors of the 9 $^{1}/4$% Senior Notes due 2014 , or 9 $^{1}/4$% Senior Notes, 7 $^{7}/8$% Senior Notes, 6 $^{5}/8$% Senior Notes or the Senior Secured Credit Facility. In December 2010, Wireless completed the acquisition of the remaining limited liability company member interest in Royal Street Communications, making Royal Street Communications a wholly-owned subsidiary. In addition, MetroPCS Finance was merged with a subsidiary of Wireless. Therefore, the Company no longer had any non-guarantors of any of its outstanding debt as of December 31, 2010. As a result, the comparative historical condensed consolidating financial information has been revised to present this information as if the new guarantor structure existed for all periods presented with the results of Royal Street Communications and MetroPCS Finance being reported as guarantor subsidiaries.

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The following information presents condensed consolidating balance sheets as of June 30, 2011 and December 31, 2010, condensed consolidating statements of income for the three and six months ended June 30, 2011 and 2010, and condensed consolidating statements of cash flows for the six months ended June 30, 2011 and 2010 of the parent company (MetroPCS), the issuer (Wireless), and the guarantor subsidiaries. Investments in subsidiaries held by the parent company and the issuer have been presented using the equity method of accounting.

Condensed Consolidated Balance Sheet
As of June 30, 2011

	Parent	Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
CURRENT ASSETS:					
Cash and cash equivalents	$1,603,172	$252,200	$622	$—	$1,855,994
Short-term investments	299,954	—	—	—	299,954
Inventories	—	124,947	15,101	—	140,048
Prepaid expenses	171	487	64,324	—	64,982
Deferred charges	—	94,931	—	—	94,931
Advances to subsidiaries	—	1,464,837	—	(1,464,837)	—
Other current assets	94	71,812	40,487	—	112,393
Total current assets	1,903,391	2,009,214	120,534	(1,464,837)	2,568,302
Property and equipment, net	—	31,234	3,825,635	—	3,856,869
Long-term investments	6,319	1,716	—	—	8,035
Investment in subsidiaries	1,139,888	4,344,422	—	(5,484,310)	—
FCC licenses	—	3,800	2,534,560	—	2,538,360
Other assets	—	96,151	33,310	—	129,461
Total assets	$3,049,598	$6,486,537	$6,514,039	$(6,949,147)	$9,101,027
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	$—	$78,511	$349,411	$—	$427,922
Advances from subsidiaries	297,941	—	1,166,896	(1,464,837)	—
Other current liabilities	—	90,123	207,628	—	297,751
Total current liabilities	297,941	168,634	1,723,935	(1,464,837)	725,673
Long-term debt	—	4,450,097	264,415	—	4,714,512
Deferred credits	1,939	719,011	109,430	—	830,380
Other long-term liabilities	—	8,907	71,837	—	80,744
Total liabilities	299,880	5,346,649	2,169,617	(1,464,837)	6,351,309
STOCKHOLDERS’ EQUITY:					
Common stock	36	—	—	—	36
Other stockholders’ equity	2,749,682	1,139,888	4,344,422	(5,484,310)	2,749,682
Total stockholders’ equity	2,749,718	1,139,888	4,344,422	(5,484,310)	2,749,718
Total liabilities and stockholders’ equity	$3,049,598	$6,486,537	$6,514,039	$(6,949,147)	$9,101,027

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Condensed Consolidated Balance Sheet
As of December 31, 2010

	Parent	Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
CURRENT ASSETS:					
Cash and cash equivalents	$507,849	$287,942	$740	$—	$796,531
Short-term investments	374,862	—	—	—	374,862
Inventories	—	145,260	15,789	—	161,049
Prepaid Expenses	—	249	50,228		50,477
Deferred charges	—	89,775	—	—	89,775
Advances to subsidiaries	647,701	462,518	—	(1,110,219)	—
Other current assets	94	81,308	39,789	—	121,191
Total current assets	1,530,506	1,067,052	106,546	(1,110,219)	1,593,885
Property and equipment, net	—	246,249	3,413,196	—	3,659,445
Long-term investments	6,319	10,381	—	—	16,700
Investment in subsidiaries	1,006,295	3,994,553	—	(5,000,848)	—
FCC licenses	—	3,800	2,518,441	—	2,522,241
Other assets	—	75,085	51,224	—	126,309
Total assets	$2,543,120	$5,397,120	$6,089,407	$(6,111,067)	$7,918,580
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	$—	$150,994	$370,794	$—	$521,788
Advances from subsidiaries	—	—	1,110,219	(1,110,219)	—
Other current liabilities	—	82,684	197,948	—	280,632
Total current liabilities	—	233,678	1,678,961	(1,110,219)	802,420
Long-term debt	—	3,508,948	248,339	—	3,757,287
Deferred credits	1,544	639,766	103,159	—	744,469
Other long-term liabilities	—	8,433	64,395	—	72,828
Total liabilities	1,544	4,390,825	2,094,854	(1,110,219)	5,377,004
STOCKHOLDERS' EQUITY:					
Common stock	36	—	—	—	36
Other stockholders' equity	2,541,540	1,006,295	3,994,553	(5,000,848)	2,541,540
Total stockholders' equity	2,541,576	1,006,295	3,994,553	(5,000,848)	2,541,576
Total liabilities and stockholders' equity	$2,543,120	$5,397,120	$6,089,407	$(6,111,067)	$7,918,580

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Condensed Consolidated Statement of Income
Three Months Ended June 30, 2011

	Parent	Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
REVENUES:					
Total Revenues	$—	$6,441	$1,210,352	$(7,340)	$1,209,453
OPERATING EXPENSES:					
Cost of revenues	—	5,907	709,997	(7,340)	708,564
Selling, general and administrative expenses	—	528	154,028	—	154,556
Other operating expenses	—	60	136,018	—	136,078
Total operating expenses	—	6,495	1,000,043	(7,340)	999,198
(Loss) income from operations	—	(54)	210,309	—	210,255
OTHER EXPENSE (INCOME):					
Interest expense	—	62,918	4,062	—	66,980
Non-operating expenses	(480)	9,516	(197)	—	8,839
Earnings from consolidated subsidiaries	(83,855)	(207,631)	—	291,486	—
Total other (income) expense	(84,335)	(135,197)	3,865	291,486	75,819
Income (loss) before provision for income taxes	84,335	135,143	206,444	(291,486)	134,436
Provision for income taxes	—	(51,288)	1,187	—	(50,101)
Net income (loss)	$84,335	$83,855	$207,631	$(291,486)	$84,335

Condensed Consolidated Statement of Income
Three Months Ended June 30, 2010

	Parent	Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
REVENUES:					
Total Revenues	$—	$6,336	$1,060,203	$(54,003)	$1,012,536
OPERATING EXPENSES:					
Cost of revenues	—	6,004	591,521	(54,003)	543,522
Selling, general and administrative expenses	—	331	158,269	—	158,600
Other operating expenses	—	35	111,967	—	112,002
Total operating expenses	—	6,370	861,757	(54,003)	814,124
(Loss) income from operations	—	(34)	198,446	—	198,412
OTHER EXPENSE (INCOME):					
Interest expense	—	63,023	40,559	(38,079)	65,503
Non-operating expenses	(367)	(37,591)	(34)	38,079	87
Earnings from consolidated subsidiaries	(79,548)	(157,921)	—	237,469	—
Total other (income) expense	(79,915)	(132,489)	40,525	237,469	65,590

Income (loss) before provision for income taxes	79,915	132,455	157,921	(237,469)	132,822
Provision for income taxes	—	(52,907)	—	—	(52,907)
Net income (loss)	$79,915	$79,548	$157,921	$(237,469)	$79,915

