INTEGRAMED AMERICA INC
Form 10-Q
May 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

OR

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

For the transition period from to

Commission File No. 0-20260

IntegraMed America, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	06-1150326
(State or other jurisdiction of incorporation or organization)	(IRS employer identification no.)

Two Manhattanville Road	
Purchase, NY	10577
(Address of principal executive offices)	(Zip code)

(914) 253-8000
(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 (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 x No ¨

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 x No ¨

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. (Check one):

Large Accelerated filer ¨	Accelerated Filer x
Non-Accelerated filer ¨	Smaller Reporting Company ¨

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

The aggregate number of shares of the Registrant’s Common Stock, $.01 par value, outstanding on May 5, 2012 was approximately 11,986,713.

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INTEGRAMED AMERICA, INC.
FORM 10-Q

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INTEGRAMED AMERICA, INC.
CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except per share and share amounts)

	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$57,488	57,909
Patient and other receivables, net	7,089	6,372
Other current assets	11,437	8,602
Deferred income taxes	2,226	2,222
Total current assets	78,240	75,105
Fixed assets, net	22,316	21,288
Business service rights, net	25,056	24,114
Goodwill	30,334	30,334
Trademarks	4,442	4,442
Other assets	2,390	2,221
Total assets	$162,778	$157,504
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$2,432	4,037
Accrued liabilities	19,037	17,074
Current portion of long-term notes payable and other obligations	3,703	3,816
Due to Fertility Medical Practices	17,176	14,229
Attain IVF deferred revenue and other patient deposits	17,900	16,342
Total current liabilities	60,248	55,498
Long-term notes payable and other obligations	6,283	7,187
Deferred and other tax liabilities	5,048	5,277
Total liabilities	71,579	67,962
Commitments and Contingencies		
Shareholders' equity:		
Common Stock, $.01 par value – 20,000,000 shares authorized at March 31, 2012 and at December 31, 2011, 12,023,921 and 11,894,302 issued at March 31, 2012 and December 31, 2011, 11,986,713 and 11,857,094 outstanding at March 31, 2012 and December 31, 2011, respectively	120	119
Capital in excess of par	78,499	78,156
Accumulated other comprehensive (loss)	(38)	(42)
Treasury stock, at cost – 37,208 shares at March 31, 2012 and December 31, 2011, respectively	(330)	(330)
Retained earnings	12,948	11,639
Total shareholders' equity	91,199	89,542
Total liabilities and shareholders' equity	$162,778	157,504

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
(all amounts in thousands, except per share amounts)
(unaudited)

	For the Three-month period ended March 31, 2012	2011
Revenues, net		
Attain Fertility Centers	$ 51,257	$ 48,599
Vein Clinics	19,570	15,660
Total revenues	70,827	64,259
Costs of services and sales		
Attain Fertility Centers	46,988	44,164
Vein Clinics	18,718	15,412
Total costs of services and sales	65,706	59,576
Contribution		
Attain Fertility Centers	4,269	4,435
Vein Clinics	852	248
Total contribution	5,121	4,683
General and administrative expenses	2,884	3,041
Interest income	(42)	(48)
Interest expense	105	142
Total other expenses, net	2,947	3,135
Income before income taxes	2,174	1,548
Income tax provision	865	590
Net income	$ 1,309	$ 958
Basic and diluted net earnings per share of Common Stock		
Basic earnings per share	$ 0.11	$ 0.08
Diluted earnings per share	$ 0.11	$ 0.08
Weighted average shares – basic	11,975	11,813
Weighted average shares - diluted	12,005	11,867

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(amounts in thousand)
(unaudited)

	For the Three-month period ended March 31, 2012	2011
Net income as reported	$ 1,309	$ 958
Unrealized gain on hedging transaction	$ 5	20
Related Tax Benefit	(1)	(7)
Total comprehensive income	$ 1,313	$ 971

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(all amounts in thousands)
(unaudited)

	Common Stock				Treasury Shares			
	Shares	Amount	Capital in Excess of Par	Accumulated Comprehensive Income (loss)	Shares	Amount	Retained Earnings	Total Equity
Balance at December 31, 2011	11,894	$119	$78,156	$ (42)	(37)	$(330)	$11,639	$89,542
Stock awards granted, net	112	1	(1)	—	—	—	—	—
Restricted stock award and stock option expense amortization	—	—	292	—	—	—	—	292
Stock options exercised	18	—	52	—	—	—	—	52
Unrealized gain on hedging transaction, net	—	—	—	5	—	—	—	5
Tax effect of equity transactions	—	—	—	(1)	—	—	—	(1)
Net income for the three months ended March 31, 2012	—	—	—	—	—	—	1,309	1,309
Balance at March 31, 2012	12,024	$120	$78,499	$ (38)	(37)	$(330)	$12,948	$91,199

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(all amounts in thousands)
(unaudited)

	For the Three-month period ended March 31, 2012	2011
Cash flows from operating activities		
Net income	$1,309	$958
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,086	1,910
Deferred income tax provision	(234)	126
Stock-based compensation	292	353
Changes in assets and liabilities —		
Decrease (increase) in assets		
Patient and other accounts receivable	(717)	(822)
Other current assets	(2,835)	(1,437)
Other assets	(169)	(96)
(Decrease) increase in liabilities		
Accounts payable	(1,605)	(1,181)
Accrued liabilities	1,963	1,499
Due to fertility medical practices	2,947	106
Attain IVF Deferred revenue and other patient deposits	1,558	1,280
Net cash provided by operating activities	4,595	2,696
Cash flows from investing activities:		
Purchase of business service rights	(1,266)	(2,377)
Purchase of fixed assets, net	(2,790)	(4,150)
Net cash used in investing activities	(4,056)	(6,527)
Cash flows from financing activities:		
Debt repayments	(1,012)	(917)
Proceeds from stock option exercises	52	39
Net cash used in financing activities	(960)	(878)
Net decrease in cash and cash equivalents	(421)	(4,709)
Cash and cash equivalents at beginning of period	57,909	50,183
Cash and cash equivalents at end of period	$57,488	$45,474
Supplemental Information:		
Interest paid	98	148
Income taxes paid	527	81

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE 1 — INTERIM RESULTS:

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions of the Securities and Exchange Commission (SEC) rules related to Form 10-Q and, accordingly, do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated financial position at March 31, 2012, and the consolidated results of operations and cash flows for the interim periods presented. Operating results for the interim period are not necessarily indicative of results that may be expected for the year ending December 31, 2012. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in IntegraMed America, Inc.'s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2011.

NOTE 2 — EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three month periods ended March 31, 2012 and 2011 is as follows (000's omitted, except for per share amounts):

	For the three-month period ended March 31,	
	2012	2011
Numerator		
Net Income	$ 1,309	$ 958
Denominator		
Weighted average shares outstanding (basic)	11,975	11,813
Effect of dilutive options and warrants	30	54
Weighted average shares and dilutive potential Common shares (diluted)	12,005	11,867
Basic earnings per share	$ 0.11	$ 0.08
Diluted earnings per share	$ 0.11	$ 0.08

For the three months ended March 31, 2012 and 2011, options to purchase approximately 10,000 and 36,000 shares of common stock, respectively, were excluded from the computation of diluted earnings per share as the exercise price of the options was above the average market price of the shares of common stock.

As of March 31, 2012, there were 12,023,921 shares of common stock issued, 11,986,713 shares of common stock outstanding and 37,208 held as treasury shares. As of December 31, 2011, there were 11,894,302 shares of common stock issued, 11,857,094 shares of common stock outstanding and 37,208 held as treasury shares.

NOTE 3 — SEGMENT INFORMATION:

We currently report two major operating segments and a corporate office that provides shared services. These operating segments reflect our organizational structure, lines of responsibility and management's perspective of the organization. Each segment includes an element of overhead costs specifically associated with its operations with the corporate shared services group responsible for support functions generic to both segments.

Performance by segment, for the three month periods ended March 31, 2012 and 2011 are presented below (000's omitted):

INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

	Attain Fertility Centers	Vein Clinics	Corp G&A	Consolidated
For the three months ended March 31, 2012				
Total Revenues, net	$51,257	$19,570	$—	$ 70,827
Cost of Services and Sales	46,988	18,718	—	65,706
Contribution	4,269	852	—	5,121
Operating margin	8.3 %	4.4 %	0.0 %	7.2 %
General and Administrative	—	—	2,884	2,884
Interest (income) expense	—	—	63	63
Income before income taxes	$4,269	$852	$(2,947)	$ 2,174
Depreciation expense included above	$998	$609	$155	$ 1,762
Capital Expenditures	$1,427	$923	$440	$ 2,790
Total Assets	$51,709	$58,696	$52,373	$ 162,778
For the three months ended March 31, 2011				
Total Revenues, net	$48,599	$15,660	$—	$64,259
Cost of Services and Sales	44,164	15,412	—	59,576
Contribution	4,435	248	—	4,683
Operating margin	9.1 %	1.6 %	0.0 %	7.3 %
General and Administrative	—	—	3,041	3,041
Interest (income) expense	(32)	—	126	94
Income before income taxes	$4,467	$248	$(3,167)	$1,548
Depreciation expense included above	$974	$443	$169	$1,586
Capital Expenditures	$1,430	$2,535	$185	$4,150
Total Assets	$44,730	$56,917	$49,241	$150,888

NOTE 4 – CASH AND CASH EQUIVALENTS:

To the extent that cash balances exceed short term operating needs, excess cash is invested in short term interest bearing instruments. It is our policy to restrict our investments to high-quality securities with fixed principal amounts and maturity dates of one year or less. As of March 31, 2012 and December 31, 2011 our entire cash balances were held in accounts with depository institutions or were invested in certificate of deposits and are considered cash or cash equivalents.

NOTE 5 – PATIENT AND OTHER RECEIVABLES, NET:

Patient and other receivables are principally comprised of patient and insurance receivables from our Vein Clinics segment which represent outstanding balances due for patient treatments less estimated allowances for uncollectible balances. Reserves for uncollectable accounts are based on both historical trends and specific identification of specific accounts. For the periods ended March 31, 2012 and December 31, 2011, we believe that our receivable reserves were adequate to provide for any collection issues.

INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

The composition of our patient and other receivables is as follows (000's omitted):

	March 31, 2012 (unaudited)	December 31, 2011
Vein Clinic patient and insurance receivables	$7,746	$7,045
Reserve for uncollectible accounts	(940)	(769)
Subtotal Vein Clinic receivables, net	$6,806	$6,276
Other receivables	283	96
Total Patient and other receivables, net	$7,089	$6,372

NOTE 6 – DIRECT RESPONSE ADVERTISING:

Direct Response Advertising Costs are included in other current assets in the accompanying consolidated balance sheet and were $1.9 million and $1.3 million as of March 31, 2012 and December 31, 2011, respectively. These costs consist of capitalized advertising costs which have met the criteria outlined in ASU 340, including probable future benefit, the ability to uniquely track individual responses to specific advertisements, and from which no material selling or marketing expenses are expected to occur after advertisement.. These capitalized Direct Response Advertising costs are amortized and recognized as an expense over a seven or six month useful life (depending on the segment that the advertising relates to). These amounts (which relate primarily to specific broadcast and internet based advertisements) are capitalized and begin to amortize at the time of use, based on the broadcast date or month of usage and are amortized over the expected period that revenue will be generated as a result of these costs.

NOTE 7 – INTANGIBLE ASSETS:

As of March 31, 2012 and December 31, 2011, our financial statements contained intangible assets totaling approximately $60 million and $59 million, respectively, as per the table below (000's):

		March 31, 2012			December 31, 2011	
Goodwill		$	30,334		$	30,334
Trademarks			4,442			4,442
Business Service Rights - Refundable	11,663			12,167		
	13,393	$	25,056	11,947	$	24,114

Business Service Rights - Non-Refundable, net		
	$ 59,832	$ 58,890

In evaluating the recoverability of our intangible assets, we follow the guidance contained in FASB ASU 2011-08 Intangibles – Goodwill and Other (Topic 350), which provides for a qualitative assessment of intangible asset valuation, followed by a quantitative two-step process to determine impairment if necessary.

INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Based on a review of relevant events, circumstances and expected trends as contained in FASB ASU 2011-08 section 350-20-35-3C, as well as other qualifiers, we concluded that as of March 31, 2012, it is more likely than not that the carrying value of our goodwill and intangible assets, in whole and individually, is less than their fair value, and no impairment has occurred.

If the fair value is less than the carrying amount, an impairment loss would be recognized in an amount equal to the excess of the carrying amount of the intangible assets over their fair values. To date we have not recorded any impairment losses.

NOTE 8 – DUE TO FERTILITY MEDICAL PRACTICES:

Due to Fertility Medical Practices is comprised of the net amounts owed by us to fertility practices contracted for full service practice management services. We do not consolidate the results of the Fertility Medical Practices into our accounts (as discussed in Note 2 of the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011). This balance is comprised of amounts due to us by the medical practices for funds which we advanced for use in financing their accounts receivable and selected other transactions, less balances owed to the fertility practices by us for undistributed physician earnings and patient deposits which we hold on behalf of the fertility practices.

While we are responsible for the management and collection of the fertility practices’ accounts receivable, as part of the business services we provide, the credit and collection risk for these receivables remains with the fertility practice. We generally finance the receivables with full recourse. Amounts financed relating to uncollectible accounts are recovered from the fertility practice in the month uncollectible reserves are established or accounts are written-off.

As of March 31, 2012 and December 31, 2011, Due to Fertility Medical Practices was comprised of the following balances (000’s omitted):

	March 31, 2012 (unaudited)	December 31, 2011
Advances to Partner fertility practices	$ (19,572)	$ (17,552)
Undistributed Physician Earnings	7,860	5,508
Physician Practice Patient	28,888	26,273

Deposits		
Due to Fertility Medical Practices, net	$ 17,176	$ 14,229

NOTE 9 – NOTES PAYABLE AND OTHER OBLIGATIONS:

Notes payable and other obligations as of March 31, 2012 and December 31, 2011 consisted of the following (000's omitted):

	March 31, 2012 (unaudited)	December 31, 2011
Note payable to bank	$ 9,917	$ 10,904
Derivative fair valuation adjustment	61	66
Obligations under capital leases	8	33
Total notes payable and other obligations	$ 9,986	$ 11,003
Less — current portion	(3,703)	(3,816)
Long-term notes payable and other obligations	$ 6,283	$ 7,187

INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note payable to Bank —

In May, 2010, we entered into a syndicated amended and restated financing arrangement with Bank of America, N.A., TD Bank, N.A., and Webster Bank, N.A. and secured a $35 million three-year revolving credit facility (amounts available to be borrowed are based on eligible patient receivables and as of March 31, 2012, approximately $15.0 million of the $35 million line of credit was available) and a $25 million three-year term loan. Both the term loan and the revolving credit facility mature in May 2013. Interest on the term loan and revolving loans are payable based on a tiered pricing structure related to a defined leverage ratio. As of March 31, 2012 interest on the term loan was payable at a rate of approximately 3.5%. As of March 31, 2012 there was no outstanding balance on the revolving credit facility and the unused balance bore a commitment fee of 0.25%.

Our credit facility is collateralized by substantially all of our assets. As of March 31, 2012, we were in full compliance with all of our applicable debt covenants.

NOTE 10 – STOCK-BASED EMPLOYEE COMPENSATION:

We currently have stock option plans which have been previously approved by the stockholders, the details of which are described more fully in Note 19 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2011. Under these plans, stock options and stock grants may be granted to employees, directors and such other persons as the Board of Directors determines will contribute to our success. Vesting periods are set by the Board of Directors and stock options are generally exercisable during a five or ten-year period following the date of grant. The Board of Directors has the authority to accelerate the maturity of any stock option or grant at its discretion, and all stock options and grants have anti-dilution provisions. Under all of our plans, options expire three months from the date of the holder's termination of employment or twelve months in the event of disability or death. As of March 31, 2012, there were 690,064 shares available for granting under these Plans.

The following table sets forth information about the weighted-average fair value of options granted in periods below. No options were granted in of the three months ended March 31, 2011.

	For the three-month period ended March 31, 2012		For the three-month period ended March 31, 2011	
Fair value of options granted	$ 6.06		$ —	
Dividend yield	0	%	0	%
Expected volatility	47	%	0	%
	2	%	0	%

Risk free interest rate		
Expected term in years	10	—

We recognize compensation cost for stock option plans over the vesting period which approximates the service period, based on the fair value of the option as of the date of the grant.

INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Stock award activity for the first three months of 2012 under these plans is summarized below:

	Number of shares of Common Stock underlying options	Weighted Average Exercise Price
Options outstanding at December 31, 2011	164,543	$ 7.55
Granted – stock options	51,569	8.10
Granted – stock awards	112,034	8.10
Exercised – stock options	(17,585)	2.94
Exercised – stock awards	(112,034)	8.10
Canceled	(6,287)	4.79
Options outstanding at March 31, 2012	192,240	$ 8.21
Options exercisable at:		
December 31, 2011	119,948	$ 7.37
March 31, 2012	104,871	$ 8.34

The aggregate intrinsic value (difference between exercise price and current value of our common stock) of options outstanding and exercisable as of March 31, 2012 and December 31, 2011 was approximately $179,000 and $205,000, respectively.

We recorded a charge to earnings to recognize compensation expense related to outstanding stock options of $73,000 and $51,000 for the three-month periods ended March 31, 2012 and 2011, respectively. As of March 31, 2012, we had approximately $458,000 of unrecognized compensation costs related to stock options which will be recognized over their remaining vesting period, which approximates the service period of 4 years.

We also issue stock grants to officers and members of the Board of Directors. Stock granted to Board members vests immediately and stock granted to officers is restricted and generally vests over a period of three to five years. We recorded a charge to earnings to recognize compensation expense related to stock grants of $219,000 and $303,000 for the three-month periods ended March 31, 2012 and 2011, respectively. As of March 31, 2012, we had approximately $1.7 million of unrecognized compensation costs related to stock grants which will be recognized over their remaining vesting period, which approximates the service period.

NOTE 11 – OTHER COMPREHENSIVE LOSS:

IntegraMed is exposed to the risk that its earnings and cash flows could be adversely impacted by market driven fluctuations in the level of interest rates. It is our policy to manage these risks by using a mix of fixed and floating rate debt and derivative instruments. After the expiration of an existing interest rate swap agreement in the third quarter of 2010, we entered into another interest rate swap agreement, with a nominal value of $10 million and maturity of May 2013, which is designed to help manage the interest rate risk associated with our long term debt. As a result of the swap agreement entered into during the third quarter of 2010, our net income for the three months ended March 31, 2012 includes additional financing costs of approximately $6,000. In addition to the costs included in our reported net income, the interest rate swap is accounted for as a cash flow hedge and has also generated a non-recognized after-tax loss of approximately $38,000 as of March 31, 2012 which is reported as part of our comprehensive income.

INTEGRAMED AMERICA, INC.

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(unaudited)

This fair value of this hedge was calculated in accordance with ASC 820, utilizing Level 2 inputs of quoted prices for similar liabilities in active markets.

We deem this hedge to be highly effective as it shares the same amortization schedule as the underlying debt subject to the hedge and any change in fair value inversely mimics the appropriate portion of the hedged item. As of March 31, 2012, we had no other hedge or derivative transactions.

NOTE 12 – LITIGATION AND COMPLIANCE WITH HEALTHCARE REGULATIONS:

From time to time, we and our Partner fertility centers and vein clinics and their physicians are parties to legal proceedings in the ordinary course of business. We are exposed to claims of professional negligence based on services performed by our employees, including physician assistants and nurse practitioners, as well as based on our relationships with physicians providing treatments at our Partner fertility centers and vein clinics. We maintain, for our medical practices and certain of our employees, medical malpractice insurance with limits of $3 million per claim, regardless of the number of the covered defendants, and $10 million per year in the aggregate, with respect to our Partner fertility centers, and with limits generally equal to $1 million per physician and $10 million per year in the aggregate, with respect to our vein clinics. Our Partner fertility centers, vein clinics and their physicians are additional named insured under our policies. All of our insurance policies are subject to deductibles or a self-insured retention. A portion of the insurance for certain of our fertility centers is provided by ARTIC (a captive insurance company, which provides coverage for a number of our partner centers).

On April 13, 2012, we gave notice to Southeastern Fertility Centers, PA., our fertility partner practice located outside of Charleston, South Carolina ("SEFC"), that SEFC was in default of our joint Business Service agreement (BSA). A recent binding order of arbitration mandates dissolution of SEFC, which automatically constitutes a default under the BSA. Pursuant to the terms of the BSA, SEFC is obligated to pay us (i) the right to manage fee originally paid by us to SEFC, which was $950,000, (ii) the net book value of all our fixed assets at SEFC's facility, which net book value at March 31, 2012 was $230,680 and (iii) other obligations owed to the Company, which amount at March 31, 2012 was $110,739. Additionally, SEFC is obligated to re-purchase all uncollected accounts receivable which amount at March 31, 2012 was $402,772.

On April 18, 2012, we entered into a non-binding letter of intent ("LOI") with one of the disputing shareholders of SEFC pursuant to which we will, among other things, enter into a new Business Services Agreement with such shareholder and a non-shareholder SEFC physician, who are forming a new professional association to practice medicine in the Charleston area. If we are successful in entering into this new arrangement, we do not expect the termination of the Agreement to have a material adverse effect on our business, financial condition, results of operations and cash flows, but we have no assurances that negotiating a definitive agreement will be successful.

Subsequent to the conclusion of the arbitration between our Attain Fertility Centers Division practice in Charlotte, North Carolina, Reproductive Endocrine Associates of Charlotte, P.C. (“REACH”) and their patients , Sally and Christopher Ware, in which $2,026,381 was awarded to Plaintiffs for wrongful conception and emotional distress because their daughter was born with cystic fibrosis, we received a letter dated April 19, 2011 from Medical Mutual Insurance Company of North Carolina (“MMIC”) demanding, as Subrogee of REACH, indemnification from

IntegraMed based on the indemnification provision in the management agreement between REACH and IntegraMed dated September 1, 2003 (the “MSA”). IntegraMed rejected the demand. On September 30, 2011, we were served with a complaint filed in the General Court of Justice, Superior Court Division, Guildford County, South Carolina in which MMIC is claiming, among other things, a willful refusal of IntegraMed to indemnify MMIC under the MSA as a result of payments made by MMIC to Sally and Christopher Ware as a result of the arbitral award. We have retained North Carolina counsel and are vigorously defending the claims based on meritorious defenses. The parties are currently engaged in the process of selecting arbitrators to arbitrate the dispute. Although we will vigorously defend the allegations, we cannot assure you that we will ultimately prevail.

INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE 13 – RECENT ISSUED ACCOUNTING GUIDANCE:

Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU No. 2011-05)

In June 2011, the FASB issued a new accounting standard on presenting comprehensive income with the intention of increasing its prominence in financial statements by eliminating the option to report other comprehensive income and its components in the statement of changes in stockholder's equity. The standard requires comprehensive income to be reported in either a single statement that presents the components of net income, the components of other comprehensive income, and total comprehensive income, or in two consecutive statements. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 for public companies. We have adopted the relevant provisions of ASU 2011-05 in the first quarter of 2012. The adoption of this standard did not have a material impact on our consolidated financial statements.

Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue (ASU No. 2011-07)

In July 2011, the FASB issued a new accounting standard on the presentation of patient service revenue and related provisions for doubtful accounts. Under the term of this pronouncement certain health care entities are required to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). This pronouncement is applicable to only those entities that recognize significant amounts of patient service revenue at the time services are rendered even though the entities do not assess a patient's ability to pay. All other entities would continue to present the provision for bad debts (including bad debts associated with patient service revenue) as an operating expense. The new standard is effective for public companies effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. As the patient service revenue included in our financials includes an assessment of a patient's ability to pay, and is presented net of related contractual allowances, it is our opinion that this standard in not applicable to our statement of operations, and therefore we will continue to present the provision for bad debts as an operating expense.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included in this report and with IntegraMed America, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of events could differ materially from those anticipated in the forward-looking statements as a result of many factors, including those discussed under the caption “Risk Factors” appearing under Item 1-A included in our Form 10-K for the year ended December 31, 2011.

Overview

We manage highly specialized outpatient centers in emerging, technology-based, niche medical markets. We currently operate in two healthcare sectors, fertility care and vein treatment. We support our operations with an established and extensive infrastructure of clinical and business resources. Each of our operating divisions is presented as a separate segment for financial reporting purposes.

The Attain Fertility Centers Division is comprised of 38 contracted fertility centers, located in major markets across the United States. Each contracted center is composed of a multi-physician practice with most offering multiple clinical locations in their service area. This Division provides an array of services to contracted fertility centers ranging from consumer marketing services to complete practice management services. The strategy of the Attain Fertility Centers Division is to support the long term growth of contracted centers by attracting and retaining new patients, expanding market share, and for our partner practices (those that we provide the full range of management service), we enable superior clinical and patient care, and increase the operational efficiency of the fertility center. The Attain Fertility Centers Division drives growth at our contracted fertility centers through a number of business development and marketing initiatives, these include our suite of Attain™ IVF programs. The Attain™ IVF programs consist of product offerings which allow a patient to pay one fee for multiple treatment cycles and under certain programs, patients are eligible for a refund if they do not take home a baby.

Our Vein Clinics Division began operations on August 8, 2007, with the purchase of Vein Clinics of America, Inc. (“VCA”), a company that had been in business since 1981. The Vein Clinics Division currently manages a network of 46 clinics located in 14 states, which specialize in the treatment of vein disease and other vein disorders.

The primary elements of our business strategy for both divisions include:

- Drive growth at our contracted fertility centers by providing additional services; services.
- Expand the relationships to additional fertility centers through the sale of consumer product offerings;
- Developing de novo vein clinics;
- Increasing the total number of patients treated;
- Increasing the penetration of our Attain IVF programs; and
- Continuing to improve operating efficiencies.

Major Events Impacting Financial Condition and Results of Operations

2012

On March 5, 2012, we announced that our Attain Fertility Centers Division had acquired Palmetto Fertility Center in Miami Lakes, Florida, for a purchase price of approximately $0.5 million. Palmetto Fertility Center was an established fertility practice serving the greater Miami area and was integrated into our existing South Florida based Partner fertility center.

On February 10, 2012, we announced that our Attain Fertility Centers Division had entered into an agreement with UNC Health Care System’s to provide full complement of support services, including operational and financial management, revenue cycle management, patient marketing and sales, information systems support to their fertility practice. Under the terms of this 20-year agreement, our service fees are comprised of a fixed percentage of revenues, reimbursed costs of services, and an additional fixed percentage of the center’s earnings. We also committed up to $0.5 million to fund any necessary capital needs of the practice.

2011

On December 31, 2011, Andrew Mintz, President of Attain Fertility Centers Division resigned for personal reasons.

On September 28, 2011, we announced the appointment of Mr. Timothy P. Sheehan to the role of Senior Vice President and Chief Financial Officer.

On August 2, 2011, we amended our credit facility with Bank of America, N.A., TD Bank, N.A., and Webster Bank, N. A. This amendment revised our consolidated EBITDA covenant.

On June 30, 2011, we announced the appointment of Mr. Michael C. Howe to our Board of Directors.

On March 2, 2011, we amended our credit facility with Bank of America, N.A, TD Bank, N.A., and Webster Bank, N.A.. This amendment revised two financial covenants (Consolidated EBITDA and in the method of calculating the fixed charge covenant) to better align our credit facility with our business strategy.

On January 14, 2011 we announced the acquisition of Northwest Center for Reproductive Science (NCRS) for a purchase price of approximately $2.4 million. NCRS was an established fertility practice based in the Pacific Northwest and was integrated into Seattle Reproductive Medicine, our Seattle based Partner fertility center.

Subsequent Events

On April 13, 2012, we gave notice to Southeastern Fertility Centers, PA., our fertility partner practice located outside of Charleston, South Carolina ("SEFC"), that SEFC was in default of our joint Business Service agreement (BSA). A recent binding order of arbitration mandates dissolution of SEFC, which automatically constitutes a default under the BSA. Pursuant to the terms of the BSA, SEFC is obligated to pay us (i) the right to manage fee originally paid by us to SEFC, which was $950,000, (ii) the net book value of all our fixed assets at SEFC's facility, which net book value at March 31, 2012 was $230,680 and (iii) other obligations owed to the Company, which amount at March 31, 2012 was $110,739. Additionally, SEFC is obligated to re-purchase all uncollected accounts receivable which amount at March 31, 2012 was $402,772.

On April 18, 2012, we entered into a non-binding letter of intent ("LOI") with one of the disputing shareholders of SEFC pursuant to which we will, among other things, enter into a new Business Services Agreement with such shareholder and a non-shareholder SEFC physician, who are forming a new professional association to practice medicine in the Charleston area. If we are successful in entering into this new arrangement, we do not expect the termination of the Agreement to have a material adverse effect on our business, financial condition, results of operations and cash flows, but we have no assurances that negotiating a definitive agreement will be successful.

Results of Operations

The following table shows the percentage of net revenues represented by various expenses and other income items reflected in our consolidated statements of operations for the three month periods ended March 31, 2012 and 2011:

	For the three-month period ended March 31, 2012	2011
	(unaudited)	
Revenues, Net		
Attain Fertility Centers	72.4 %	75.6 %
Vein Clinics	27.6 %	24.4 %
Total revenues	100.0 %	100.0 %
Cost of services and sales		
Attain Fertility Centers	66.3 %	68.7 %
Vein Clinics	26.4 %	24.0 %
	92.8 %	92.7 %
Contribution		
Attain Fertility Centers	6.0 %	6.9 %
Vein Clinics	1.2 %	0.4 %
	7.2 %	7.3 %
General and administrative expenses	4.1 %	4.7 %
Interest income	(0.1)%	(0.1)%
Interest expense	0.1 %	0.2 %
Total other expenses	4.2 %	4.9 %
Income before income taxes	3.1 %	2.4 %
Income tax provision	1.2 %	0.9 %
Net income	1.8 %	1.5 %

For the three months ended March 31, 2012, total revenues were $70.8 million, an increase of approximately $6.6 million, or 10.2%, from the same period in 2011. Revenue at our Attain Fertility Centers Division showed growth of $2.6 million, or 5.4%, above the same period in 2011, based on growth from our Partner fertility centers. Revenue at our Vein Clinics Division was up approximately $3.9 million, or 25.0%.

A segment-by-segment discussion is presented below.

Attain Fertility Centers:

Our Attain Fertility Centers segment is comprised primarily of our Partner fertility centers, which represent the provider aspect of the fertility market, and our Attain IVF Programs, which are directed at the consumer portion of the market.

Partner fertility centers

In providing clinical care to patients, each of our Partner fertility centers generates patient revenues which we do not report in our consolidated financial statements. Although we do not consolidate the Partner fertility center practice financials with our own, these financials do directly affect our revenues.

The components of our revenues from most of our Partner fertility centers are:

- A base service fee calculated as a percentage of patient revenues as reported by the Partner fertility center (this percentage generally varies depending on the agreement and the level of patient revenues);
- Cost of services equal to reimbursement for the expenses which we advanced to the Partner fertility center during the month (representing substantially all of the expenses incurred by the center, except physician compensation); and
- Our additional fees which represent our share of the net income of the Partner fertility center (which also varies depending on the underlying center, subject to limits in some circumstances).

Our revenues from one Partner clinic are not based on this three-part structure. Rather, our revenues for this clinic is generally equal to the operating expenses associated with managing the medical practice plus 9.5% of such expenses.

In addition to these revenues generated from our fertility centers, we often receive miscellaneous other revenues related to providing non-medical services to medical practices. From the total of our revenues, we subtract the annual amortization of our business service rights under most agreements, which are the rights to provide business services to each of the centers.