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

Condensed Consolidated Statement of Income
Six Months Ended June 30, 2011

	Parent	Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
REVENUES:					
Total Revenues	$—	$10,924	$2,408,295	$(15,390)	$2,403,829
OPERATING EXPENSES:					
Cost of revenues	—	10,209	1,464,424	(15,390)	1,459,243
Selling, general and administrative expenses	—	715	323,612	—	324,327
Other operating expenses	—	154	264,513	—	264,667
Total operating expenses	—	11,078	2,052,549	(15,390)	2,048,237
(Loss) income from operations	—	(154)	355,746	—	355,592
OTHER EXPENSE (INCOME):					
Interest expense	—	115,294	8,247	—	123,541
Non-operating expenses	(986)	9,509	(455)	—	8,068
Earnings from consolidated subsidiaries	(139,728)	(349,870)	—	489,598	—
Total other (income) expense	(140,714)	(225,067)	7,792	489,598	131,609
Income (loss) before provision for income taxes	140,714	224,913	347,954	(489,598)	223,983
Provision for income taxes	—	(85,185)	1,916	—	(83,269)
Net income (loss)	$140,714	$139,728	$349,870	$(489,598)	$140,714

Condensed Consolidated Statement of Income
Six Months Ended June 30, 2010

	Parent	Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
REVENUES:					
Total Revenues	$—	$9,471	$2,076,237	$(102,669)	$1,983,039
OPERATING EXPENSES:					
Cost of revenues	—	9,035	1,235,546	(102,669)	1,141,912
Selling, general and administrative expenses	—	436	318,074	—	318,510
Other operating expenses	—	66	218,908	—	218,974
Total operating expenses	—	9,537	1,772,528	(102,669)	1,679,396
(Loss) income from operations	—	(66)	303,709	—	303,643
OTHER EXPENSE (INCOME):					
Interest expense	—	128,202	80,902	(76,119)	132,985
Non-operating expenses	(823)	(75,180)	(38)	76,119	78
Earnings from consolidated subsidiaries	(101,753)	(222,845)	—	324,598	—
Total other (income) expense	(102,576)	(169,823)	80,864	324,598	133,063

Income (loss) before provision for income taxes	102,576	169,757	222,845	(324,598)	170,580
Provision for income taxes	—	(68,004)	—	—	(68,004)
Net income (loss)	$102,576	$101,753	$222,845	$(324,598)	$102,576

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

Condensed Consolidated Statement of Cash Flows
Six Months Ended June 30, 2011

	Parent	Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	$497	$(126,873)	$608,476	$—	$482,100
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	—	(6,950)	(444,623)	—	(451,573)
Purchase of investments	(299,826)	—	—	—	(299,826)
Proceeds from maturity of investments	375,000	—	—	—	375,000
Change in advances – affiliates	671,631	(820,250)	—	148,619	—
Other investing activities, net	—	(17,691)	(10,175)	—	(27,866)
Net cash provided by (used in) investing activities	746,805	(844,891)	(454,798)	148,619	(404,265)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Change in advances – affiliates	297,941	—	(149,322)	(148,619)	—
Change in book overfraft	—	1,263	—	—	1,263
Proceeds from debt issuance, net of discount	—	1,497,500	—	—	1,497,500
Retirement of senior secured credit facility debt	—	(535,792)	—	—	(535,792)
Proceeds from exercise of stock options	53,671	—	—	—	53,671
Other financing activities, net	(3,591)	(26,949)	(4,474)	—	(35,014)
Net cash provided by (used in) financing activities	348,021	936,022	(153,796)	(148,619)	981,628
INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS	1,095,323	(35,742)	(118)	—	1,059,463
CASH AND CASH EQUIVALENTS, beginning of period	507,849	287,942	740	—	796,531
CASH AND CASH EQUIVALENTS, end of period	$1,603,172	$252,200	$622	$—	$1,855,994

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

Condensed Consolidated Statement of Cash Flows
Six Months Ended June 30, 2010

	Parent	Issuer	Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	$677	$(110,982)	$447,756	$—	$337,451
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	—	(49,899)	(265,438)	—	(315,337)
Purchase of investments	(312,225)	—	—	—	(312,225)
Proceeds from maturity of investments	237,500	—	—	—	237,500
Change in advances - affiliates	1,638	285,848	—	(287,486)	—
Proceeds from affiliate debt	—	233,152	—	(233,152)	—
Issuance of affiliate debt	—	(333,000)	—	333,000	—
Other investing activities, net	—	(16,789)	4,380	—	(12,409)
Net cash (used in) provided by investing activities	(73,087)	119,312	(261,058)	(187,638)	(402,471)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Change in book overdraft	—	(80,394)	57	—	(80,337)
Proceeds from long-term loan	—	—	333,000	(333,000)	—
Change in advances - affiliates	—	—	(287,486)	287,486	—
Repayment of debt	—	(8,000)	(233,152)	233,152	(8,000)
Proceeds from exercise of stock options	2,592	—	—	—	2,592
Other financing activities, net	(852)	—	(1,224)	—	(2,076)
Net cash provided by (used in) financing activities	1,740	(88,394)	(188,805)	187,638	(87,821)
DECREASE IN CASH AND CASH EQUIVALENTS	(70,670)	(80,064)	(2,107)	—	(152,841)
CASH AND CASH EQUIVALENTS, beginning of period	642,089	269,836	17,456	—	929,381
CASH AND CASH EQUIVALENTS, end of period	$571,419	$189,772	$15,349	$—	$776,540

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Any statements made in this quarterly report that are not statements of historical fact, including statements about our beliefs, opinions 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 our expectations of customer growth, the causes of churn, the effect of seasonality on our business, the importance of our key non-GAAP financial measures and their use to compare companies in the industry, opportunities to enhance current operating segments, uses of CPU and EBITDA as a measure to compare performance, whether existing cash, cash equivalents and short-term investments and anticipated cash flows from operations will be sufficient to fully fund planned operations and planned expansion, our belief that increased services areas and capacity will improve our service offerings, and help us to attract additional customers, retain existing customer, and resulting increased revenues, the challenges and opportunities facing our business, competitive differentiators, our strategy and business plans, customer expectations, our projections of capital expenditures for 2011, our views on the causes of increased churn, the effect of inflation on our operations, the effect of changes in aggregate fair value of financial assets and liabilities, whether litigation may have a material adverse effect on our business, our litigation defense strategy, our belief that amounts alleged in litigation are not meaningful indicators of our potential liability, financial condition or operations, and other statements that may relate to our plans, objectives, beliefs, strategies, goals, future events, future revenues or performance, capital expenditures, financing needs, outcomes of litigation and other information that is not historical information. These forward-looking statements often include words such as "anticipate," "expect," "suggests," "plan," "believe," "intend," "estimates," "targets," "views," "becomes," "projects," "should," "would," "could," "may," "will," similar expressions. Forward-looking statements are contained throughout this quarterly report, including in the "Company Overview," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Legal Proceedings" sections of this report.

We base the forward-looking statements or projections made in this report on our current expectations, plans, beliefs, opinions and assumptions that have been 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 quarterly report, you should understand that these forward-looking statements are not guarantees of future performance or results and no assurances can be given that such statements or results will be obtained. Although we believe that these forward-looking statements are based on reasonable expectations, beliefs, opinions and 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. Factors that may materially affect such forward-looking statements include, but are not limited, to:

- the highly competitive nature of our industry and changes in the competitive landscape;
- the current economic environment in the United States; disruptions to the credit and financial markets in the United States; the impact of a failure to increase the United States debt ceiling and possible credit downgrade of the United States credit rating; and contractions or limited growth on consumer spending as a result of the uncertainty in the United States economy;
- our ability to manage our rapid growth, achieve planned growth, manage churn rates and maintain our cost structure;
- our and our competitors' current and planned promotions, marketing and sales initiatives and our ability to respond and support them;
- our ability to negotiate and maintain acceptable agreements with our suppliers and vendors, including roaming arrangements;
- the seasonality of our business and any failure to have strong customer growth in the first and fourth quarters;
- increases or changes in taxes and regulatory fees;

- the rapid technological changes in our industry, our ability to adapt and respond to such technological changes, our ability to deploy new technologies, such as long term evolution, or 4G LTE, in our networks and successfully offer new services using such new technology;
- our ability to meet the demands and expectations of our customers, secure the products, services, applications, content and network infrastructure equipment we need or which our customers or potential customers demand, and to maintain adequate customer care;

- our ability to secure spectrum, or secure it at acceptable prices, when we need it;
- our ability to manage our networks to deliver the services our customers expect and to maintain and increase capacity of our networks and business systems to satisfy the demands of our customers and the demands placed by devices on our networks;
- our ability to adequately enforce or protect our intellectual property rights and defend against suits filed by others;
- our capital structure, including our indebtedness amounts and the limitations imposed by the covenants in our indebtedness and maintain our financial and disclosure controls and procedures;
- our inability to attract and retain key members of management and train personnel;
- our reliance on third parties to provide distribution, products, software and services that are integral to our business and the ability of our suppliers to perform, develop and timely provide us with technological developments, products and services we need to remain competitive;
- governmental regulation affecting our services and changes in government regulation, and the costs of compliance and our failure to comply with such regulations; and
- other factors described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2010 as updated or supplemented under “Item 1A. Risk Factors” in each of our subsequent Quarterly Reports on Form 10-Q as filed with the SEC, including this Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

These forward-looking statements speak only as to the date made and are subject to the factors above, among other things, and involve risks, events, circumstances, uncertainties and assumptions, many of which are beyond our ability to control or ability to predict. You should not place undue reliance on these forward-looking statements which are based on current expectations and speak only as of the date of this report. The results presented for any period, including the three months and six months ended June 30, 2011, may not be reflective of results for any subsequent period or for the fiscal year. All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by our cautionary statements. We do not intend to, and do not undertake a duty to, update any forward-looking statement in the future to reflect the occurrence of events or circumstances, except as required by law.

Company Overview

Except as expressly stated, the financial condition and results of operations discussed throughout Management’s Discussion and Analysis of Financial Condition and Results of Operations are those of MetroPCS Communications, Inc. and its consolidated subsidiaries, including MetroPCS Wireless, Inc., or Wireless. References to “MetroPCS,” “MetroPCS Communications,” “our Company,” “the Company,” “we,” “our,” “ours” and “us” refer to MetroPCS Communicat Inc., a Delaware corporation, and its wholly-owned subsidiaries.

We are a wireless telecommunications carrier that currently offers wireless broadband mobile services primarily in selected major metropolitan areas in the United States, including the Atlanta, Boston, Dallas/Fort Worth, Detroit, Las Vegas, Los Angeles, Miami, New York, Orlando/Jacksonville, Philadelphia, Sacramento, San Francisco and Tampa/Sarasota metropolitan areas. In September 2010, we introduced the first commercial 4G LTE service in our Las Vegas and Dallas/Fort Worth metropolitan areas. Subsequently in 2010, we launched our 4G LTE service in our Detroit, Los Angeles, Philadelphia, Boston, New York, San Francisco and Sacramento metropolitan areas. We further expanded our 4G LTE services into Atlanta, Jacksonville, Miami and Orlando metropolitan areas in January of 2011 and the Tampa metropolitan area in April 2011.

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 Company-owned retail stores as well as indirectly through relationships with independent retailers. Our service allows our customers to place unlimited local calls from within our local service area and to receive unlimited calls from any area while in our service area, for a flat-rate monthly service fee. In January 2010, we introduced a new family of service plans, which include all applicable taxes and regulatory fees and offering nationwide voice, text and web services on an unlimited basis 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. In November 2010, we introduced Metro USA[SM] which allows our customers to receive services in an area covering over 280 million in population for the same rates as we previously charged to use our voice, text messaging and web browsing services through a combination of our own networks and roaming arrangements with third parties. In January 2011, we introduced new 4G LTE service plans, which include all applicable taxes and regulatory fees, that allow subscribers to enjoy voice, text and web access

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services at fixed monthly rates starting as low as $40 per month. All of these plans require payment in advance for one month of service. If no payment is made in advance for the following month of service, service is suspended at the end of the month that was paid for by the customer and, if the customer does not pay within 30 days, the customer is terminated. Our service plans differentiate us from the more complex plans and long-term contract requirements of traditional wireless carriers.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates” of our annual report on Form 10-K for the year ended December 31, 2010 filed with the United States Securities and Exchange Commission, or SEC, on March 1, 2011.

Other than the adoption of Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU, No. 2009-13 "Multiple Deliverable Revenue Arrangements" on January 1, 2011, our accounting policies and the methodologies and assumptions we apply under them have not changed from our annual report on Form 10-K for the year ended December 31, 2010.

Revenues

We derive our revenues from the following sources:

Service. We sell wireless broadband mobile services. The various types of service revenues associated with wireless broadband mobile for our customers include monthly recurring charges for airtime, one-time or monthly recurring charges for optional features (including nationwide long distance, unlimited international long distance, unlimited text messaging, international text messaging, voicemail, downloads, ringtones, games and content applications, unlimited directory assistance, enhanced directory assistance, ring back tones, mobile Internet browsing, location based services, mobile instant messaging, navigation, video streaming, video on demand, push e-mail and nationwide roaming) and charges for long distance service. Service revenues also include intercarrier compensation and nonrecurring reactivation service charges to customers.

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

Costs and Expenses

Our costs and expenses include:

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

- Cell Site Costs. We incur expenses for the rent of cell sites, network facilities, engineering operations, field technicians and related utility and maintenance charges.
- Interconnection Costs. We pay other telecommunications companies and third-party providers for leased facilities and usage-based charges for transporting and terminating network traffic from our cell sites and switching centers. We have pre-negotiated rates for transport and termination of calls originated by our customers, including negotiated interconnection agreements with relevant exchange carriers in each of our service areas.
- Variable Long Distance. We pay charges to other telecommunications companies for long distance service provided to our customers. These variable charges are based on our customers’ usage, applied at pre-negotiated rates with the long distance carriers.
- Customer Support. We pay charges to nationally recognized third-party providers for customer care, billing and payment processing services.

Cost of Equipment. Cost of equipment primarily includes the cost of handsets and accessories purchased from third-party vendors to resell to our customers and independent retailers in connection with our services. We do not manufacture any of this equipment.

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

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

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

Income Taxes. For the three months and six months ended June 30, 2011 and 2010 we paid no federal income taxes. For the three months and six months ended June 30, 2011 we paid $3.5 million and $3.9 million, respectively, of state income tax. For the three and six months ended June 30, 2010 we paid approximately $2.2 million in state income taxes.