During the first quarter 2012, revenue from our partner practices in our Attain Fertility Centers Division, increased by $2.6 million, or 5.4%, relative to the same period in the prior year. This increase was the result of a rise in same-center revenues compared to the same period in 2011. The increased revenue from same-centers was due in part to an increase in the number of fertility procedures performed.

The table below illustrates the components of the Attain Fertility Centers revenues in relation to the Partner fertility center practice financials for the three months ended March 31, 2012 and 2011 (000's omitted):

	For the three-month period ended March 31,	
	2012	2011
	(unaudited)	
	Providers	Providers
Partner Fertility Center Financials		
(a) Patient revenue	$ 62.410	$ 57,727
(b) Cost of services	39.636	37,220
(c) Base service fee	3,100	2,898
(d) Practice contribution (a-b-c)	19,674	17,609
(e) Physician compensation	18,011	16,042
(f) IntegraMed additional fee	1,663	1,567

IntegraMed Financials		
(g) IntegraMed gross revenue (b+c+f)	44,399	41,685
(h) Amortization of business service rights	(324)	(324)
(i) Other revenue	31	31
(j) IntegraMed fertility services revenue (g+h+i)	$ 44,106	$ 41,392
(k) Cost of Services	39,636	37,250
Division Overhead	2,103	2,228
(l) Contribution of IntegraMed Centers (j-k)	$ 2,367	$ 1,914

(i) Other revenue includes administrative fees we receive from ARTIC, the captive insurance company as well as other miscellaneous fees.

The Company's revenue generated from the business services provided to the physician Partner clinics (line g) is comprised of the three fee components, the cost of service fee (line b), the base service fee (line c) and the additional service fee (line f).

The revenue recorded by our physician Partner clinics (line "a") is derived from providing medical services to patients. As the exclusive service provider to these clinics, we supply the clinics with all resources necessary for the physicians to provide these medical services. In return, we receive reimbursement for the cost of these resources (line "b") plus two additional fees (lines "c" and "f") which are based on the performance of specific operations under the service agreement. The residual financial results of the partner physician's business (patient revenue, line "a", less costs and fees of the business) (line "e"), are a right of the partner physicians (the business owners), and as such are not consolidated in the financial results of IntegraMed.

The following summarized quarterly data for the three months ended March 31, 2012 and 2011 is presented for additional analysis and demonstration of the slight seasonality of our Attain Fertility Centers Division. New patients visits are an indicator of initial patient interest in fertility treatment and IVF cases completed are an indicator of billable charges (000's omitted, except IVF statistics).

	For the three-month period Ending March 31,			
	2012	2011	Change	% Change
Revenues, Net	$ 51,257	$ 48,599	$ 2,658	5 %
Contribution	$ 4,269	$ 4,435	$ (166)	(4)%
Partner Center Statistics:				
New Patient Visits	8,603	7,639	964	13 %
IVF Cases Completed	4,454	3,808	646	17 %
IUI Cycles	7,016	6,017	999	17 %
Attain IVF Statistics:				
Applications	689	761	(72)	(9)%
Enrollments	470	439	31	7 %
Pregnancies	262	267	(5)	(2)%

Patients enrolled in our Attain IVF Refund Program pay us an up-front fee (deposit) in return for up to six treatment cycles (consisting of three fresh IVF cycles and three frozen embryo transfers). Any non-refundable portion of these fees is recognized as revenue, based on the relative fair value of each treatment cycle completed relative to the total fair value of the contracted treatment package available to the patient. The refundable portion of the program contract amount is recognized as revenue when the patient becomes pregnant. At the time of pregnancy, we establish a reserve for future medical costs should the patient miscarry and require additional contracted treatment cycles. The two main factors that impact Attain IVF Refund Program financial performance are:

- the number of patients enrolled and receiving treatment, and
- clinical pregnancy rates.

Patients enrolled in our Attain IVF Multi-Cycle Program pay us a single fee, which is slightly less than the average cost of two fresh IVF cycles, in return for up to four treatment cycles (consisting of two fresh IVF cycles and two frozen embryo transfers). With respect to our Attain IVF Multi-Cycle Program, we recognize a pro rata share of the contract amount as revenue as each treatment cycle is completed. The refundable portion of the program contract amount is recognized as revenue when the patient becomes pregnant. Under such revenue recognition methodology, we never recognize more revenue than the potential refundable amount under the program. At the time of pregnancy, we establish a reserve for future medical costs should the patient miscarry and require additional contracted treatment cycles. The main factors that impacts Attain IVF Multi-Cycle Program financial performance is the number of patients enrolled and receiving treatment as well as clinical outcomes.

Revenues from our Attain IVF programs were $6.9 million for the first three months of 2012, approximately even with the same period in the prior year. Program enrollments in the first quarter of 2012 were up 7% from the prior year period, with pregnancies of 262 in the first quarter of 2012 versus 267 in the same period of the prior year.

Contribution from our Attain Fertility Centers Division for the period ended March 31, 2012 decreased by $166 thousand or 3.7% to $4.3 million versus $4.4 million compared to the prior year. This decrease is primarily the result of an unfavorable product mix within our Attain IVF offering due to higher patient demand for our lower margin multi-cycle program .

Vein Clinics Segment:

Revenues within our Vein Clinics segment are generated from direct billings to patients or their insurer for vein disease treatment services and these revenues are consolidated directly into our financials.

Revenues for the three months ended March 31, 2012 were $19.6 million, up 25.0%, or $3.9 million from 2011. Existing clinics accounted for approximately $2.0 million of this increase with new clinics generating $1.6 million of revenue.

During first quarter of 2012, we opened two new vein clinics in Geneva, IL and Wayne, PA and consolidated our Ft Lauderdale, FL patient flow into our existing Boca Raton , FL clinic. These changes activity brought our total number of vein clinics to 46 as of March 31, 2012.

Contribution for the three months ending March 31, 2012 was $0.9 million, an increase of $0.6 million, or $243.3%, compared to a contribution of $0.2 million for the same period in 2011. Existing clinics accounted for approximately $0.4 million of this increase with new clinics generating $0.2 million of contribution.

Our strategy is to continue to expand our clinic footprint by opening additional new vein clinics in locations across the United States during 2012 and in future years. We plan to open eight new clinics through the remainder of 2012. As a result of this expansion program, we incurred new clinic start-up losses of $0.9 million in the first quarter of 2012 and we estimate approximately $3.5 million for all of fiscal 2012. The pace of these openings is dependent upon our ability to identify and develop appropriate site locations for clinics which comprise both adequate reimbursement rates and patient demographics, and to recruit qualified physicians to staff those sites.

Vein Clinics Division quarterly data for the quarter ended March 31, 2012 and 2011 appear below (000's omitted, except VCA statistics).

	For the three-month period ending March 31,			
	2012	2011	Change	% Change
Revenues, Net	$ 19,570	$ 15,660	$ 3,910	25 %
Contribution	$ 852	$ 248	$ 604	244 %
Inquiries	6,553	5,733	820	14 %
New Consultations	4,186	3,723	463	12 %
First Leg Starts	2,457	2,125	332	16 %

General and Administrative Expenses

General and administrative expenses are comprised of salaries and benefits, administrative, regulatory compliance and operational support costs defined as our Shared Services group, which are not specifically related to individual center or clinic operations or other product offerings. These costs totaled \$2.9 million for the three months ended March 31, 2012, versus \$3.0 million recognized in the same period in the prior year. We measure our performance in part by relating general and administrative expenses to operating contribution. For the three months ended March 31, 2012, general and administrative expenses were 56.3% of contribution compared to a ratio of 64.9% for the three months ended March 31, 2011.

We continue to actively manage general and administrative expenses in an effort to leverage our Shared Services group and extract economies of scale as those opportunities arise.

Interest

Net interest expense for the three months ended March 31, 2012 was $63 thousand versus $94 thousand in the prior year period. This reduction is due primarily to a lower principal on our term loan as a result of scheduled debt payments.

Income Tax Provision

Our provision for income tax was approximately $0.9 million for the three months ended March 31, 2012, or 39.8% of pre-tax income. This is compared to approximately $0.6 million, or 38.1% of pre-tax income during the same period last year. Our effective tax rates for 2012 and 2011 reflect provisions for both current and deferred federal and state income taxes. Our effective income tax rate for the three months ended March 31, 2012 and 2011 includes additional interest for uncertain tax position items.

Off-Balance Sheet Arrangements

Current accounting guidance addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. In June 2009, the Financial Accounting Standards Board ("FASB") amended its guidance on accounting for variable interest entities ("VIE"). The new accounting guidance is effective for reporting periods after January 1, 2010 requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE. An enterprise is required to consolidate if it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and is the primary beneficiary or obligor of the VIE. As of March 31, 2012, through our ownership of Vein Clinics of America, Inc, we have interests in the individual vein clinics, where we are the primary beneficiary and obligor of their financial results (our contract provides for us to receive any excess or deficit profits from the vein clinics). As such we have consolidated these vein clinic operations in our consolidated financial statements. Since we do not have any financial interest in the individual fertility centers and we are not the primary beneficiary or obligor of their financial results (our contracts provide for the physician owners of the clinics to receive any excess or deficit profits), we do not consolidate the results of the fertility centers in our accounts. Also, since we do not have a controlling interest in the captive insurance provider and we are not the primary beneficiary, we do not consolidate the results of the captive insurance company in our accounts.

Liquidity and Capital Resources

As of March 31, 2012, we had approximately $57.5 million in cash and cash equivalents on hand as compared to $57.9 million at December 31, 2011. We had a working capital of approximately $18.0 million and $19.6 million as of March 31, 2012 and December 31, 2011, respectively.

Deferred revenue and other patient deposits from our Attain IVF programs, which are reflected as a current liability, represent funds received from patients in advance of treatment cycles and are an indication of future revenues. These deposits totaled approximately $17.9 million and $16.3 million as of March 31, 2012 and December 31, 2011, respectively. The change in deposit balances are a direct result of patient enrollment, and through-put, in our treatment programs. These deposits are a significant source of cash flow and represent interest-free financing for us. These funds are not restricted and the cash balances are included in our cash and cash equivalents.

In May, 2010, we entered into a syndicated amended and restated financing arrangement with Bank of America, TD Bank and Webster Bank and secured a $35 million three-year revolving credit facility (amounts available to be borrowed are based on eligible patient receivables and as of March 31, 2012, approximately $15.0 million of the $35 million line of credit was available) and a $25 million three-year term loan. Both the term loan and the revolving credit facility mature in May 2013. Interest on the term loan and revolving loans are payable based on a tiered pricing structure related to a defined leverage ratio. Commitment fees on unused portions of the revolving credit facility are also payable based on a tiered pricing structure tied to the same defined leverage ratio. At March 31, 2012, there were no outstanding balances on the revolving credit facility.

As of March 31, 2012, we were in full compliance with all of our applicable debt covenants. We continuously review our credit agreements and may renew, revise or enter into new agreements from time to time as deemed necessary.

During the third quarter of 2010 we also entered into an interest rate swap agreement to help manage interest rate risk. This swap will mature in the third quarter of 2013, at which time we will re-evaluate our options for managing interest rate risk.

As of March 31, 2012, we did not have any significant contractual commitments for the acquisition of fixed assets or construction of leasehold improvements. However, we do anticipate upcoming capital expenditures during the normal course of business which we will be able to finance from our operating cash flows. These expenditures are primarily related to medical equipment, information system infrastructure and leasehold improvements.

We believe that working capital, specifically cash, remains at adequate levels to fund our operations and our commitments for fixed asset acquisitions. We also believe that the cash flows from our operations plus our available credit facility will be sufficient to provide for our future liquidity needs over the next twelve months.

Significant Contractual Obligations and Other Commercial Commitments

The following summarizes our contractual obligations and other commercial commitments at March 31, 2012, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period				
	Total	Less Than 1 Year	1 — 3 Years	4 — 5 Years	After 5 Years
	(in thousands)				
Notes payable	$ 9,978	$ 3,695	$ 6,283	$	$
Capital lease obligations	8	8			
Interest on debt	295	277	18		
Operating leases(rents)	76,304	9,311	24,928	19,129	22,936
Total contractual cash obligations	$ 86,585	$ 13,291	$ 21,229	$ 19,129	$ 22,936

	Amount of Commitment Expiration Per Period				
	Total	Less Than1 Year	1 — 3 Years	4 — 5 Years	After 5 Years
	(in thousands)				
Unused lines of credit	$ 34,910	$	$ 34,910	$	$

We also have commitments to provide working capital financing to Partner centers in our Attain Fertility Centers division that are not included in the above table. A significant portion of these commitments relate to our transactions with the medical practices themselves. Our responsibilities to the these medical practices are to provide financing for their accounts receivable and to hold patient deposits on their behalf, as well as undistributed physician earnings. Disbursements to the medical practices generally occur monthly. The medical practice's repayment hierarchy consists of the following:

- We provide a cash credit to the practice for billings to patients and insurance companies for collections on billing;
- We reduce the cash credit for center expenses that we have incurred on behalf of the practice;
- We reduce the cash credit for the base portion of our service fee which relates to the Partner revenues;
- We reduce the cash credit for the variable portion of our service fee which relates to the Partner earnings; and
- We disburse to the medical practice the remaining cash amount which represents the physician's undistributed earnings.

We are also responsible for the collection of the Partner accounts receivables. We continuously fund these needs from our cash flows from operations, the collection of prior months' receivables and deposits from patients in advance of treatment. If delays in repayment are incurred, which have not as yet been encountered, we could draw on our existing revolving line of credit. We also make payments on behalf of the Partner for which we are reimbursed in the short-term. Other than these payments, as a general course, we do not make other advances to the medical practices. We have no other funding commitments to the Partner centers.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, our interest income and expense items are sensitive to changes in the general level of interest rates. We are currently subject to interest rate risk associated with our credit facilities as well as our short term investments and certain advances to our Partner Fertility Centers, some of which are tied to either- short term interest rates, LIBOR or the prime rate. As of March 31, 2012, we do not believe that a one percent change in market level interest rates would have a material impact our pre-tax income.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) as of March 31, 2012 (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective.

(b) Changes in internal controls

There were no changes made in our internal control over financial reporting during the quarter ended March 31, 2012 covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are party to legal proceedings in the ordinary course of business. Please refer to Note 12 of these financial statements for additional disclosures.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

See Index to Exhibits on Page 27.

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.

			INTEGRAMED AMERICA, INC. (Registrant)
Date	May 9, 2012	By:	/s/ Timothy P. Sheehan
			Timothy P. Sheehan Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
10.69	Fifth Amendment to Service Agreement between IntegraMed America, Inc. and Northwest Center for Infertility and Reproductive Endocrinology dated as of March 1, 2012 and filed as an Exhibit to IntegraMed's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012.
10.70	Sixth Amendment to Service Agreement between IntegraMed America, Inc. and Northwest Center for Infertility and Reproductive Endocrinology and filed as an Exhibit to IntegraMed's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012.
31.1	CEO Certification Pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated May 9, 2012
31.2	CFO Certification Pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated May 9, 2012
32.1	CEO Certification Pursuant to 18 U.S.C. § 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated May 9, 2012
32.2	CFO Certification Pursuant to 18 U.S.C. § 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated May 9, 2012
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Document

	131,000	729,179		998,800	5,264,623
Frank J. Bell			166,500	557,775	
Herbert Chip Graves, IV			110,000	368,500	

(1) Prior to this offering, there was no established trading market for any class of our capital stock. The fair market value of our common stock for accounting purposes, as determined by the administrator of our 1995 stock option plan pursuant to terms of the plan, was $5.70 per share as of December 31, 2003.

(2) Reflects the number of shares of common stock that each named executive officer may acquire upon the exercise of options granted under our 1995 stock option plan. See Equity Compensation Plans 1995 Stock Option Plan.

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(3) Although all listed options are fully exercisable, not all shares underlying such options are fully vested. To the extent that an option holder has exercised options for unvested shares and such option holder s service with us is terminated, our 1995 stock option plan provides that we may repurchase any or all such unvested shares at a price equal to the aggregate exercise price paid for such shares. As of December 31, 2003, (i) 184,654 of Mr. Linquist s option shares were unvested, (ii) 168,750 of Mr. Young s option shares were unvested, (iii) 117,350 of Mr. Spickler s option shares were unvested, (iv) 94,000 of Mr. Bell s option shares were unvested, and (v) 61,875 of Mr. Graves option shares were unvested.

Equity Compensation Plans

1995 Stock Option Plan

Our second amended and restated 1995 stock option plan, which we refer to as our 1995 stock option plan, provides for the grant of options to acquire shares of our common stock. Incentive and nonqualified options may be granted to our employees, directors, consultants and other independent advisors. The maximum number of shares of common stock that may be issued under our 1995 stock option plan is currently shares, subject to adjustments upon specified corporate events. In the discretion of the compensation committee, the exercise price for options granted prior to the consummation of this offering may be less than, equal to or greater than the fair market value of the underlying common stock on the option grant date. However, the exercise price for options granted after the consummation of this offering may not be less than the fair market value of the underlying common stock on the option grant date. Options shall have such exercise and other terms as may be established by the compensation committee, but may not be granted for terms greater than 15 years. Our 1995 stock option plan also provides that the compensation committee may, with the consent of the affected option holders, reprice outstanding options or cancel and regrant options on such terms as it deems appropriate. Stockholder approval is also required for any repricing.

2004 Equity Incentive Compensation Plan

Our 2004 equity incentive compensation plan provides for the grant of incentive and nonqualified stock options, purchased stock, bonus stock, phantom stock, stock appreciation rights, restricted stock, performance awards and other stock or performance-based awards. Grants may be made to our employees, directors and consultants. The maximum number of shares of common stock that may be issued under our 2004 equity incentive compensation plan is currently shares, subject to adjustments upon specified corporate events.

Stock Options. The exercise price for options granted under our 2004 equity incentive compensation plan may not be less than the fair market value of the underlying common stock on the option grant date. Options shall have such exercise and other terms as may be established by the compensation committee, but may not be granted for terms greater than ten years. The plan also provides that the compensation committee may, with the consent of the affected option holders, reprice outstanding options or cancel and regrant options on such terms as it deems appropriate. Stockholder approval is also required for any repricing.

Purchased Stock. The plan provides that we may sell shares of our common stock to our employees, directors and consultants on such terms as the compensation committee may establish. The price per share of common stock to be purchased may be equal to or less than the fair market value of the common stock on the date of purchase.

Bonus Stock. We may grant shares of bonus stock under the plan to our employees, directors and consultants for the performance of services by such individuals without additional consideration except as may be required by the compensation committee.

Stock Appreciation Rights. The plan also provides that we may grant rights to receive, in either cash or shares of common stock, the excess of the fair market value of our common stock on the date of exercise over the grant price as determined by the compensation committee, which grant price shall not be less than the fair market value of the common stock on the date of grant. We refer to these rights as stock appreciation rights. The compensation committee shall determine at the date of grant the time or times at which and the circumstances under which a stock appreciation right may be exercised. The term of any stock appreciation right may not exceed ten years.

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Phantom Stock. Under the plan, we may grant rights to receive a specified number of shares of common stock, cash equal to the fair market value of a specified number of shares of common stock, or a combination thereof at the end of a specified deferral period. We refer to these rights as phantom stock awards. Such awards may be subject to the achievement of performance goals and specified restrictions, including a risk of forfeiture, which restrictions may lapse at the expiration of the deferral period or at earlier specified times. The term of any phantom stock award may not exceed ten years.

Restricted Stock Awards. We may also grant awards in the form of restricted shares of our common stock. These awards are subject to such restrictions as the compensation committee may impose including forfeiture, transfer and repurchase restrictions. In no event may the term of any restricted stock award exceed ten years.

Performance Awards. We may grant shares of our common stock, cash or a combination thereof to plan participants upon the attainment of certain performance goals measured over a period of not less than six months nor more than ten years. After the end of each performance period, the compensation committee will determine the amount, if any, of performance awards payable to each plan participant based upon the achievement of certain established business criteria.

Other Stock or Performance-Based Awards. The plan also permits other stock or performance-based awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to our common stock (including units or securities convertible into shares of our common stock) or cash. The terms and conditions of any such awards will be determined by the compensation committee.

Equity Compensation Plan Table

The following table provides information as of December 31, 2003 with respect to shares of our common stock that may be issued under our equity compensation plans, after giving effect to the conversion of all outstanding shares of our Class B common stock and Series D preferred stock into common stock, including shares of common stock to be issued in respect of unpaid dividends on our outstanding Series D preferred stock that have accumulated as of December 31, 2003.

Plan Category	**Number of Securities to be Issued Upon Exercise of Outstanding Options**	**Weighted Average Exercise Price of Outstanding Options**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)**
Equity Compensation Plans Approved by Shareholders (1)		$	
Equity Compensation Plans Not Approved by Shareholders			
Total		$	

(1) Consists of our 1995 stock option plan and our 2004 equity incentive compensation plan.

Employment Contracts and Change of Control Arrangements

We do not presently have any employment contracts in effect with any of our named executive officers.

Our equity compensation plans provide for the accelerated vesting of the shares of our common stock subject to outstanding options following specified change of control events.

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RELATED PARTY TRANSACTIONS

Employment of Immediate Family Members

Corey A. Linquist, the son of our President, Chief Executive Officer, Secretary and Chairman of our Board of Directors, Roger D. Linquist, has served as our Regional Vice President and General Manager, Sacramento since January 2001, and as our Director of Strategic Planning from July 1994 until January 2001. In 2003, we paid Mr. Linquist a salary of $163,906 and a bonus of $70,000, and we granted Mr. Linquist options to purchase up to 39,500 shares of our common stock at an exercise price of $2.35 per share. Such options expire on October 30, 2013. In 2002, we paid Mr. Linquist a salary of $157,000 and a bonus of $55,292, and we granted Mr. Linquist options to purchase up to 35,700 shares of our common stock at an exercise price of $2.35 per share. Such options expire on July 1, 2012.

Todd C. Linquist, the son of our President, Chief Executive Officer, Secretary and Chairman of our Board of Directors, Roger D. Linquist, has served in several positions with us since July 1996, and most recently as our Director of Marketing. In 2003, we paid Mr. Linquist a salary of $99,748 and a bonus of $28,424, and we granted Mr. Linquist options to purchase up to 15,000 shares of our common stock at an exercise price of $2.35 per share. The options expire on October 30, 2013. In 2002, we paid Mr. Linquist a salary of $94,261 and a bonus of $22,437, and we granted Mr. Linquist options to purchase up to 13,700 shares of our common stock at an exercise price of $2.35 per share. The options expire on July 1, 2012.

Phillip R. Terry, the son-in-law of our President, Chief Executive Officer, Secretary and Chairman of our Board of Directors, Roger D. Linquist, has served as our Vice President of Corporate Marketing since December 2003, as our Staff Vice President for Product Management and Distribution Services from April 2002 until December 2003, and as our Director of Field Distribution from April 2001 until April 2002. In 2003, we paid Mr. Terry a salary of $140,759 and a bonus of $53,396, and we granted Mr. Terry options to purchase up to 22,000 shares of our common stock at an exercise price of $2.35 per share. Such options expire on June 14, 2013. In 2002, we paid Mr. Terry a salary of $132,622 and a bonus of $46,747.

Michael D. Loverde, the son of our Vice President and General Manager, Georgia, Albert S. Loverde, has served as our Director of Advertising and Public Relations for our Atlanta market since August 2001. In 2003, we paid Mr. Loverde a salary of $94,963 and a bonus of $20,000, and we granted Mr. Loverde options to purchase up to 7,000 shares of our common stock at an exercise price of $2.35 per share. Such options expire on October 30, 2013. In 2002, we paid Mr. Loverde a salary of $91,413 and a bonus of $9,894.

Ginger L. Loverde, the daughter-in-law of our Vice President and General Manager, Georgia, Albert S. Loverde, has served as our Customer Operations Specialist for our Atlanta market since February 2001. In 2003, we paid Ms. Loverde a salary of $55,839 and a bonus of $6,500. In 2002, we paid Ms. Loverde a salary of $53,750 and a bonus of $8,000.

Karen L. Albregts, the daughter of our Vice President and General Manager, Georgia, Albert S. Loverde, has served as our Radio Frequency Engineer for our Atlanta market since June 2002. In 2003, we paid Ms. Albregts a salary of $76,112 and a bonus of $5,000. In 2002, we paid Ms. Albregts a salary of $35,217, and we granted Ms. Albregts options to purchase up to 9,000 shares of our common stock at an exercise price of $2.35 per share. Such options expire on August 14, 2012.

Legal Services Performed by Wilmer Cutler Pickering LLP

One of our directors, C. Boyden Gray, has been a partner in the law firm of Wilmer Cutler Pickering LLP since 1976. Such firm regularly performs legal services for us. The aggregate amount of fees paid by us to Wilmer Cutler Pickering LLP was less than 5% of the law firm s gross revenues for the year ended December 31, 2003.

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PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information as of , 2004 regarding the beneficial ownership of each class of our outstanding capital stock both before and immediately following this offering, after giving effect to the conversion of all outstanding shares of our Class B common stock and Series D preferred stock into common stock by:

- each of our directors;
- each named executive officer;
- all of our directors and executive officers as a group;
- each person known by us to beneficially own more than 5% of our outstanding shares of our Class A common stock or our common stock; and
- the selling stockholders in this offering.

Beneficial ownership is determined in accordance with the rules of the SEC. Unless otherwise indicated below and except to the extent authority is shared by spouses under applicable law, to our knowledge, the persons named in the table have sole voting and investment power with respect to all shares of each class of capital stock and shown as beneficially owned by them. The number of shares of common stock used to calculate each listed person s percentage ownership of such class includes the shares of common stock underlying options, warrants or other convertible securities held by such person that are exercisable within 60 days of this offering. There are no currently outstanding options, warrants or other convertible securities exercisable for shares of Class A common stock. After giving effect to the conversion of our Class B common stock and Series D preferred stock into common stock, which will occur concurrently with the consummation of this offering, there were shares of Class A common stock and shares of common stock outstanding as of , 2004. The table below excludes shares of common stock to be issued in respect of unpaid dividends on our outstanding Series D preferred stock that have accumulated subsequent to December 31, 2003.

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Other than as disclosed below, no selling stockholder holds or has held during the past three years any position, office or other material relationship with us.

Name and Address of Beneficial Owner (1)	Class A Number	Class A Percentage	Common Stock Beneficially Owned Before the Offering Number	Common Stock Beneficially Owned Before the Offering Percentage	Common Stock to be Sold in the Offering	After the Offering: Common Stock Beneficially Owned Number	After the Offering: Common Stock Beneficially Owned Percentage	After the Offering: Total Shares Beneficially Owned Number	After the Offering: Total Shares Beneficially Owned Percentage	After the Offering: Voting Percentage
Directors and Named Executive Officers:										
Roger D. Linquist (2)	120	66.7%	11,871,020	7.3%			%		%	%
Dennis G. Spickler (3)			1,364,100	*			%		%	%
Frank J. Bell (4)			166,500	*			%		%	%
Herbert Chip Graves, IV (5)			110,000	*			%		%	%
Robert A. Young (6)			325,000	*			%		%	%
C. Boyden Gray (7)	60	33.3%	538,740	*			%		%	%
John Sculley (8)			1,021,911	*			%		%	%
Joseph T. McCullen, Jr. (9)			419,095	*			%		%	%
James F. Wade (10)			19,581,503	12.6%			%		%	%
Harry F. Hopper, III (11)			6,017,309	3.9%			%		%	%
Arthur C. Patterson (12)			30,506,141	19.6%			%		%	%
All directors and executive officers as a group (17 persons)	180	100.0%	76,350,711	44.7%			%		%	%
Additional 5% Stockholders:							%		%	%
Accel Partners, et al (13)			30,325,541	19.5%			%		%	%
Battery Ventures III, L.P. (14)			7,761,540	5.0%			%		%	%
Clarity Partners (15)			6,221,777	4.0%			%		%	%
Columbia Capital, et al (16)			6,017,309	3.9%			%		%	%
General Motors Pension Fund (17)			15,299,571	9.4%			%		%	%
INVESCO Investors (18)			5,185,049	3.3%			%		%	%
Los Angeles County Employee Retirement Association (19)			5,071,800	3.2%			%		%	%
M/C Venture Partners, et al (20)			19,581,503	12.6%			%		%	%
Metro PCS Investors LLC (21)			6,224,622	4.0%			%		%	%
Mitsui & Co., Ltd. (22)			5,040,000	3.2%			%		%	%
Technology Ventures Associates III (23)			8,404,363	5.4%			%		%	%
Wachovia Capital Partners (24)			5,836,704	3.8%			%		%	%
Whitney & Co., LLC (25)			5,848,182	3.8%			%		%	%