Seasonality

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

Results of Operations

Three Months Ended June 30, 2011 Compared to Three Months Ended June 30, 2010

Operating Items

Set forth below is a summary of certain financial information for the periods indicated:

	Three Months Ended June 30,			
	2011	2010	Change	
	(in thousands)			
REVENUES:				
Service revenues	$1,113,292	$922,137	21	%
Equipment revenues	96,161	90,399	6	%
Total revenues	1,209,453	1,012,536	19	%
OPERATING EXPENSES:				
Cost of service (excluding depreciation and amortization disclosed separately below)(1)	366,030	308,168	19	%
Cost of equipment	342,534	235,354	46	%
Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below)(1)	154,556	158,600	(3	%)
Depreciation and amortization	134,525	109,302	23	%

Loss on disposal of assets	1,553	2,700	(42	%)
Total operating expenses	999,198	814,124	23	%
Income from operations	$210,255	$198,412	6	%

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(1) Cost of service and selling, general and administrative expenses include stock-based compensation expense. For the three months ended June 30, 2011, cost of service includes approximately $0.9 million and selling, general and administrative expenses includes approximately $10.1 million of stock-based compensation expense. For the three months ended June 30, 2010, cost of service includes $0.7 million and selling, general and administrative expenses includes $11.2 million of stock-based compensation expense.

Service Revenues. Service revenues increased approximately $191.2 million, or approximately 21%, to $1.1 billion for the three months ended June 30, 2011 from $922.1 million for the three months ended June 30, 2010. The increase in service revenues is primarily attributable to net customer additions of 1.4 million customers for the twelve months ended June 30, 2011.

Equipment Revenues. Equipment revenues increased approximately $5.8 million, or 6%, to approximately $96.2 million for the three months ended June 30, 2011 from approximately $90.4 million for the three months ended June 30, 2010. The increase is primarily attributable to an increase in upgrade handset sales to existing customers as well as an increase in gross customer additions which led to an approximately $31.0 million increase. This increase was partially offset by a lower average price of handsets sold accounting for approximately $25.2 million.

Cost of Service. Cost of service increased $57.8 million, or approximately 19%, to $366.0 million for the three months ended June 30, 2011 from approximately $308.2 million for the three months ended June 30, 2010. The increase in cost of service is primarily attributable to the approximately 19% growth in our customer base and the deployment of additional network infrastructure, including network infrastructure for 4G LTE, during the twelve months ended June 30, 2011.

Cost of Equipment. Cost of equipment increased $107.1 million, or approximately 46%, to $342.5 million for the three months ended June 30, 2011 from approximately $235.4 million for the three months ended June 30, 2010. The increase is primarily attributable to an increase in handset upgrades by existing customers and an increase in gross customer additions which led to an approximately $70.6 million increase, as well as a higher average cost of handsets accounting for an approximately $36.8 million increase.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased $4.0 million, or approximately 3%, to approximately $154.6 million for the three months ended June 30, 2011 from $158.6 million for the three months ended June 30, 2010. Selling expenses decreased by approximately $7.7 million, or approximately 9%, for the three months ended June 30, 2011 compared to the three months ended June 30, 2010. The decrease in selling expenses is primarily attributable to an approximate $9.2 million decrease in marketing and advertising expenses, partially offset by an approximate $1.6 million increase in employee related costs to support our growth. General and administrative expenses increased approximately $4.8 million, or approximately 8%, for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010, primarily due to the growth in our business.

Depreciation and Amortization. Depreciation and amortization expense increased $25.2 million, or 23%, to $134.5 million for the three months ended June 30, 2011 from $109.3 million for the three months ended June 30, 2010. The increase related primarily to network infrastructure assets placed into service during the twelve months ended June 30, 2011 to support the continued growth and expansion of our network.

Non-Operating Items

	Three Months Ended June 30,			
	2011	2010	Change	
	(in thousands)			
Interest expense	$66,980	$65,503	2	%
Loss on extinguishment of debt	9,536	—	100	%
Provision for income taxes	50,101	52,907	(5	%)
Net income	84,335	79,915	6	%

Interest Expense. Interest expense increased approximately $1.5 million, or 2%, to approximately $67.0 million for the three months ended June 30, 2011 from $65.5 million for the three months ended June 30, 2010. The increase in interest expense was primarily attributable to an approximate $11.2 million increase in interest expense on the senior secured credit facility, as amended, as a result of the issuance of a new tranche of term loans in the amount of $500.0 million, or Tranche B-3 Term Loans, in March 2011 as well as an additional $1.0 billion of Tranche B-3 Term Loans, or the Incremental Tranche B-3 Term Loans, in May 2011. This increase in interest expense was partially offset by a decrease due to the repayment of approximately $535.8 million of existing tranche B-1 term loans, or Tranche B-1 Term Loans, in May 2011 coupled with a decrease of $8.8 million in interest expense on senior notes as a result of the redemption of our 9 1/4% senior notes due 2014, or 9 1/4% Senior Notes, in late 2010 and the issuance of new senior notes at a lower rate of interest. Our weighted average interest rate decreased to 6.13% for the three months ended June 30, 2011 compared to 7.43% for the three months ended June 30, 2010. Average debt outstanding for the three months ended June 30, 2011 and 2010 was approximately $4.3 billion and $3.5 billion, respectively.

Loss on Extinguishment of Debt. The loss on extinguishment of debt of $9.5 million for the three months ended June 30, 2011 was due to the repayment of approximately $535.8 million in outstanding principal under the Tranche B-1 Term Loans in May 2011.

Provision for Income Taxes. Income tax expense was $50.1 million and $52.9 million for the three months ended June 30, 2011 and 2010, respectively. The effective tax rate was 37.3% and 39.8% for the three months ended June 30, 2011 and 2010, respectively. For the three months ended June 30, 2011, our effective tax rate differs from the statutory federal rate of 35.0% due to net state and local taxes, tax credits, audit refunds, non-deductible expenses and a net change in uncertain tax positions. For the three months ended June 30, 2010, our effective tax rate differs from the statutory federal rate of 35.0% due to net state and local taxes, non-deductible expenses and a net change in uncertain tax positions.

Net Income. Net income increased $4.4 million, or approximately 6%, to $84.3 million for the three months ended June 30, 2011 compared to $79.9 million for the three months ended June 30, 2010. The increase was primarily attributable to a 6% increase in income from operations partially offset by the loss on extinguishment of debt.

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

Operating Items

Set forth below is a summary of certain financial information for the periods indicated:

	Six Months Ended June 30,			
	2011	2010	Change	
	(in thousands)			
REVENUES:				
Service revenues	$2,163,509	$1,775,420	22	%
Equipment revenues	240,320	207,619	16	%
Total revenues	2,403,829	1,983,039	21	%
OPERATING EXPENSES:				
Cost of service (excluding depreciation and amortization disclosed separately below)(1)	707,447	592,820	19	%
Cost of equipment	751,796	549,092	37	%
Selling, general and administrative expenses (excluding depreciation and amortization disclosed separately below)(1)	324,327	318,510	2	%
Depreciation and amortization	263,219	217,102	21	%
Loss on disposal of assets	1,448	1,872	(23	%)
Total operating expenses	2,048,237	1,679,396	22	%
Income from operations	$355,592	$303,643	17	%

(1) Cost of service and selling, general and administrative expenses include stock-based compensation expense. For the six months ended June 30, 2011, cost of service includes $1.8 million and selling, general and administrative expenses includes $20.4 million of stock-based compensation expense. For the six months ended June 30, 2010, cost of service includes approximately $1.8 million and selling, general and administrative expenses includes $21.5 million of stock-based compensation expense.

Service Revenues. Service revenues increased approximately $388.1 million, or approximately 22%, to approximately $2.2 billion for the six months ended June 30, 2011 from approximately $1.8 billion for the six months ended June 30, 2010. The increase in service revenues is primarily attributable to net customer additions of 1.4 million customers for the twelve months ended June 30, 2011.

Equipment Revenues. Equipment revenues increased $32.7 million, or approximately 16%, to $240.3 million for the six months ended June 30, 2011 from $207.6 million for the six months ended June 30, 2010. The increase is primarily attributable to an increase in upgrade handset sales to existing customers as well as an increase in gross customer additions which led to an approximately $55.4 million increase. This increase was partially offset by a lower average price of handsets sold accounting for approximately $22.1 million.