* Represents less than 1%

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(1) Unless otherwise indicated, the address of each person is c/o MetroPCS Communications, Inc., 8144 Walnut Hill Lane, Suite 800, Dallas, TX 75231.
(2) Includes 8,396,900 shares of common stock issuable upon exercise of options granted under our 1995 stock option plan.
(3) Includes 998,800 shares of common stock issuable upon exercise of options granted under our 1995 stock option plan.
(4) Includes 166,500 shares of common stock issuable upon exercise of options granted under our 1995 stock option plan.
(5) Includes 110,000 shares of common stock issuable upon exercise of options granted under our 1995 stock option plan.
(6) Includes 325,000 shares of common stock issuable upon exercise of options granted under our 1995 stock option plan.
(7) Includes 323,940 shares of common stock issuable upon exercise of options granted under our 1995 stock option plan. Also includes 67,680 shares of common stock issuable upon exercise of outstanding warrants.
(8) Includes 323,940 shares of common stock issuable upon exercise of options granted under our 1995 stock option plan. Also includes 195,060 shares of common stock issuable upon exercise of outstanding warrants.
(9) Includes 130,433 shares of common stock issuable upon exercise of options granted under our 1995 stock option plan.
(10) Mr. Wade is affiliated with M/C Venture Investors, LLC, M/C Venture Partners IV, LP, M/C Venture Partners V, LP, and Chestnut Venture Partners LP and may be deemed to be a member of a group (hereinafter referred to as M/C Venture Partners, et al) under Section 13d-3 of the Exchange Act and may be deemed to share voting and/or investment power with respect to the shares owned by such entities. Mr. Wade disclaims beneficial ownership of such shares, except to the extent of his interest in such shares arising from his interests in M/C Venture Partners, et al.
(11) Mr. Hopper is affiliated with Columbia Capital Equity Partners III (QP) LP, Columbia Capital Equity Partners III (Cayman) LP, Columbia Capital Equity Partners III (AI) LP, Columbia Capital Investors III, LLC, and Columbia Capital Employee Investors III, LLC and may be deemed to be a member of a group (hereinafter referred to as Columbia Capital, et al) under Section 13d-3 of the Exchange Act and may be deemed to share voting and/or investment power with respect to the shares owned by such entities. Mr. Hopper disclaims beneficial ownership of such shares, except to the extent of his interest in such shares arising from his interests in Columbia Capital, et al.
(12) Includes 180,600 shares of common stock issuable upon exercise of options granted to Mr. Patterson under our 1995 stock option plan. In addition, Mr. Patterson is affiliated with Accel Internet Fund III, LP, Accel Investors 94 LP, Accel Investors 99 LP, Accel IV LP, Accel Keiretsu LP, Accel VII LP, ACP Family Partnership LP, Ellmore C. Patterson Partners, and Prosper Partners and may be deemed to be a member of a group (hereinafter referred to as Accel Partners, et al) under Section 13d-3 of the Exchange Act and may be deemed to share voting and/or investment power with respect to the shares owned by such entities. Mr. Patterson disclaims beneficial ownership of such shares, except to the extent of his interest in such shares arising from his interests in Accel Partners, et al.
(13) Accel Partners, et al (consisting of Accel Internet Fund III, LP, Accel Investors 94 LP, Accel Investors 99 LP, Accel IV LP, Accel Keiretsu LP, Accel VII LP, ACP Family Partnership LP, Ellmore C. Patterson Partners, and Prosper Partners) may be deemed to be a group under Section 13d-3 of the Exchange Act. Accel s address is 428 University Ave., Palo Alto, CA 94301.
(14) Battery Ventures address is 20 William Street, Suite 200, Wellesley, MA 02481.
(15) Clarity Partners address is 100 North Crescent Dr., Beverly Hills, CA 90210.
(16) Columbia Capital, et al (consisting of Columbia Capital Equity Partners III (QP) LP, Columbia Capital Equity Partners III (Cayman) LP, Columbia Capital Equity Partners III (AI) LP, Columbia Capital Investors III, LLC, and Columbia Capital Employee Investors III, LLC) may be deemed to be a group under Section 13d-3 of the Exchange Act. Includes 180,600 shares of common stock issuable upon exercise of options granted under our 1995 stock option plan. Columbia s address is 201 North Union Street, Suite 300, Alexandria, VA 22314.
(17) Includes 7,098,780 shares of common stock issuable upon exercise of outstanding warrants. GM s address is 767 Fifth Ave. New York, NY 10153.
(18) INVESCO is the investment advisor to a number of our stockholders, and has investment and voting power over the shares owned by such stockholders. These stockholders include (i) Drake & Co., as nominee for Citiventure Private Partners III Ltd., (ii) Michael A. Wall, (iii) Northpass & Co., as custodian for KME Venture III L.P., (iv) Cheer Idyll Property Ltd., (v) Drake & Co., as nominee for Shirley Wong Shun Yee, (vi) Leckwith Property Ltd., (vii) Trendly Investments, and (viii) Evermore Corp. Mr. Parag Saxena, our former director, is affiliated with INVESCO, and both he and INVESCO may be deemed to have voting and/or investment power with respect to the shares owned by such investors. INVESCO and Mr. Saxena disclaim beneficial ownership of such shares. Includes an aggregate of 1,612,200 shares of common stock issuable upon exercise of outstanding warrants. INVESCO s address is c/o Paraq Saxena, 1166 Avenue of the Americas, New York, NY 10036.
(19) Includes 1,601,280 shares of common stock issuable upon exercise of outstanding warrants. The address of the Los Angeles County Employee Retirement Association is c/o Pathway Capital Management, 5 Park Plaza, Suite 300, Irvine, CA 92614.
(20) M/C Venture Partners, et al (consisting of M/C Venture Investors, LLC, M/C Venture Partners IV, LP, M/C Venture Partners V, LP, and Chestnut Venture Partners LP) may be deemed to be a group under Section 13d-3 of the Exchange Act. Includes an aggregate of 180,600 shares of common stock issuable upon exercise of options granted under to our 1995 stock option plan. M/C s address is 75 State Street, Boston, MA 02109.
(21) The address of MetroPCS Investors LLC is 360 North Crescent Dr., Beverly Hills, CA 90210.
(22) Includes Mitsui & Co. (U.S.A.), Inc., an affiliate of Mitsui & Co., Ltd. Includes 240,000 shares of common stock issuable upon exercise of outstanding warrants. The address of Mitsui & Co. is 200 Park Avenue, New York, NY 10166.
(23) The address of Technology Ventures Associates III is 135 E. Putnam Ave., Greenwich CT 06830.
(24) The address of Wachovia Capital Partners is One First Union Center, 301 South College St., Charlotte, NC 28288.
(25) The address of Whitney & Co. is 177 Broad Street, Stamford, CT 06901.

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DESCRIPTION OF CERTAIN INDEBTEDNESS

Senior Notes

In September 2003, our wholly-owned subsidiary, MetroPCS, Inc., issued $150.0 million in aggregate principal amount of its 10¾% Senior Notes due 2011, which we refer to as our senior notes, pursuant to an indenture dated as of September 29, 2003. Our senior notes mature on October 1, 2011, and interest is payable on our senior notes on April 1 and October 1 of each year, commencing April 1, 2004. Our senior notes are guaranteed on a senior unsecured basis by all of the current and future domestic restricted subsidiaries of MetroPCS, Inc., other than certain immaterial subsidiaries. MetroPCS Communications, Inc. is not a guarantor of the senior notes.

MetroPCS, Inc. may, at its option, redeem some or all of the senior notes at any time on or after October 1, 2007, at specific redemption prices set forth in the indenture. In addition, prior to October 1, 2006, MetroPCS, Inc. may, at its option, redeem senior notes with the net proceeds of equity sales at a redemption price equal to 110.750% of the principal amount, plus accrued and unpaid interest; *provided* that, after the redemption, at least 65% of the initial aggregate principal amount of the senior notes remains outstanding.

If MetroPCS, Inc. or its restricted subsidiaries sell assets, MetroPCS, Inc. may be required to use the proceeds from such sale to offer to repurchase senior notes at a purchase price equal to 100% of the aggregate principal amount of senior notes repurchased, plus accrued and unpaid interest to the date of purchase. If MetroPCS, Inc. or its restricted subsidiaries experience a change of control, as such term is defined in the indenture, MetroPCS, Inc. may be required to offer to repurchase the senior notes at a purchase price equal to 101% of the aggregate principal amount of senior notes repurchased, plus accrued and unpaid interest to the date of purchase.

The indenture, among other things, restricts the ability of MetroPCS, Inc. and its restricted subsidiaries under certain conditions to:

- incur additional indebtedness and, in the case of our restricted subsidiaries, issue preferred stock;
- create liens on their assets;
- pay dividends or make other restricted payments;
- make investments;
- enter into transactions with affiliates;
- sell or make dispositions of assets;

place restrictions on the ability of subsidiaries to pay dividends or make other payments to MetroPCS, Inc.;

engage in certain business activities; and

merge or consolidate.

FCC Notes

Each of our 14 wholly-owned license subsidiaries has executed a separate promissory note payable to the FCC in a principal amount equal to the adjusted price of that license subsidiary s FCC license, as determined in accordance with our plan of reorganization under the United States Bankruptcy Code. Under the terms of a separate security agreement between the FCC and each license subsidiary, each FCC note is secured by a first priority security interest in the FCC license held by such license subsidiary. All of the FCC notes mature in January 2007, which is the expiration of the original ten-year term of our FCC licenses. The FCC notes bear interest at a rate of 6.5% per annum, and are payable in quarterly installments of principal and interest, until maturity, on January 31, April 30, July 31 and October 31 of each year.

Scheduled principal and interest payments under the FCC notes are approximately $4.0 million per quarter.

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In the event that a license subsidiary fails to make an installment payment to the FCC when due or becomes unable to meet its other obligations under its FCC note or otherwise violates regulations applicable to holders of FCC licenses, the FCC could take a variety of remedial actions, including revocation of that subsidiary s FCC license and acceleration of its FCC note. See Risk Factors Risks Related to Our Business and Legislation and Government Regulations. The FCC notes and related security agreements do not contain cross-default or cross-collateral provisions and do not allow the FCC to revoke the FCC license, or accelerate the FCC note, of any non-defaulting license subsidiary.

As of December 31, 2003, the aggregate principal amount of the FCC notes was $46.8 million, which is recorded on our balance sheet net of a discount to reflect the fair market value of the obligations determined assuming a fair market borrowing rate at the time the FCC notes were issued. The resulting discount of $4.8 million is being amortized through maturity of the FCC notes. However, if the FCC notes are accelerated for any reason, including a default by us in any of our obligations with respect to the FCC notes, the full principal amount of the FCC notes, plus accrued interest, together with any late and/or administrative charge, would become due and payable.

Other Debt

As of December 31, 2003, we had ongoing obligations of approximately $3.8 million that are payable to other wireless carriers under cost-sharing plans related to microwave relocation in our markets. Each of these obligations has a ten-year term, with interest only payments through year six and principal payments commencing in year seven. See Legislation and Government Regulations General Licensing Requirements.

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DESCRIPTION OF CAPITAL STOCK

The following summary description of our capital stock does not purport to be complete and is subject to and qualified in its entirety by the provisions of our certificate of incorporation and bylaws, copies of which may be obtained as described under Available Information, and by the provisions of applicable Delaware law. As used in this prospectus, the term common stock refers to shares of our capital stock of the same class as the shares offered by this prospectus and does not include Class A common stock.

Upon consummation of this offering, our authorized capital stock will consist of:

300,000,000 shares of common stock, par value $0.0001 per share;

300 shares of Class A common stock, par value $0.0001 per share; and

5,000,000 shares of preferred stock, par value $0.0001 per share.

Dual Class Voting Structure

Following this offering we will have two outstanding classes of capital stock. One class will be common stock, which is the class we are issuing in this offering. The other class of our capital stock will be our existing Class A common stock. MetroPCS, Inc. issued Class A common stock in 1995 in order to bid in the FCC s 1996 C Block PCS spectrum auction, which was limited to designated entities, and we have maintained this capital structure so as to continue to qualify as a designated entity. Qualifying as a designated entity also allowed MetroPCS, Inc. to obtain favorable financing terms for the FCC licenses, including the right to pay for the licenses in installments over the ten-year initial term of the licenses. Under the FCC s rules applicable to the 1996 C Block auction, a designated entity is an entity that, together with its affiliates and persons or entities that hold attributable interests in the entity and their affiliates, had gross revenues of less than $125.0 million in each of the preceding two years and total assets of less than $500.0 million at the time they applied to compete in the auction.

In order to avoid attribution of the gross revenues and assets of certain investors, the FCC s rules in place at the time of the 1996 C Block auction permitted licensees to identify a control group composed of individuals or entities whose interests would be deemed the only attributable interests in, and whose assets and revenues would be the only assets and revenues attributed to the licensee. Under these rules, for the remaining three years of the initial term of our FCC licenses, our control group must exercise de facto control over MetroPCS, must control or appoint the majority of the board of directors, must own at least 10% of our overall equity on a fully-diluted basis and must retain at least 50.1% of the voting control over MetroPCS. In addition, for the remaining three years of the initial term of our FCC licenses, no investor or group of affiliated investors that is not in our control group may hold more than 25% of our overall equity. Maintaining our status as a designated entity is important in order to maintain favorable terms for our FCC licenses. Although FCC rules now allow our FCC licenses to be held by a non-designated entity, that could result in the immediate loss of the right to pay for the licenses in installments and the immediate obligation to pay the outstanding balance of all amounts owed to the FCC. In addition, although the ownership requirements applicable to our FCC licenses will expire on January 27, 2007, or the tenth anniversary of the date on which they were granted by the FCC, it is possible that we will acquire additional FCC licenses in the future that are subject to similar ownership restrictions. Depending on when such licenses were initially granted by the FCC, in order to be eligible to hold such licenses we could be required to continue to comply with the 25% control group structural option beyond January 27, 2007, unless the FCC has approved a different structural option for us.

The holders of our Class A common stock currently hold 50.1% of our equity voting rights by virtue of their Class A common stock holdings, and those holders will retain such voting control immediately following this offering. We believe, however, that following this offering we may be able to qualify as a designated entity using an alternative to the control group described above, which would allow us to eliminate the supervoting Class A

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common stock. Under the proposed alternative qualifying structure, which was available to applicants in the 1996 C Block auction that were publicly traded corporations, no person or entity would be permitted to:

- own more than 15% of our equity;
- possess, either directly or indirectly, the power to control the election of more than 15% of the members of our board of directors; or
- have de facto control over us.

Under this proposed alternative structure, which we refer to as the publicly traded corporation structure, the existing control group restrictions would no longer be necessary or possible. Accordingly, after this offering, we intend to petition the FCC to allow us to convert to this alternative structure and to convert our Class A common stock into common stock, with one vote per share, while retaining our designated entity status. We believe that we will be successful in obtaining this approval from the FCC, which will allow us to convert to a single class of equity securities, within a period of approximately nine months following the consummation of this offering. However, we cannot assure you that the FCC will grant this request in a timely fashion or at all. Absent more rapid FCC approval for the conversion of our Class A common stock into common stock, each share of Class A common stock will automatically convert into one share of common stock on January 27, 2007 (the tenth anniversary of the grant of our FCC licenses by the FCC, at which point the designated entity requirement expires on its own terms), though such conversion shall not be permitted if the effects thereof on stock ownership levels would violate FCC ownership restrictions in place at that time.

Common Stock and Class A Common Stock

General

After giving effect to the conversion of our Class B common stock and Series D preferred stock into common stock, which will occur concurrently with the consummation of this offering, there were shares of Class A common stock and shares of common stock outstanding as of , 2004.

Roger D. Linquist, who holds shares of Class A common stock, and C. Boyden Gray, who holds shares of Class A common stock, are the only two record holders of our Class A common stock. As of , 2004, there were record holders of our common stock.

Subject to the rights of holders of all outstanding classes of stock having prior rights as to dividends, the holders of common stock and Class A common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our board of directors out of our corporate assets legally available for distribution.

Subject to the rights of holders of all outstanding classes of stock having prior rights as to distributions, in the event of the liquidation, dissolution or winding up of our company, the holders of common stock and Class A common stock are entitled to share ratably in all assets remaining after payment of liabilities, if any, then outstanding.

Prior to the consummation of this offering, there was no established trading market for any class of our capital stock.

Voting Rights and Board Representation

Our certificate of incorporation provides that the holders of our Class A common stock have the right to vote on every matter submitted to a vote of our stockholders other than any matter on which only the holders of one or more classes or series of capital stock other than Class A common stock are entitled to vote separately as a class. Similarly, the holders of our common stock have the right to vote on every matter submitted to a vote of our stockholders other than any matter on which only the holders of one or more classes or series of capital stock other than common stock are entitled to vote separately as a class.

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Holders of the common stock offered in this prospectus will have one vote per share. However, with respect to all matters submitted to a vote of stockholders for which a separate class vote is not required, the Class A stockholders have, collectively, votes equal to 50.1% of the aggregate voting power of all shares entitled to vote, and the holders of common stock have, collectively, votes equal to 49.9% of the aggregate voting power of all shares entitled to vote.

The holders of Class A common stock are entitled to a separate class vote to elect four members of our board of directors. The holders of common stock are entitled to a separate class vote to elect a number of members of our board of directors as set forth in our bylaws (currently three members). Each Class A director has one vote on each matter submitted to a vote of our board of directors, and each common director currently has one vote; *provided*, *however*, that if, at any time, our board of directors has more than three common directors, each common director will individually have a fractional vote such that the common directors collectively have three votes.

Staggered Board

Prior to the consummation of this offering, our certificate of incorporation and bylaws will be amended to also provide for a board of directors consisting of three divisions of directors, each serving staggered three-year terms. Directors of each division will be chosen for three-year terms upon the expiration of their current terms and each year one division of directors will be elected by our stockholders. The terms of the first, second and third divisions will expire in 2004, 2005 and 2006, respectively. The first division will consist of two Class A directors and one common director, and each of the second and third divisions will consist of one Class A director and one common director.

Conversion

Each share of Class A common stock will automatically convert into one share of common stock on January 27, 2007 (the tenth anniversary of the grant of our PCS licenses by the FCC) or such earlier date as may be determined by our board of directors. Any conversion described in the preceding sentence will not be permitted if the effects thereof on stock ownership levels would violate FCC ownership restrictions. The common stock has no conversion rights.

Redemption

If a holder of common stock acquires additional shares of common stock or otherwise is attributed with ownership of such shares that would cause us to violate FCC ownership restrictions, or FCC requirements necessary to retain our status as a designated entity using the 25% control group structure (or the publicly traded corporation structure if we are authorized by the FCC to adopt that alternative structure), we may, at the option of our board of directors, redeem shares of common stock sufficient to eliminate the violation. In the event of a violation of the FCC s foreign ownership restrictions, we must first redeem the stock of the foreign stockholder that most recently purchased its first shares of our stock.

The redemption price will be a price mutually determined by us and our stockholders, but if no agreement can be reached, the redemption price will be either:

75% of the fair market value of the common stock being redeemed, if the holder caused the FCC violation; or

100% of the fair market value of the common stock being redeemed, if the FCC violation was caused by no fault of the holder.

For a discussion of the FCC s ownership restrictions, please see Legislation and Government Regulations Ownership Restrictions.

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Preferred Stock

Subject to the provisions of our certificate of incorporation and limitations prescribed by law, our board of directors has the authority to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions of the preferred stock, including dividend rights, dividend rates, conversion rates, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of the series, which may be superior to those of common stock, without further vote or action by the stockholders. After giving effect to the conversion of our Series D preferred stock into common stock in connection with this offering, we will have no shares of preferred stock outstanding. We have no present plans to issue any shares of preferred stock.

One of the effects of undesignated preferred stock may be to enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise, and as a result, protect the continuity of our management. The issuance of shares of the preferred stock under the board of directors authority described above may adversely affect the rights of the holders of common stock. For example, preferred stock issued by us may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. Accordingly, the issuance of shares of preferred stock may discourage bids for the common stock or may otherwise adversely affect the market price of the common stock.

Stockholders Agreement

We and the current holders of our common stock and our Class A common stock are parties to an amended and restated stockholders agreement.

Election of Board of Directors

Pursuant to the terms of our stockholders agreement and our certificate of incorporation, the Class A stockholders are entitled to elect four members of the board of directors and the common stockholders are entitled to elect three members of the board of directors. Also, on any issue presented to the board of directors, our stockholders agreement, certificate of incorporation and bylaws provide that each Class A director has one vote, and each common director currently has one vote; *provided*, *however*, that if, at any time, our board of directors has more than three common directors, each common director will individually have a fractional vote such that the common directors collectively have three votes.

Our stockholders agreement provides that, of the four Class A directors, Roger D. Linquist is entitled to nominate two directors, C. Boyden Gray is entitled to nominate one director, and Messrs. Linquist and Gray, together, are entitled to nominate one director. The Class A stockholders have agreed to vote all of their shares of Class A common stock for such nominees. In addition, pursuant to the terms of our stockholders agreement, of the three common directors, Accel Partners is entitled to nominate one director, M/C Venture Partners is entitled to nominate one director, and the common stockholders who formerly held shares of Series D preferred stock are entitled to nominate one director. The common stockholders that are parties to our stockholders agreement have agreed to vote all of their shares of common stock for such nominees. We anticipate that prior to consummation of this offering, our stockholders agreement will be amended to terminate these director nomination rights and the related voting agreement.

Registration Rights

After this offering, the stockholder parties to our stockholders agreement, who collectively hold shares of common stock, will be entitled to certain rights with respect to the registration of the sale of such shares under the Securities Act. Under the terms of the stockholders agreement, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders exercising registration rights, such holders are entitled to notice of such registration and are entitled to include shares in the

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registration. Stockholders benefiting from these rights may also require us to file a registration statement under the Securities Act at our expense with respect to their shares of common stock, and we are required to use our best efforts to effect such registration. Further, these stockholders may require us to file additional registration statements on Form S-3 at our expense. These rights are subject to certain conditions and limitations, among them the rights of underwriters to limit the number of shares included in such registration.

Anti-takeover Effects of Delaware Law

We are a Delaware corporation and are subject to Delaware law, which generally prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the time that the person became an interested stockholder, unless:

- before such time the board of directors of the corporation approved either the business combination or the transaction in which the person became an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested person owns at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers of the corporation and by certain employee stock plans; or

- at or after such time the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock of the corporation that is not owned by the interested stockholder.

A business combination generally includes mergers, asset sales and similar transactions between the corporation and the interested stockholder, and other transactions resulting in a financial benefit to the stockholder. An interested stockholder is a person:

- who, together with affiliates and associates, owns 15% or more of the corporation s outstanding voting stock; or

- who is an affiliate or associate of the corporation and, together with his or her affiliates and associates, has owned 15% or more of the corporation s outstanding voting stock within three years.

The provisions of Delaware law described above would make more difficult or discourage a proxy contest or acquisition of control by a holder of a substantial block of our stock or the removal of the incumbent board of directors. Such provisions could also have the effect of discouraging an outsider from making a tender offer or otherwise attempting to obtain control of MetroPCS, even though such an attempt might be beneficial to us and our stockholders.

Our certificate of incorporation and bylaws also:

- eliminate the personal liability of directors for monetary damages resulting from breaches of fiduciary duty to the extent permitted by Delaware law; and

- indemnify directors and officers to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary.

We believe that these provisions are necessary to attract and retain qualified directors and officers.

We have also entered into separate indemnification agreements with each of our directors and executive officers under which we have agreed to indemnify, and to advance expenses to, each director and executive officer to the fullest extent permitted by applicable law with respect to liabilities they may incur in their capacities as directors and officers.

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Our certificate of incorporation provides for two classes of directors, those elected by holders of our Class A common stock and those elected by holders of our common stock. Prior to the consummation of this offering, our certificate of incorporation and bylaws will be amended to also provide for a board of directors consisting of three divisions of directors, each serving staggered three-year terms. The classification and divisions of our board of directors could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us. However, we believe that this feature of our certificate of incorporation will help to assure the continuity and stability of our business strategies and policies as determined by the board of directors. See Description of Capital Stock.

Our bylaws also require that any stockholder proposals to be considered at an annual meeting of stockholders must be delivered to us not less than 20 nor more than 60 days prior to the meeting. In addition, in the notice of any such proposal, the proposing stockholder must state the proposals, the reasons for the proposal, the stockholder s name and address, the class and number of shares held by such stockholder and any material interest of the stockholder in the proposals. There are additional informational requirements in connection with a proposal concerning a nominee for the board of directors.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is .

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MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a discussion of the material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock purchased pursuant to this offering by a stockholder that, for U.S. federal income tax purposes, is not a U.S. person, as we define that term below. A beneficial owner of our common stock who is not a U.S. person is referred to below as a non-U.S. holder. This discussion is based upon current provisions of the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, judicial opinions, administrative pronouncements and published rulings of the U.S. Internal Revenue Service, (or the IRS) all as in effect as of the date of this prospectus. These authorities may be changed, possibly retroactively, resulting in U.S. federal tax consequences different from those discussed below. We have not sought, and will not seek, any ruling from the IRS or opinion of counsel with respect to the statements made in this discussion, and there can be no assurance that the IRS will not take a position contrary to such statements or that any such contrary position taken by the IRS would not be sustained.

This discussion is limited to non-U.S. holders who purchase our common stock issued pursuant to this offering and who hold our common stock as a capital asset (generally, property held for investment). This discussion also does not address the tax considerations arising under the laws of any foreign, state or local jurisdiction, or under United States federal estate or gift tax laws (except as specifically described below). In addition, this discussion does not address tax considerations that may be applicable to an investor s particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions;
- U.S. expatriates;
- tax-exempt organizations;
- tax-qualified retirement plans;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings; or
- persons that will hold common stock as a position in a hedging transaction, straddle or conversion transaction for tax purposes.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a stockholder, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A stockholder that is a partnership, and partners in such partnership, are encouraged to consult their own tax advisors regarding the tax consequences of the purchase, ownership and disposition of our common stock.

For purposes of this discussion, a U.S. person means any one of the following:

a citizen or resident of the United States.;

a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) or partnership (including any entity treated as a partnership for U.S. federal income tax purposes) created or organized under the laws of the United States or of any political subdivision of the United States;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust, the administration of which is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all substantial decisions of the trust, or other trusts considered U.S. persons for U.S. federal income tax purposes.

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You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation as well as any tax consequences arising under the federal estate or gift tax rules or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Dividends

If distributions are paid on shares of our common stock, these distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent a distribution exceeds our current and accumulated earnings and profits, it will constitute a return of capital that is applied against and reduces, but not below zero, your adjusted tax basis in our common stock. Any remainder will constitute gain on the common stock. Dividends paid to a non-U.S. holder will generally be subject to withholding of U.S. federal income tax at the rate of 30% or such lower rate as may be specified by an applicable income tax treaty. If the dividend is effectively connected with the non-U.S. holder s conduct of a trade or business in the United States or, if a tax treaty applies, attributable to a U.S. permanent establishment maintained by the non-U.S. holder, the dividend will not be subject to any withholding tax (provided specific certification requirements are met, as described below) but will be subject to U.S. federal income tax imposed on net income on the same basis that applies to U.S. persons generally. A corporate stockholder under certain circumstances also may be subject to a branch profits tax equal to 30% (or such lower rate as may be specified by an applicable income tax treaty) of a portion of its effectively connected earnings and profits for the taxable year.

In order to claim the benefit of a tax treaty or to claim exemption from withholding because the income is effectively connected with the conduct of a trade or business in the United States., a non-U.S. holder must provide a properly executed IRS Form W-8BEN for treaty benefits or W-8ECI for effectively connected income, or such successor forms as the IRS designates, prior to the payment of dividends. These forms must be periodically updated. Non-U.S. holders may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund.

Gain on Disposition of Common Stock

A non-U.S. holder will generally not be subject to U.S. federal income tax, including by way of withholding, on gain recognized on a sale or other disposition of our common stock unless any one of the following is true:

- the gain is effectively connected with the non-U.S. holder s conduct of a trade or business in the U.S. or, if a tax treaty applies, attributable to a U.S. permanent establishment maintained by such non-U.S. holder;

- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more in the taxable year of the disposition and certain other requirements are met; or

- our common stock constitutes a United States real property interest by reason of our status as a United States real property holding corporation or USRPHC for U.S. federal income tax purposes at any time during the shorter of the period during which you hold our common stock or the five-year period ending on the date you dispose of our common stock.

We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our United States real property interests relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. As long as our common stock is regularly traded on an established securities market, however, it will be treated as United States real property interests, in general, only with respect to a non-U.S. holder that holds more than 5% of such regularly traded common stock.

Unless an applicable treaty provides otherwise, gain described in the first bullet point above will be subject to the U.S. federal income tax imposed on net income on the same basis that applies to U.S. persons generally but

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will generally not be subject to withholding. Corporate stockholders also may be subject to a branch profits tax on such gain. Gain described in the second bullet point above will be subject to a flat 30% U.S. federal income tax, which may be offset by U.S. source capital losses. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

U.S. Federal Estate Taxes

Our common stock owned or treated as owned by an individual who at the time of death is a non-U.S. holder will be included in his or her estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Under U.S. Treasury regulations, we must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such non-U.S. holder and the tax withheld with respect to those dividends. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected dividends or withholding was reduced or eliminated by an applicable tax treaty. Pursuant to an applicable tax treaty, that information may also be made available to the tax authorities in the country in which the non-U.S. holder resides.

The United States generally imposes a backup withholding tax on dividends and specific other types of payments to certain non-corporate holders who fail to comply with specific information requirements. Backup withholding will generally not apply to payments of dividends made by us or our paying agents, in their capacities as such, to a non-U.S. holder of our common stock if the stockholder has provided the required certification that it is not a U.S. person or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the stockholder is a U.S. person.

Payments of the proceeds from a disposition or a redemption effected outside the United States by a non-U.S. holder of our common stock made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting, but not backup withholding, generally will apply to such a payment if the broker has certain connections with the United States unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. holder and specified conditions are met or an exemption is otherwise established.

Payment of the proceeds from a disposition by a non-U.S. holder of common stock made by or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the non-U.S. holder certifies that it is not a U.S. person under penalties of perjury and such broker does not have actual knowledge, or reason to know, that the stockholder is a U.S. person or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts that we withhold under the backup withholding rules will be refunded or credited against the non-U.S. holder s U.S. federal income tax liability if certain required information is furnished to the IRS. Non-U.S. holders are urged to consult their own tax advisors regarding application of backup withholding in their particular circumstance and the availability of, and procedure for obtaining an exemption from, backup withholding under current Treasury regulations.

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SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for any class of our capital stock, and a significant public market for our common stock may not develop or be sustained after this offering. Future sales of significant amounts of our capital stock, including shares of our outstanding stock and shares of our stock issued upon exercise of outstanding options, in the public market after this offering, or the perception that such sales could occur, could adversely affect the prevailing market price of our common stock and could impair our future ability to raise capital through the sale of our equity securities.

Sale of Restricted Shares and Lock-Up Agreements

Upon the closing of this offering, we will have outstanding shares of Class A common stock and shares of common stock, in each case, based upon our shares outstanding as of December 31, 2003, and after giving effect to the conversion of all shares of our Class B common stock and Series D preferred stock. See Description of Capital Stock.

Of these shares, the shares of common stock sold in this offering will be freely tradable without restriction under the Securities Act, unless purchased by affiliates of our company, as that term is defined in Rule 144 under the Securities Act, and an additional shares will be freely tradable pursuant to Rule 144(k) under the Securities Act.

The shares of Class A common stock and the remaining shares of common stock are restricted securities as that term is defined in Rule 144 under the Securities Act. These restricted securities may be sold in the public market only if they are registered under the Securities Act or sold in accordance with Rule 144 or Rule 701 promulgated under the Securities Act. Beginning 90 days after the date of this prospectus, of the remaining shares of common stock will be eligible for sale in the public market pursuant to Rule 144, subject to certain volume limitations.

Substantially all of the shares of our common stock, other than the common stock to be sold in this offering, are held by officers, directors and existing stockholders who are subject to lock-up agreements pursuant to which, subject to certain exceptions, these holders have agreed not to sell or otherwise dispose of their shares of common stock or any securities convertible into or exchangeable for shares of common stock for a period of 180 days after the date of this prospectus. Bear, Stearns & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the underwriters may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to the lock-up agreements. See Underwriting.

Rule 144

In general, Rule 144 allows a stockholder (or stockholders where shares are aggregated), including an affiliate, who has beneficially owned shares of our common stock for at least one year and who files a Form 144 with the SEC to sell within any three month period commencing 90 days after the date of this prospectus a number of those shares that does not exceed the greater of:

1.0% of the number of then outstanding shares of common stock, which will equal approximately shares after the consummation of this offering; or

the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of the Form 144 with respect to such sale.

Approximately shares of our common stock will become available for sale, subject to the volume limitations of Rule 144, after the expiration of the lock-up period. The remaining shares of our common stock will become available for sale, subject to the volume limitation of Rule 144, at various times after the expiration of the lock-up period and upon expiration of the one-year holding periods required by Rule 144.

Sales under Rule 144, however, are subject to specific manner of sale provisions, notice requirements, and the availability of current public information about us. We cannot estimate the number of shares of common

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stock our existing stockholders will sell under Rule 144, as this will depend on the market price for our common stock, the personal circumstances of the stockholders and other factors.

Rule 144(k)

Under Rule 144(k), in general, a stockholder who has beneficially owned shares of our common stock for at least two years and who is not deemed to have been an affiliate of our company at any time during the immediately preceding 90 days may sell shares without complying with the manner of sale provisions, notice requirements, public information requirements, or volume limitations of Rule 144. Affiliates of our company, however, must always sell pursuant to Rule 144, even after the otherwise applicable Rule 144(k) holding periods have been satisfied.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

As of ,   2004,   shares of our common stock had been issued to some of our management employees in reliance on Rule 701.

Registration Rights

After this offering, the stockholder parties to our stockholders agreement, who collectively hold   shares of common stock, will be entitled to certain rights with respect to the registration of the sale of such shares under the Securities Act. Under the terms of the stockholders agreement, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders exercising registration rights, such holders are entitled to notice of such registration and are entitled to include shares in the registration. Stockholders benefiting from these rights may also require us to file a registration statement under the Securities Act at our expense with respect to their shares of common stock, and we are required to use our best efforts to effect such registration. Further, these stockholders may require us to file additional registration statements on Form S-3 at our expense. These rights are subject to certain conditions and limitations, among them the rights of underwriters to limit the number of shares included in such registration.

By exercising their registration rights and causing a large number of shares to be sold in the public market, these holders could cause the market price of our common stock to decline. See Description of Capital Stock Stockholders Agreement.