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Cost of Service. Cost of service increased $114.6 million, or 19%, to $707.4 million for the six months ended June 30, 2011 from $592.8 million for the six months ended June 30, 2010. The increase in cost of service is primarily attributable to the approximately 19% growth in our customer base and the deployment of additional network infrastructure, including network infrastructure for 4G LTE, during the twelve months ended June 30, 2011.

Cost of Equipment. Cost of equipment increased $202.7 million, or approximately 37%, to approximately $751.8 million for the six months ended June 30, 2011 from approximately $549.1 million for the six months ended June 30, 2010. The increase is primarily attributable to an increase in handset upgrades by existing customers and an increase in gross customer additions which led to an approximately $128.4 million increase, as well as a higher average cost of handsets accounting for an approximately $75.2 million increase.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $5.8 million, or approximately 2%, to $324.3 million for the six months ended June 30, 2011 from $318.5 million for the six months ended June 30, 2010. Selling expenses decreased by approximately $5.0 million, or approximately 3%, for the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The decrease in selling expenses is primarily attributable to an approximate $7.4 million decrease in marketing and advertising expenses, partially offset by an approximate $2.9 million increase in employee related costs to support our growth. General and administrative expenses increased approximately $11.9 million, or approximately 10%, for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010, primarily due to the growth in our business.

Depreciation and Amortization. Depreciation and amortization expense increased $46.1 million, or 21%, to $263.2 million for the six months ended June 30, 2011 from $217.1 million for the six months ended June 30, 2010. The increase related primarily to network infrastructure assets placed into service during the twelve months ended June 30, 2011 to support the continued growth and expansion of our network.

Non-Operating Items

	Six Months Ended June 30,			
	2011	2010	Change	
	(in thousands)			
Interest expense	$123,541	$132,985	(7	%)
Loss on extinguishment of debt	9,536	—	100	%
Provision for income taxes	83,269	68,004	22	%
Net income	140,714	102,576	37	%

Interest Expense. Interest expense decreased approximately $9.5 million, or 7%, to $123.5 million for the six months ended June 30, 2011 from approximately $133.0 million for the six months ended June 30, 2010. The decrease in interest expense was primarily attributable to an approximate $17.7 million decrease in interest expense on senior notes as a result of the redemption of the 9 1/4% Senior Notes in late 2010 and the issuance of new senior notes at a lower rate of interest. This decrease was partially offset by a $9.5 million increase in interest expense on the senior secured credit facility, as amended, as a result of the issuance of the Tranche B-3 Term Loans in March 2011 as well as the Incremental Tranche B-3 Term Loans in May 2011, partially offset by lower interest expense due to the repayment of approximately $535.8 million of Tranche B-1 Term Loans in May 2011. Our weighted average interest rate decreased to 6.14% for the six months ended June 30, 2011 compared to 7.57% for the six months ended June 30, 2010. Average debt outstanding for the six months ended June 30, 2011 and 2010 was approximately $3.9 billion and $3.5 billion, respectively.

Loss on Extinguishment of Debt. The loss on extinguishment of debt of $9.5 million for the six months ended June 30, 2011 was due to the repayment of approximately $535.8 million in outstanding principal under the Tranche B-1 Term Loans in May 2011.

Provision for Income Taxes. Income tax expense was approximately $83.3 million and $68.0 million for the six months ended June 30, 2011 and 2010, respectively. The effective tax rate was 37.2% and 39.9% for the six months ended June 30, 2011 and 2010, respectively. For the six months ended June 30, 2011, our effective tax rate differs from the statutory federal rate of 35.0% due to net state and local taxes, tax credits, audit refunds, non-deductible expenses and a net change in uncertain tax positions. For the six months ended June 30, 2010, our effective tax rate differs from the statutory federal rate of 35.0% due to net state and local taxes, non-deductible expenses and a net change in uncertain tax positions.

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Net Income. Net income increased $38.1 million, or 37%, to $140.7 million for the six months ended June 30, 2011 compared to approximately $102.6 million for the six months ended June 30, 2010. The increase was primarily attributable to a 17% increase in income from operations combined with a 7% decrease in interest expense, partially offset by the loss on extinguishment of debt.

Performance Measures

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

The following table shows metric information for the three and six months ended June 30, 2011 and 2010.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Customers:				
End of period	9,079,865	7,634,135	9,079,865	7,634,135
Net additions	198,810	303,009	924,755	994,611
Churn:				
Average monthly rate	3.9 %	3.3 %	3.6 %	3.5 %
ARPU	$40.49	$39.84	$40.46	$39.83
CPGA	$177.88	$164.29	$166.60	$153.72
CPU	$18.94	$17.90	$19.35	$18.33
Adjusted EBITDA (in thousands)	$357,293	$322,332	$642,503	$545,950

Customers. Net customer additions were 198,810 for the three months ended June 30, 2011, compared to 303,009 for the three months ended June 30, 2010. Net customer additions were 924,755 for the six months ended June 30, 2011, compared to 994,611 for the six months ended June 30, 2010. Total customers were 9,079,865 as of June 30, 2011, an increase of approximately 19% over the customer total as of June 30, 2010 and 11% over the customer total as of December 31, 2010. The increase in total customers is primarily attributable to the continued demand for our service offerings.

Churn. As we do not require a long-term service contract, our churn percentage is expected to be higher than traditional wireless carriers that require customers to sign a one- to two-year contract with significant early termination fees. Average monthly churn represents (a) the number of customers who have been disconnected from our system during the measurement period less the number of customers who have reactivated service, divided by (b) the sum of the average monthly number of customers during such period. We classify delinquent customers as churn after they have been delinquent for 30 days. In addition, when an existing customer establishes a new account in connection with the purchase of an upgraded or replacement phone and does not identify themselves as an existing customer, we count the phone leaving service as a churn and the new phone entering service as a gross customer addition ("false churn"). Churn for the three months ended June 30, 2011 was 3.9%, compared to 3.3% for the three months ended June 30, 2010. Churn for the six months ended June 30, 2011 was 3.6% compared to 3.5% for the six months ended June 30, 2010. The increase in churn was primarily driven by an increase in gross additions, adjusted for false churn, in the first quarter 2011 over the first quarter 2010, and we believe continued economic pressures on our subscribers. Our customer activity is influenced by seasonal effects related to traditional retail selling periods and other factors that arise from our target customer base. Based on historical results, we generally expect net customer additions to be strongest in the first and fourth quarters. Softening of sales and increased churn in the second and third quarters of the year usually combine to result in fewer net customer additions during these quarters. See – "Seasonality."

Average Revenue Per User. ARPU represents (a) service revenues plus impact to service revenues of promotional activity less pass through charges for the measurement period, divided by (b) the sum of the average monthly number of customers during such period. ARPU was $40.49 and $39.84 for three months ended June 30, 2011 and 2010, respectively, an increase of $0.65. ARPU was $40.46 and $39.83 for the six months ended June 30, 2011 and 2010, respectively, an increase of $0.63. The increase in ARPU for the three and six months ended June 30, 2011, when compared to the same period in 2010, was primarily attributable to the continued demand for our Wireless for All and 4G LTE rate plans.