Options and Warrants

In addition to the shares of our common stock and Class A common stock outstanding immediately after this offering, as of , 2004, there were outstanding options to purchase shares of our common stock and outstanding warrants to purchase shares of common stock. An additional shares of common stock have been reserved for issuance pursuant to our equity compensation plans.

As soon as practicable after the closing of this offering, we intend to file a registration statement on Form S-8 under the Securities Act covering shares of our common stock issued or reserved for issuance under our equity compensation plans. Accordingly, shares of our common stock registered under such registration statement will be available for sale in the open market upon exercise by the holders, subject to vesting restrictions with us, contractual lock-up restrictions and/or market stand-off provisions applicable to each option agreement that prohibit the sale or other disposition of the shares of common stock underlying the options for a period of days after the date of this prospectus without the prior written consent from us or our underwriters.

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UNDERWRITING

We and the selling stockholders intend to offer the shares through the underwriters. Subject to the terms and conditions described in an underwriting agreement among us, the selling stockholders and Bear, Stearns & Co. Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, J.P. Morgan Securities Inc. and Thomas Weisel Partners LLC, as representatives of the several underwriters, we and the selling stockholders have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us and the selling stockholders, the number of shares of common stock listed opposite their names below.

Underwriter	Number of Shares
Bear, Stearns & Co. Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
UBS Securities LLC	
J.P. Morgan Securities Inc.	
Thomas Weisel Partners LLC	
Total	

The underwriters have agreed to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer s certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The underwriters have advised us that they propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

	Per Share	**Without Option**	**With Option**
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to MetroPCS	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

The expenses of this offering, excluding the underwriting discount and commissions and related fees, are estimated at $ and are payable by us.

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Over-allotment Option

We and the selling stockholders have granted the underwriters an option exercisable for 30 days from the date of this prospectus to purchase a total of up to additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option solely to cover any over-allotments, if any, made in connection with this offering. To the extent the underwriters exercise this option in whole or in part, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares approximately proportionate to that underwriter s initial commitment amount reflected in the above table.

No Sales of Similar Securities

We, each of our officers and directors and holders of substantially all of our common stock, have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Bear, Stearns & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other individuals have agreed not to:

- directly or indirectly, offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, borrow or otherwise dispose of any common stock; or

- establish or increase any put equivalent position or liquidate or decrease any call equivalent position with respect to any common stock, or otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequence of ownership of common stock, whether or not such transaction is to be settled by delivery of common stock, other securities, cash or other consideration.

This lock-up provision applies to common stock, any other equity security of MetroPCS or any of its subsidiaries and any security convertible into, or exercisable or exchangeable for, any common stock or other such equity security. Bear, Stearns & Co. Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated may waive this lock-up without public notice. This lockup provision does not limit our ability to grant options to purchase common stock or issue common stock upon the exercise of options or otherwise under our equity compensation plans.

Quotation on the Nasdaq National Market

We expect to apply for quotation of our common stock on the Nasdaq National Market under the symbol MPCS.

Price Stabilization, Short Positions

Until the distribution of the shares is completed, SEC rules may limit the underwriters from bidding for and purchasing our common stock. However, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock during and after this offering.

If the underwriters over-allot or otherwise create a short position in our common stock in connection with this offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the underwriters may reduce that short position by purchasing shares in the open market. The underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option described above. In addition, the underwriters may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in this offering are reclaimed if shares of our common stock previously distributed in this offering are repurchased in connection with stabilization transactions or otherwise. These transactions to stabilize or maintain the market price may cause the price of our common stock to be higher than it might be in the absence of such transactions. The imposition of a penalty bid may also affect the price of our common stock to the extent that it discourages resales.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In

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addition, neither we nor any of the underwriters makes any representation that they will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Passive Market Making

In connection with this offering, the underwriters may engage in passive market making transactions in our common stock on the Nasdaq National Market in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934 during a period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker s bid, that bid must then be lowered when specified purchase limits are exceeded.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions. In addition, Bear, Stearns & Co. Inc. and certain of its employees own, in the aggregate, less than 1% of our common stock.

Pricing of this Offering

Prior to this offering, there has been no public market for our shares of common stock. Consequently, the initial public offering price for our shares of common stock will be determined by negotiations between us and the representatives of the underwriters.

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NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we and the selling stockholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

Representations of Purchasers

By purchasing common stock in Canada and accepting a purchase confirmation a purchaser is representing to us, the selling stockholders and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws,
- where required by law, that the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under Resale Restrictions.

Rights of Action Ontario Purchasers Only

Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the common stock, for rescission against us and the selling stockholders in the event that this prospectus contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the common stock. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the common stock. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us or the selling stockholders. In no case will the amount recoverable in any action exceed the price at which the common stock were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we and the selling stockholders will have no liability. In the case of an action for damages, we and the selling stockholders will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the common stock as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein and the selling stockholders may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

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NOTICE TO FOREIGN INVESTORS

The Communications Act of 1934 includes provisions that authorize the FCC to restrict the level of ownership that foreign nationals or their representatives, a foreign government or its representative or any corporation organized under the laws of a foreign country may have in us. For a discussion of these and other FCC ownership restrictions, please see Legislation and Government Regulations Ownership Restrictions.

If a holder of our common stock acquires additional shares of common stock or otherwise is attributed with ownership of such shares that would cause us to violate FCC ownership restrictions, we may, at the option of our board of directors, redeem shares of common stock sufficient to eliminate the violation. In the event of a violation of the FCC s foreign ownership restrictions, we must first redeem the stock of the foreign stockholder which most recently purchased its first shares of our stock. For a discussion of the redemption features of our common stock, including the prices at which we may redeem such stock, please see Description of Capital Stock Common Stock and Class A Common Stock Redemption.

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LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Andrews Kurth LLP, Houston, Texas. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP, New York, New York.

EXPERTS

The financial statements as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to this offering. This prospectus does not contain all the information set forth in the registration statement, certain portions of which are omitted as permitted by the rules and regulations of the SEC. For further information about us and the shares offered by this prospectus, you should refer to the registration statement, including the exhibits and schedules filed with the registration statement. You may obtain copies of the registration statement, of which this prospectus is a part, together with such exhibits and schedules, upon payment of the fee prescribed by the SEC, or you may examine these documents without charge at the office of the SEC. Statements contained in this prospectus as to the contents of any contract, agreement or other document to which we make reference are not necessarily complete. In each instance, we refer you to the copy of such contract, agreement or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by the more complete description of the matter involved.

Our subsidiary, MetroPCS, Inc., is subject to the informational requirements of the Securities Exchange Act of 1934, or the Exchange Act, and is required to file annual and quarterly reports and other information with the SEC. In addition, upon consummation of this offering, MetroPCS Communications, Inc. will also become subject to the informational and reporting requirements of the Exchange Act. Any materials filed with the SEC may be read and copied at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We expect that any materials filed by MetroPCS Communications, Inc. or by MetroPCS, Inc. with the SEC will be filed electronically.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of MetroPCS, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders equity (deficit) and cash flows present fairly, in all material respects, the financial position of MetroPCS, Inc. and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue arrangements with multiple deliverables as a result of adopting EITF No. 00-21 as of July 1, 2003.

PricewaterhouseCoopers LLP

Dallas, Texas

February 25, 2004

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MetroPCS, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share Information)

	December 31, 2002	December 31, 2003	Unaudited Pro Forma Stockholders Equity at December 31, 2003
ASSETS:			
Cash and cash equivalents	$ 61,717	$ 235,965	
Inventory, net	13,546	21,210	
Accounts receivable (net of allowance of $383 and $1,085 at December 31, 2002 and 2003, respectively)	5,241	8,678	
Prepaid expenses	4,839	5,292	
Deferred charges	7,910	6,498	
Current deferred tax asset	13,330	6,675	
Other current assets	3,073	8,833	
Total current assets	109,656	293,151	
Property and equipment, net	353,360	482,965	
Restricted cash and investments	2,180	1,248	
Long-term investments		19,000	
PCS licenses	90,619	90,619	
Microwave relocation costs	6,932	10,000	
Other assets	175	5,511	
Total assets	$ 562,922	$ 902,494	
LIABILITIES:			
Accounts payable and accrued expenses	$ 89,829	$ 153,688	
Current maturities of long-term debt	9,499	13,362	
Deferred revenue	14,375	31,091	
Other current liabilities	5,508	2,295	
Total current liabilities	119,211	200,436	
Long-term debt, net	41,351	182,433	
Deferred tax liabilities	23,424	30,791	
Long-term deferred revenue	3,585	30	
Deferred rents	2,802	3,961	
Other long-term liabilities	1,785	20,554	
Total liabilities	192,158	438,205	

COMMITMENTS AND CONTINGENCIES (See Note 8)			
SERIES D CUMULATIVE CONVERTIBLE REDEEMABLE PARTICIPATING PREFERRED STOCK, par value $.0001 per share, 4,000,000 shares designated, 2,845,578 and 3,500,947 shares issued and outstanding at December 31, 2002 and 2003, respectively; liquidation preference of $300,554 and $384,841 at December 31, 2002 and 2003, respectively	294,642	379,401	
STOCKHOLDERS EQUITY:			
Preferred stock, par value $.0001 per share, 5,000,000 shares authorized, 4,000,000 of which have been designated as Series D Preferred Stock, no shares issued and outstanding at December 31, 2002 and 2003			
Common stock, par value $.0001 per share			
Class A, 300 shares authorized, 180 shares issued and outstanding at December 31, 2002 and 2003			
Class B, 60,000,000 shares authorized, 7,687,570 and 7,817,570 shares issued and outstanding at December 31, 2002 and 2003, respectively	1	1	
Class C, 240,000,000 shares authorized, 65,158,854 and 65,365,806 shares issued and outstanding at December 31, 2002 and 2003, respectively	7	7	$ 15
Additional paid-in capital	88,771	88,908	468,302
Subscriptions receivable	(86)	(92)	(92)
Deferred compensation	(2,234)	(4,229)	(4,229)
Retained earnings (deficit)	(10,337)	293	293
Total stockholders equity	76,122	84,888	$ 464,289
Total liabilities and stockholders equity	$ 562,922	$ 902,494	

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

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MetroPCS, Inc. and Subsidiaries

Consolidated Statements of Operations

(In Thousands, except Share Information)

	Year Ended December 31,		
	2001	**2002**	**2003**
REVENUES:			
Service revenues	$	$ 102,137	$ 370,920
Equipment revenues		23,458	88,562
Total revenues		125,595	459,482
OPERATING EXPENSES:			
Cost of service (excluding depreciation included below)		61,881	118,335
Cost of equipment		100,651	155,084
Selling, general and administrative expenses (excludes non-cash compensation)	27,963	55,515	90,556
Non-cash compensation	1,455	1,115	7,379
Depreciation and amortization	208	21,394	41,900
(Gain) loss on sale of asset		(278,956)	333
Total operating expenses	29,626	(38,400)	413,587
INCOME (LOSS) FROM OPERATIONS	(29,626)	163,995	45,895
OTHER (INCOME) EXPENSE:			
Interest expense	10,491	6,805	11,254
Interest income	(2,046)	(964)	(1,061)
Loss (gain) on extinguishment of debt	7,109		(603)
Total other expense	15,554	5,841	9,590
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(45,180)	158,154	36,305
Provision for income taxes		(19,087)	(15,665)
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(45,180)	139,067	20,640
Cumulative effect of change in accounting principle, net of tax			(74)
NET INCOME (LOSS)	(45,180)	139,067	20,566
ACCRUED DIVIDENDS ON SERIES D PREFERRED STOCK	(4,963)	(10,838)	(18,749)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	$ (50,143)	$ 128,229	$ 1,817
NET INCOME (LOSS) PER SHARE: (Note 14)			
BASIC			
Income before cumulative effect of change in accounting principle	$ (0.72)	$ 1.13	$ 0.01

Cumulative effect of change in accounting principle, net of tax			0.00
NET INCOME (LOSS) PER SHARE BASIC	$ (0.72)	$ 1.13	$ 0.01
DILUTED			
Income before cumulative effect of change in accounting principle	$ (0.72)	$ 0.85	$ 0.01
Cumulative effect of change in accounting principle, net of tax			0.00
NET INCOME (LOSS) PER SHARE DILUTED	$ (0.72)	$ 0.85	$ 0.01
WEIGHTED AVERAGE SHARES			
Basic	69,805,472	72,495,481	72,866,107
Diluted	69,805,472	95,752,436	98,508,929
NET INCOME PER SHARE PRO FORMA:			
BASIC			
Income before cumulative effect of change in accounting principle			$ 0.14
Cumulative effect of change in accounting principle, net of tax			
NET INCOME PER SHARE BASIC PRO FORMA			$ 0.14
DILUTED			
Income before cumulative effect of change in accounting principle			$ 0.12
Cumulative effect of change in accounting principle			
NET INCOME PER SHARE DILUTED PRO FORMA			$ 0.12

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

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MetroPCS, Inc. and Subsidiaries

Consolidated Statements of Stockholders Equity (Deficit)

(In Thousands, Except Share Information)

	Common Stock						
	Number of Shares	Amount	Additional Paid-In Capital	Subscriptions Receivable	Deferred Compensation	Retained Earnings (Deficit)	Total
BALANCE, December 31, 2000	66,883,200	$ 7	$ 112,732	$ (33)	$ (1,491)	$ (104,224)	$ 6,991
Exercise of Class C Common Stock Options	100,334		236				236
Exercise of Class C Common Stock Warrants	5,103,720	1	16				17
Issuance of contingent Class C Stock Warrants			3,000				3,000
Redemption of Class C Common Stock Warrants			(13,953)				(13,953)
Accrued interest on subscription receivable			3	(3)			
Deferred compensation			2,537		(2,537)		
Amortization of deferred compensation expense					1,455		1,455
Accretion of costs to issue Series D Preferred			(494)				(494)
Accrued dividends on Series D Preferred			(4,963)				(4,963)
Net Loss						(45,180)	(45,180)
BALANCE, December 31, 2001	72,087,254	8	99,114	(36)	(2,573)	(149,404)	(52,891)
Exercise of Class B Common Stock Options	726,850		112	(46)			66
Exercise of Class C Common Stock Options	32,500		76				76
Accrued interest on subscription receivable			4	(4)			
Deferred compensation			776		(776)		
Amortization of deferred compensation expense					1,115		1,115
Accretion of costs to issue Series D Preferred			(473)				(473)
Accrued dividends on Series D Preferred			(10,838)				(10,838)
Net Income						139,067	139,067
BALANCE, December 31, 2002	72,846,604	8	88,771	(86)	(2,234)	(10,337)	76,122
Exercise of Class B Common Stock Options	130,000		15				15
Exercise of Class C Common Stock Options	11,892		28				28
	195,060						

Exercise of Class C Common Stock warrants							
Accrued interest on subscription receivable			6	(6)			
Deferred compensation			3,404		(3,404)		
Forfeitures of stock options			(261)		261		
Amortization of deferred compensation expense					1,148		1,148
Compensation expense			6,231				6,231
Accretion of costs to issue Series D Preferred			(473)				(473)
Accrued dividends on Series D Preferred			(8,813)			(9,936)	(18,749)
Net Income						20,566	20,566
BALANCE, December 31, 2003	73,183,556	$ 8	$ 88,908	$ (92)	$ (4,229)	$ 293	$ 84,888