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Cost Per Gross Addition. CPGA is determined by dividing (a) selling expenses plus the total cost of equipment associated with transactions with new customers less equipment revenues associated with transactions with new customers during the measurement period adjusted for impact to service revenues of promotional activity by (b) gross customer additions during such period. Retail customer service expenses and equipment margin on handsets sold to existing customers when they are identified, including handset upgrade transactions, are excluded, as these costs are incurred specifically for existing customers. CPGA costs increased to $177.88 for the three months ended June 30, 2011 from $164.29 for the six months ended June 30, 2010. CPGA costs increased to $166.60 for the six months ended June 30, 2011 from $153.72 for the six months ended June 30, 2010. The increase in CPGA for three and six months ended June 30, 2011, when compared to the same period in 2010, was primarily driven by increased promotional activities.

Cost Per User. CPU is determined by dividing (a) cost of service and general and administrative costs (excluding applicable stock-based compensation expense included in cost of service and general and administrative expense) plus net loss on handset equipment transactions unrelated to initial customer acquisition, divided by (b) the sum of the average monthly number of customers during such period. CPU for the three months ended June 30, 2011 and 2010 was $18.94 and $17.90, respectively. CPU for the six months ended June 30, 2011 and 2010 was $19.35 and $18.33, respectively. The increase in CPU for the three and six months ended June 30, 2011, when compared to the same period in 2010, was primarily driven by the increase in retention expense on existing customers, costs associated with our 4G LTE network upgrade and roaming expenses associated with Metro USA, offset by the continued scaling of our business.

Adjusted EBITDA. Adjusted EBITDA is defined as consolidated net income plus depreciation and amortization; gain (loss) on disposal of assets; stock-based compensation expense; gain (loss) on extinguishment of debt; provision for income taxes; interest expense; minus interest and other income and non-cash items increasing consolidated net income. Adjusted EBITDA for the three months ended June 30, 2011 increased to approximately $357.3 million from $322.3 million for the three months ended June 30, 2010. Adjusted EBITDA for the six months ended June 30, 2011 increased to $642.5 million from approximately $546.0 million for the six months ended June 30, 2010.

Reconciliation of non-GAAP Financial Measures

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

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

ARPU — We utilize ARPU to evaluate our per-customer service revenue realization and to assist in forecasting our future service revenues. ARPU is calculated exclusive of 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. ARPU for the six months ended June 30, 2010 includes approximately $0.8 million that would have been recognized as service revenues but were classified as equipment revenues because the consideration received from customers was less than the fair value of promotionally priced handsets. The following table shows the calculation of ARPU for the periods indicated.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands, except average number of customers and ARPU)			
Calculation of Average Revenue Per User (ARPU):				
Service revenues	$1,113,292	$922,137	$2,163,509	$1,775,420
Add: Impact to service revenues of promotional activity	—	—	—	778
Less: Pass through charges	(20,735)	(24,189)	(42,010)	(47,934)
Net service revenues	$1,092,557	$897,948	$2,121,499	$1,728,264
Divided by: Average number of customers	8,994,405	7,513,202	8,739,720	7,231,177
ARPU	$40.49	$39.84	$40.46	$39.83

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands, except gross customer additions and CPGA)			
Calculation of Cost Per Gross Addition (CPGA):				
Selling expenses	$78,522	$86,194	$170,384	$175,341
Less: Equipment revenues	(96,161)	(90,399)	(240,320)	(207,619)
Add: Impact to service revenues of promotional activity	—	—	—	778
Add: Equipment revenue not associated with new customers	59,355	54,392	134,589	117,705
Add: Cost of equipment	342,534	235,354	751,796	549,092
Less: Equipment costs not associated with new customers	(159,931)	(113,377)	(352,133)	(248,122)
Gross addition expenses	$224,319	$172,164	$464,316	$387,175
Divided by: Gross customer additions	1,261,091	1,047,898	2,786,971	2,518,763
CPGA	$177.88	$164.29	$166.60	$153.72

CPU — We utilize CPU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CPU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless providers. We believe investors use CPU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless providers, although other wireless carriers may calculate this measure differently. The following table reconciles total costs used in the calculation of CPU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CPU.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands, except average number of customers and CPU)			
Calculation of Cost Per User (CPU):				
Cost of service	$366,030	$308,168	$707,447	$592,820
Add: General and administrative expense	76,034	72,406	153,943	143,169
Add: Net loss on equipment transactions unrelated to initial customer acquisition	100,576	58,985	217,544	130,417
Less: Stock-based compensation expense included in cost of service and general and administrative expense	(10,960)	(11,918)	(22,244)	(23,333)
Less: Pass through charges	(20,735)	(24,189)	(42,010)	(47,934)
Total costs used in the calculation of CPU	$510,945	$403,452	$1,014,680	$795,139
Divided by: Average number of customers	8,994,405	7,513,202	8,739,720	7,231,177
CPU	$18.94	$17.90	$19.35	$18.33

Adjusted EBITDA — We utilize Adjusted EBITDA to monitor the financial performance of our operations. This measurement, together with GAAP measures such as revenue and income from operations, assists management in its decision-making process related to the operation of our business. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for income from operations, net income, or any other measure of financial performance reported in accordance with GAAP. In addition, other wireless carriers may calculate this measure differently.

We believe that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate our overall operating performance and that this metric facilitates comparisons with other wireless communications companies. We use Adjusted EBITDA internally as a metric to evaluate and compensate our personnel and management for their performance, and as a benchmark to evaluate our operating performance in comparison to our competitors. Management also uses Adjusted EBITDA to measure, from period-to-period, our ability to provide cash flows to meet future debt services, capital expenditures and working capital requirements and fund future growth. The following tables illustrate the calculation of Adjusted EBITDA and reconciles Adjusted EBITDA to net income and cash flows from operating activities, which we consider to be the most directly comparable GAAP financial measures to Adjusted EBITDA.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Calculation of Adjusted EBITDA:				
Net income	$84,335	$79,915	$140,714	$102,576
Adjustments:				
Depreciation and amortization	134,525	109,302	263,219	217,102
Loss on disposal of assets	1,553	2,700	1,448	1,872
Stock-based compensation expense	10,960	11,918	22,244	23,333
Interest expense	66,980	65,503	123,541	132,985
Interest income	(511)	(392)	(1,026)	(856)
Other (income) expense, net	(186)	479	(442)	934
Loss on extinguishment of debt	9,536	—	9,536	—
Provision for income taxes	50,101	52,907	83,269	68,004
Adjusted EBITDA	$357,293	$322,332	$642,503	$545,950

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Reconciliation of Net Cash Provided by Operating Activities to Adjusted EBITDA:				
Net cash provided by operating activities	$343,786	$112,418	$482,100	$337,451
Adjustments:				
Interest expense	66,980	65,503	123,541	132,985
Non-cash interest expense	(2,022)	(3,277)	(4,015)	(6,412)
Interest income	(511)	(392)	(1,026)	(856)
Other (income) expense, net	(186)	479	(442)	934
Other non-cash expense	—	(492)	—	(963)
Provision for uncollectible accounts receivable	(95)	(86)	(261)	(58)
Deferred rent expense	(3,738)	(5,380)	(7,832)	(10,915)
Cost of abandoned cell sites	(323)	(367)	(380)	(903)
Gain on sale and maturity of investments	151	89	319	217
Accretion of asset retirement obligations	(1,449)	(1,399)	(2,762)	(1,285)
Provision for income taxes	50,101	52,907	83,269	68,004
Deferred income taxes	(49,138)	(51,523)	(81,395)	(65,700)
Changes in working capital	(46,263)	153,852	51,387	93,451
Adjusted EBITDA	$357,293	$322,332	$642,503	$545,950

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash, cash equivalents and short-term investments, and cash generated from operations. At June 30, 2011, we had a total of approximately $2.2 billion in cash, cash equivalents and short-term investments. We believe that, based on our current level of cash, cash equivalents and short-term investments, and our anticipated cash flows from operations, we have adequate liquidity, cash flow and financial flexibility to fund our operations in the near-term.

In July 2010, Wireless entered into an Amendment and Restatement and Resignation and Appointment Agreement, or the Amendment, which amended and restated the senior secured credit facility. The Amendment amended the senior secured credit facility to, among other things, extend the maturity of $1.0 billion of existing term loans, or Tranche B-2 Term Loans, under the senior secured credit facility to November 2016 as well as increase the interest rate to LIBOR plus 3.50% on the extended portion only. The remaining Tranche B-1 Term Loans under the senior secured credit facility will mature in 2013 and the interest rate continues to be LIBOR plus 2.25%.

In September 2010, Wireless completed the sale of $1.0 billion of principal amount of 7 $^{7}/8$% Senior Notes due 2018, or the 7 $^{7}/8$% Senior Notes. The net proceeds from the sale of the 7 $^{7}/8$% Senior Notes were $974.0 million. Net proceeds from the sale of the 7 $^{7}/8$% Senior Notes were used to redeem a portion of the outstanding 9 $^{1}/4$% Senior Notes.

In November 2010, Wireless completed the sale of $1.0 billion of principal amount of 6 $^{5}/8$% Senior Notes due 2020, or the 6 $^{5}/8$% Senior Notes. The net proceeds of the sale of the 6 $^{5}/8$% Senior Notes were $988.1 million.

In November 2010, Wireless completed the redemption of the remaining outstanding 9 $^{1}/4$% Senior Notes.

In March 2011, Wireless entered into an Amendment and Restatement, or the New Amendment, which further amends and restates the senior secured credit facility to, among other things, provide for the Tranche B-3 Term Loans, which will mature in March 2018 and have an interest rate of LIBOR plus 3.75%. The New Amendment also increases the interest rate on the existing Tranche B-1 Term Loans and Tranche B-2 Term Loans under the senior secured credit facility to LIBOR plus 3.821%. The New Amendment modified certain limitations under the senior secured credit facility, including limitations on our ability to incur additional debt, make certain restricted payments, sell assets, make certain investments or acquisitions, grant liens and pay dividends. In addition, Wireless is no longer subject to certain financial covenants, including maintaining a maximum senior secured consolidated leverage ratio. However, under certain circumstances, we could be subject to certain

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financial covenants that contain ratios based on consolidated Adjusted EBITDA as defined by the senior secured credit facility. Under the New Amendment, the definition of consolidated Adjusted EBITDA has changed and no longer excludes interest and other income.

In May 2011, Wireless entered into an Incremental Commitment Agreement, or the Incremental Agreement, which supplements the New Amendment to provide for the Incremental Tranche B-3 Term Loans which amount was borrowed on May 10, 2011. The Incremental Tranche B-3 Term Loans have an interest rate of LIBOR plus 3.75% and will mature in March 2018. The Incremental Tranche B-3 Term Loans are repayable in quarterly installments of $2.5 million. A portion of the proceeds from the Incremental Tranche B-3 Term Loans were used to prepay the $535.8 million in outstanding principal under the Tranche B-1 Term Loans, with the remaining proceeds to be used for general corporate purposes, including opportunistic spectrum acquisitions. The net proceeds from the Incremental Tranche B-3 Term Loans were $455.9 million after prepayment of the Tranche B-1 Term Loans, underwriter fees, other debt issuance costs of approximately $8.3 million. The Incremental Agreement did not modify the interest rate, maturity date or any of the other terms of the New Amendment applicable to the Tranche B-2 Term Loans or the existing Tranche B-3 Term Loans.

Our strategy has been to offer our services in major metropolitan areas and their surrounding areas, which we refer to as operating segments. We are seeking opportunities to enhance our current operating segments and to provide service in new geographic areas. From time to time, we may purchase spectrum and related assets from third parties or the FCC. We believe that our existing cash, cash equivalents and short-term investments and our anticipated cash flows from operations will be sufficient to fully fund planned geographical expansion.

The construction of our network and the marketing and distribution of our wireless communications products and services have required, and will continue to require, substantial capital investment. Capital outlays have included license acquisition costs, capital expenditures for construction, increasing the capacity, or upgrade of our network infrastructure, including network infrastructure for 4G LTE, costs associated with clearing and relocating non-governmental incumbent licenses, funding of operating cash flow losses incurred as we launch services in new metropolitan areas and other working capital costs, debt service and financing fees and expenses. Our capital expenditures for the six months ended June 30, 2011 were approximately $451.6 million and capital expenditures for the year ended December 31, 2010 were approximately $790.4 million. The expenditures for the six months ended June 30, 2011 were primarily associated with our efforts to increase the service area and capacity of our existing network and the upgrade of our network to 4G LTE. We believe the increased service area and capacity in existing markets will improve our service offerings, helping us to attract additional customers and retain existing customers resulting in increased revenues.

As of June 30, 2011, we owed an aggregate of approximately $4.5 billion under our senior secured credit facility, as amended, 7 $^{7}/8$% Senior Notes and 6 $^{5}/8$% Senior Notes, as well as $271.4 million under our capital lease obligations.

Operating Activities

Cash provided by operating activities increased $144.6 million to $482.1 million during the six months ended June 30, 2011 from approximately $337.5 million for the six months ended June 30, 2010. The increase is primarily attributable to a decrease in cash flows used for changes in working capital for the six months ended June 30, 2011 as compared to the same period in 2010, coupled with a 37% increase in net income.

Investing Activities

Cash used in investing activities was approximately $404.3 million during the six months ended June 30, 2011 compared to approximately $402.5 million during the six months ended June 30, 2010. Purchases of property and equipment increased $136.2 million for the six months ended June 30, 2011 compared to the same period in 2010, partially offset by an increase in cash flows provided by net purchases of short-term investments.

Financing Activities

Cash provided by financing activities was $981.6 million during the six months ended June 30, 2011 compared to cash used in financing activities of $87.8 million during the six months ended June 30, 2010. The increase during the six months ended June 30, 2011 was due primarily to $946.4 million in net proceeds from borrowings under the senior secured credit facility, as amended, a $81.6 million increase in cash provided by changes in book overdraft and a $51.1 million increase in proceeds from the exercise of stock options.

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Capital Lease Obligations

We have entered into various non-cancelable capital lease agreements, with expirations through 2026. Assets and future obligations related to capital leases are included in the accompanying condensed consolidated balance sheets in property and equipment and long-term debt, respectively. Depreciation of assets held under capital lease obligations is included in depreciation and amortization expense. As of June 30, 2011, we had $271.4 million of capital lease obligations, with $7.0 million and $264.4 million recorded in current maturities of long-term debt and long-term debt, respectively.

Capital Expenditures and Other Asset Acquisitions and Dispositions

Capital Expenditures. We currently expect to incur capital expenditures in the range of $900.0 million to $1.0 billion on a consolidated basis for the year ending December 31, 2011.

During the six months ended June 30, 2011, we incurred approximately $451.6 million in capital expenditures. During the year ended December 31, 2010, we incurred approximately $790.4 million in capital expenditures. These capital expenditures were primarily associated with our efforts to increase the service area and capacity of our existing network and the upgrade of our network to 4G LTE in select metropolitan areas.

Other Acquisitions and Dispositions. In October 2010, we entered into an asset purchase agreement to acquire 10 MHz of AWS spectrum and certain related network assets adjacent to the Northeast metropolitan areas and surrounding areas for a total purchase price of $49.2 million. In November 2010, we closed on the acquisition of the network assets and paid a total of $41.1 million in cash. In February 2011, we closed on the acquisition of the 10 MHz of AWS spectrum and paid $8.0 million in cash. In June 2011, we completed a final settlement of costs and received $0.5 million in cash as reimbursement for pre-acquisition payments made on behalf of the seller.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Inflation

We believe that inflation has not materially affected our operations.

Effect of New Accounting Standards

Effective January 1, 2011, the Company prospectively adopted Accounting Standards Update (“ASU”) 2009-13, “Multiple Deliverable Revenue Arrangements – a consensus of the EITF,” (“ASU 2009-13”) which amended ASC 605 (Topic 605, “Revenue Recognition”) to require overall arrangement consideration be allocated to each element in the multiple deliverable arrangement based on their relative selling prices, regardless of whether those selling prices are evidenced by vendor-specific objective evidence (“VSOE”) or third party evidence (“TPE”). In the absence of VSOE or TPE, entities are required to estimate the selling prices of deliverables using management’s best estimates of the prices that would be charged on a standalone basis. The residual method of allocating arrangement consideration is eliminated; however the balance of revenue that can be recognized for the delivered element is limited to the non-contingent amount. The implementation of this standard did not have a material impact on the Company’s financial condition, results of operations or cash flows.

Fair Value Measurements

We do not expect changes in the aggregate fair value of our financial assets and liabilities to have a material adverse impact on the condensed consolidated financial statements. See Note 7 to the financial statements included in this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

As of June 30, 2011, we had approximately $2.5 billion in outstanding indebtedness under our senior secured credit facility, as amended, that bears interest at floating rates based on the London Inter Bank Offered Rate, or LIBOR, plus 3.821% for the Tranche B-2 Term Loans and LIBOR plus 3.75% for the Tranche B-3 Term Loans and Incremental Tranche B-3 Term Loans. The interest rate on the outstanding debt under our senior secured credit facility, as amended, as of June 30, 2011 was 5.008%, which includes the impact of our interest rate protection agreements. In March 2009, we entered into three separate two-year interest rate protection agreements to manage the Company’s interest rate risk exposure. These agreements were effective on February 1, 2010 and cover a notional amount of $1.0 billion and effectively convert this portion of our variable rate debt to fixed rate debt at a weighted average annual rate of 5.927%. The monthly interest settlement periods began on February 1, 2010. These agreements expire on February 1, 2012. In April 2011, we entered into three separate three-year interest rate protection agreements to manage the Company's interest rate risk exposure. These agreements were effective on April 15, 2011 and cover a notional amount of $450.0 million and effectively convert this portion of our variable rate debt to fixed rate debt at a weighted average annual rate of 5.242%. The monthly interest settlement periods began on April 15, 2011. These agreements expire on April 15, 2014. If market LIBOR rates increase 100 basis points over the rates in effect at June 30, 2011, annual interest expense on the $1.0 billion in variable rate debt that is not subject to interest rate protection agreements would increase approximately $10.3 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported as required by the SEC and that such information is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow for appropriate and timely decisions regarding required disclosure. Our management, with participation by our CEO and CFO, has designed the Company’s disclosure controls and procedures to provide reasonable assurance of achieving these desired objectives. As required by SEC Rule 13a-15(b), we conducted an evaluation, with the participation of our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2011, the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures (as defined by SEC Rule 13a – 15(e)), our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is necessarily required to apply judgment in evaluating the cost-benefit relationship of possible controls and objectives. Based upon that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures are effective as of June 30, 2011.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II
OTHER INFORMATION
Item 1. Legal Proceedings
We are involved in litigation from time to time, including litigation regarding intellectual property claims, that we consider to be in the normal course of business. We are not currently party to any pending legal proceedings that we believe could, individually or in the aggregate, have a material adverse effect on our financial condition, results of operations or liquidity. However, legal proceedings are inherently unpredictable, and the matters in which we are involved often present complex legal and factual issues. We intend to vigorously pursue defenses in litigation in which we are involved and engage in discussions where appropriate to resolve these matters on terms favorable to us. We believe that any amounts which parties to such litigation allege we are liable are not necessarily meaningful indicators of our potential liability. We determine whether we should accrue an estimated loss for a contingency in a particular legal proceeding by assessing whether a loss is probable and can be reasonably estimated. We reassess our views on estimated losses on a quarterly basis to reflect the impact of any developments in the matters in which we are involved. It is possible, however, that our business, financial condition and results of operations in future periods could be materially adversely affected by increased expense, including legal and litigation expenses, significant settlement costs and/or unfavorable damage awards relating to such matters.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those previously disclosed in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 1, 2011 other than the changes and additions to the Risk Factors contained under this Item 1A in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 filed with the SEC on May 6, 2011 and the risk factor set forth below. You should be aware that the risk factors included in all our filings with the SEC and other information contained in our filings with the SEC may not describe every risk facing our Company or which could affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us that affect all businesses or the industry generally or equally, that may or may not occur in the next several years, or that we currently deem to be immaterial, also may materially adversely affect our business, financial condition and operating results.

The investment of our substantial cash balances are subject to risk.

We can and have historically invested our substantial cash balances in, among other things, securities issued and fully guaranteed by the United States or any state, highly rated commercial paper and auction rate securities, money market funds meeting certain criteria, and demand deposits. As a result of uncertainty in the United States political arena, the United States economy, and the credit and financial markets, together with the potential impact of the failure of the United States government to raise the United States debt ceiling and the possible downgrade of the United States debt credit rating, the stability of the trading market for United States government securities and treasury auctions could be adversely impacted or impaired and the United States government may be unable to satisfy their obligations under any treasury securities we hold. We are also exposed to risks resulting from the deterioration in the financial condition of financial institutions holding our cash deposits, decisions of the investment managers of the money market funds and defaults in securities underlying the funds. All our investments are subject to credit, liquidity, market and interest rate risk. Such risks may result in a loss of liquidity, substantial impairment to our investments, realization of substantial future losses, or a complete loss of the investment in the long-term, which may have a material adverse effect on our business, financial condition, operating results and liquidity.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None.

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Share Repurchases

The following table provides information about shares acquired from employees during the second quarter of 2011 as payment of withholding taxes in connection with the vesting of restricted stock:

Period	Total Number of Shares Purchased During Period	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
April 1 – April 30	8,486	$ 16.34	—	—
May 1 – May 31	10,559	$ 17.92	—	—
June 1 – June 30	45,842	$ 17.73	—	—
Total	64,887	$ 17.58	—	—

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
10.1 (a) †	Amendment No. 4 to General Purchase Agreement, with an effective date of March 23, 2011, by and between MetroPCS Wireless, Inc. and Alcatel-Lucent USA Inc. (formerly known as Lucent Technologies Inc.)
10.1(b) †	Amendment No. 5 to General Purchase Agreement, dated as of June 15, 2011, by and between MetroPCS Wireless, Inc. and Alcatel-Lucent USA Inc. (formerly known as Lucent Technologies Inc.)
10.2 †	Amendment No. 1 to Master Procurement Agreement, dated June 13, 2011, by and between MetroPCS Wireless, Inc. and Ericsson Inc.
31.1	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551, this Exhibit is furnished to the SEC and shall not be deemed to be “filed.”
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551, this Exhibit is

furnished to the SEC and shall not be deemed to be "filed."

101 XBRL Instance Document.

† Confidential Treatment requested

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SIGNATURES

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

		METROPCS COMMUNICATIONS, INC.
Date: August 3, 2011	By:	/s/ Roger D. Linquist Roger D. Linquist Chief Executive Officer and Chairman of the Board
Date: August 3, 2011	By:	/s/ J. Braxton Carter J. Braxton Carter Chief Financial Officer and Vice Chairman

INDEX TO EXHIBITS

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