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

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MetroPCS, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31,		
	2001	**2002**	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (45,180)	$ 139,067	$ 20,566
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Cumulative effect of accounting change			74
Loss (gain) on extinguishment of debt	7,109		(603)
Loss on sale of asset			333
Gain on sale of spectrum		(278,956)	
Depreciation and amortization	208	21,394	41,900
Non-cash interest expense	3,882	3,028	3,090
Bad debt expense		381	991
Equity based compensation expense			6,231
Amortization of deferred compensation	1,455	1,115	1,148
Accretion of asset retirement obligation			50
Deferred rents	949	1,853	1,160
Deferred taxes		10,094	14,022
Costs of abandoned cell sites			824
Changes in assets and liabilities			
Inventory	(6,037)	(7,509)	(7,664)
Accounts receivable		(5,622)	(4,428)
Prepaid expenses	(2,509)	(2,783)	(274)
Deferred charges and other current assets	(126)	(10,514)	(4,263)
Accounts payable, accrued expenses and deferred revenue	7,848	63,929	36,461
Net cash provided by (used in) operating activities	(32,401)	(64,523)	109,618
CASH FLOWS FROM INVESTING ACTIVITIES:			
Collection of notes receivable	15,000		
Purchase of investments	(1,520)	(1,912)	(19,912)
Proceeds from sale of investments		1,297	1,860
Proceeds from sale of Spectrum		286,242	
Proceeds from advance on sale of Spectrum	145,000		
Repayment of advance on sale of Spectrum		(145,000)	
Microwave relocation	(693)	(1,806)	(2,028)
Purchase of other assets		(10)	(35)
Purchase of property and equipment	(133,604)	(212,305)	(117,212)
Proceeds from sale of property and equipment			6
Net cash provided by (used in) investing activities	24,183	(73,494)	(137,321)

CASH FLOWS FROM FINANCING ACTIVITIES:			
Book overdraft	6,660	(2,776)	824
Repayment of notes	(39,446)	(251)	(9,077)
Proceeds from issuance of warrants	16		
Proceeds from sale of Senior Notes, net of underwriter fees			145,500
Payment of debt issuance costs on Senior Notes			(876)
Proceeds from sale of Series D Preferred Stock, net of issuance cost	88,194	159,951	65,537
Proceeds from exercise of stock options and warrants	236	142	43
Repurchase of warrants	(13,952)		
Net cash provided by financing activities	41,708	157,066	201,951
INCREASE IN CASH AND CASH EQUIVALENTS	33,490	19,049	174,248
CASH AND CASH EQUIVALENTS, beginning of period	9,178	42,668	61,717
CASH AND CASH EQUIVALENTS, end of period	$ 42,668	$ 61,717	$ 235,965

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

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MetroPCS, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Organization and Business Operations:

MetroPCS, Inc. (MetroPCS), a Delaware corporation, together with its wholly owned subsidiaries (the Company), is a wireless communications carrier that offers digital wireless service in the metropolitan areas of Atlanta, Miami, San Francisco and Sacramento. The Company initiated the commercial launch of its first market and exited the development stage in January 2002. The year 2003 was the first full year of operations in all four markets. The Company sells products and services to customers through company-owned retail stores as well as through relationships with indirect retailers.

On February 25, 2004, the Company retained underwriters for the purpose of effecting an initial public offering of common stock. In addition, MetroPCS formed a new wholly owned subsidiary named MetroPCS Communications, Inc. MetroPCS plans to merge with a subsidiary of MetroPCS Communications, Inc. pursuant to a transaction that will result in the stock of MetroPCS converting into stock of MetroPCS Communications, Inc., and thus MetroPCS becoming a wholly owned subsidiary of MetroPCS Communications, Inc. The consummation of this merger will be contingent upon the receipt of FCC approval.

Unaudited pro forma stockholders equity at December 31, 2003 gives effect to the conversion of all of our outstanding Class B common stock and Series D preferred stock into Class C common stock, which will occur concurrently with the consummation of this offering, including shares of Class C common stock to be issued in respect of unpaid dividends on the outstanding Series D preferred stock that have accumulated as of December 31, 2003.

2. Summary of Significant Accounting Policies:

Consolidation

The accompanying consolidated financial statements include the accounts of MetroPCS and its wholly owned subsidiaries. All significant intercompany balances and transactions are eliminated.

Operating Segment

The Company has adopted the Financial Accounting Standards Board (the FASB) Statement of Financial Accounting Standards (SFAS) No. 131, Disclosure About Segments of an Enterprise and Related Information, which requires companies to report selected information about products, services, geographical areas and major customers. Operating segments are determined based on the way management organizes its business for making decisions and assessing performance. The Company has concluded its operating segments meet the aggregation criteria of SFAS No. 131 and as such, has one reportable segment.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. The most significant of such estimates include:

- allowance for uncollectible accounts;
- valuation of inventory;
- estimated useful life of assets;
- impairment of long-lived assets and indefinite life assets;

MetroPCS, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

- likelihood of realizing benefits associated with temporary differences giving rise to deferred tax assets;
- reserves for uncertain tax positions;
- estimated customer life in terms of amortization of deferred revenue; and
- valuation of common stock.

Reclassifications

During 2002, the Company adopted SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections as of April 2002. This standard requires the reclassification of all losses on the extinguishment of debt that were presented in prior periods as extraordinary items to components of income or loss from operations when such losses did not satisfy the criteria of Accounting Principles Board (APB) Opinion No. 30.

Certain reclassifications have been made to prior year balances to conform to the current year presentation. These reclassifications had no effect on the results of operations or stockholders equity (deficit) as previously reported.

Cash and Cash Equivalents

The Company includes as cash and cash equivalents (i) cash on hand, (ii) cash in bank accounts, (iii) investments in money market funds and (iv) corporate bonds with an original maturity of three months or less.

Inventory, Net

Inventories are stated at average cost or market, if lower. Inventory consists of handsets and accessories for sale to customers and indirect retailers. At December 31, 2003, the Company recorded a valuation reserve of $1.9 million. No valuation reserve was recorded in prior years.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of indirect retailers to pay for equipment purchases and for amounts estimated to be uncollectible for inter-carrier compensation.

Restricted Cash and Investments

Restricted cash and investments consists of money market instruments and short-term investments. Short-term investments held to maturity are stated at cost plus accrued interest, which approximates market, mature within twelve months and are comprised primarily of federal home loan mortgage notes, all denominated in U.S. dollars. In general, these investments are pledged as collateral against letters of credit used as security for payment obligations. For purposes of the consolidated statement of cash flows, the Company does not consider restricted cash and investments to be cash equivalents.

Long-Term Investments

Long-term investments consist of federal home loan mortgage notes and bonds. Long-term investments held to maturity are stated at cost, which approximates market. Long-term investments mature in October and November 2005.

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MetroPCS, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Property and Equipment, Net

Property and equipment, net, consist of the following:

	December 31,	
	2002	2003
	(in thousands)	
Construction-in-progress	$ 30,602	$ 74,802
Network infrastructure	335,166	455,617
Office equipment	2,918	6,157
Furniture and fixtures	1,248	1,725
Leasehold improvements	5,043	7,925
	374,977	546,226
Accumulated depreciation	(21,617)	(63,261)
Property and equipment, net	$ 353,360	$ 482,965

Property and equipment are stated at cost. Additions and improvements are capitalized, while expenditures that do not enhance or extend the asset s useful life are charged to operating expenses as incurred. When the Company sells, disposes of or retires property and equipment, the related gains or losses are included in operating results. Depreciation is applied using the straight-line method over the estimated useful lives of the assets once the assets are placed in service, which are ten years for network infrastructure assets, three to seven years for office equipment, which includes computer equipment, and three to seven years for furniture and fixtures. Leasehold improvements are amortized over the shorter of the remaining term of the lease or the estimated useful life of the improvement, whichever is shorter. Maintenance and repair costs are charged to expense as incurred. The Company follows the provisions of SFAS No. 34, Capitalization of Interest Cost, with respect to its PCS licenses and the related construction of its network. The Company has not capitalized any interest expense through December 31, 2003.

Revenues and Cost of Revenues

Wireless services are provided on a month-to-month basis and are paid in advance. Revenues from wireless services are recognized as services are rendered. Amounts received in advance are recorded as deferred revenue. Cost of service generally includes direct costs of operating the Company s networks.

In addition, the Company charges a fee for the initial activation of service that is recognized immediately in equipment revenue for all activations beginning on July 1, 2003, as provided by the adoption of the Emerging Issues Task Force (EITF) of the FASB No. 00-21 Accounting for Revenue Arrangements with Multiple Deliverables. See Note 3 for further discussion. Prior to July 1, 2003, activation fees were deferred and amortized over the estimated customer life. On October 1, 2003, the Company changed its estimated customer life from 25 months to 14 months, based on historical disconnect rates, resulting in an increase in activation revenues of $5.1 million in the fourth quarter of 2003 over amounts that would have been recognized using the prior estimated life.

Equipment revenues arise from the sale of handsets and accessories. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Handsets shipped to indirect retailers are recorded as deferred revenue upon shipment by the Company and are recognized as equipment revenues when service is activated by customers.

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MetroPCS, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Sales incentives offered without charge to customers related to the sale of handsets are recognized as a reduction of revenue when the related equipment revenue is recognized. Customers have the right to return handsets within 7 days or 60 minutes of usage, whichever occurs first. The Company records an estimate for returns at the time of recognizing revenue.

Software Costs

In accordance with Statement of Position (SOP) 98-1, Accounting for Costs of Computer Software Developed or Obtained for Internal Use, certain costs related to the purchase of internal-use software are capitalized and amortized over the estimated useful life of the software. In 2002 and 2003, the Company capitalized approximately $0.3 million and $0.5 million, respectively, of purchased software costs under SOP 98-1, that are being amortized over a three-year life. The Company amortized computer software costs of approximately $43,000, $221,000 and $313,000 for the years ended December 31, 2001, 2002 and 2003, respectively. Capitalized software costs are classified as office equipment.

PCS Licenses and Microwave Relocation Costs

The Company acquired licenses from the FCC to operate as a PCS service provider. Additionally, as discussed in Note 8, the Company incurred costs related to microwave relocation in constructing its PCS network. The licenses and microwave relocations are recorded at cost adjusted for impairment. The licenses and microwave locations were not placed into service prior to 2002. Although PCS licenses are issued with a stated term, generally 10 years, the renewal of PCS licenses is generally a routine matter involving a nominal fee 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 licenses. As such, under the provisions of SFAS No. 142, Goodwill and Other Intangible Assets, the Company does not amortize licensing and microwave relocation costs as they are considered to have indefinite lives. On a prospective basis, the Company is required to test indefinite-life intangible assets, consisting of PCS licenses and microwave relocation costs, for impairment on an annual basis based upon a fair value approach. Indefinite-life intangible assets must be tested between annual tests if events or changes in circumstances indicate that the asset might be impaired. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in an entity s market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business, or other factors. The Company completed its impairment tests in the fourth quarter of 2003, and no impairment has been recognized through December 31, 2003.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred. Advertising costs totaled $0.2 million, $13.3 million and $21.9 million during the years ended December 31, 2001, 2002 and 2003, respectively.

Income Taxes

The Company provides income taxes pursuant to SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 uses an asset and liability approach to account for income taxes, wherein deferred taxes are provided for book and tax basis differences for assets and liabilities. In the event differences between the financial reporting basis and the tax basis of the Company s assets and liabilities result in deferred tax assets, an allowance is provided for a portion or all of the deferred tax assets when there is sufficient uncertainty regarding the Company s ability to recognize the benefits of the assets in future years.

The Company establishes reserves when, despite the belief that the Company s tax return positions are fully supportable, the Company believes that certain positions it has taken might be challenged and ultimately might

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not be sustained. The Company adjusts these reserves in light of changing facts and circumstances. The Company s effective tax rate includes the impact of reserve positions and changes to reserves that the Company considers appropriate. A number of years may elapse before a particular matter, for which the Company has established a reserve, is finally resolved. Unfavorable settlement of any particular issue would require the use of cash. Favorable resolution would be recognized as a reduction to the effective rate in the year of resolution. The tax reserves are presented on the balance sheet in other long term liabilities. See Note 13.

Earnings per Share

Basic earnings per share (EPS) are based upon the weighted average number of common shares outstanding for the period. Diluted net income (loss) per share is computed in the same manner as basic net income (loss) after assuming issuance of common stock for all potentially dilutive equivalent shares, whether exercisable or not.

The Series D Preferred Stock is a participating security, such that in the event a dividend is declared or paid on the common stock, the Company must simultaneously declare and pay a dividend on the Series D Preferred Stock as if the Series D Preferred Stock had been converted into common stock. The EITF s Topic D-95, Effect of Participating Convertible Securities on the Computation of Basic Earnings per Share, requires that the Preferred Stock be included in the computation of basic earnings per share if the effect of inclusion is dilutive. The Company s accounting policy requires the use of the two-class method for its participating securities for earnings per share calculations. The Series D Preferred Stock is considered in the calculation of diluted earnings per share under the if-converted method, if dilutive.

Stock Based Compensation

The Company follows the disclosure requirements of SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, which amends the disclosure requirements of SFAS No. 123, Accounting for Stock-Based Compensation to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

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As permitted by SFAS No. 123, Accounting for Stock-Based Compensation, the Company measures compensation expense for its stock-based employee compensation plans, described further in Note 11, using the intrinsic value method prescribed by the APB Opinion No. 25, Accounting for Stock Issued to Employees. The Company has adopted the disclosure-only provisions of SFAS No. 123. The following table illustrates the effect on net income (loss) available to common stockholders and earnings if the Company had elected to recognize compensation costs based on the fair value at the date of grant for the Company s common stock awards consistent with the provisions of SFAS No. 123 (see Note 11 for assumptions used in the fair value method):

	2001	2002	2003
		(in thousands)	
Net income (loss) applicable to common stock As reported	$ (50,143)	$ 128,229	$ 1,817
Add: Amortization of deferred compensation determined under the intrinsic method for employee stock awards, net of tax	880	675	4,465
Less: Total stock-based employee compensation expense determined under the fair value method for employee stock awards, net of tax	(2,016)	(2,419)	(5,632)
Net income (loss) applicable to common stock Pro forma	$ (51,279)	$ 126,485	$ 650
Basic net income (loss) per share As reported	$ (0.72)	$ 1.13	$ 0.01
Basic net income (loss) per share Pro forma	$ (0.74)	$ 1.12	$ 0.00
Diluted net income (loss) per share As reported	$ (0.72)	$ 0.85	$ 0.01
Diluted net income (loss) per share Pro forma	$ (0.74)	$ 0.85	$ 0.00

The pro forma amounts presented above may not be representative of the future effects on reported net income (loss) and net income (loss) per share, since the pro forma compensation expense is allocated over the periods in which options become exercisable, and new option awards may be granted each year.

Asset Retirement Obligations

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This statement provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company adopted SFAS No. 143 on January 1, 2003.

The Company is subject to asset retirement obligations associated with its cell site operating leases, which are subject to the provisions of SFAS No. 143. Cell site lease agreements may contain clauses requiring restoration of the leased site at the end of the lease term, creating an asset retirement obligation. This liability is classified under other long-term liabilities. Landlords may choose not to exercise these rights as cell sites are considered useful improvements. In addition to cell site operating leases, the Company has leases related to switch site, retail, and administrative locations subject to the provisions of SFAS No. 143.

The adoption of SFAS No. 143 resulted in a January 1, 2003 adjustment to record a $0.7 million increase in the carrying values of property and equipment with a corresponding increase in other long-term liabilities. In addition, $0.1 million of accretion, before taxes, was recorded to increase the liability to $0.8 million at adoption.

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The net effect was to record a loss of $74,000 as a cumulative effect adjustment resulting from a change in accounting principle in the Company s consolidated statements of operations upon adoption on January 1, 2003.

The following pro forma data summarizes the Company s net income as if the Company had adopted the provisions of SFAS No. 143 on January 1, 2001, including an associated pro forma asset retirement obligation on that date of $0.4 million:

	December 31,		
	2001	2002	2003
		(in thousands)	
Net income, as reported	$ (45,180)	$ 139,067	$ 20,566
Pro forma adjustments to reflect retroactive adoption of SFAS No. 143		(20)	74
Pro forma adjustments to reflect accretion expense	(16)	(45)	
Pro forma adjustments to reflect depreciation expense	(4)	(10)	
Pro forma net income	(45,200)	$ 138,992	$ 20,640

The following table summarizes the Company s asset retirement obligation transactions recorded in accordance with the provisions of SFAS No. 143:

	Pro Forma December 31, 2002	December 31, 2003
	(in thousands)	
Beginning asset retirement obligations	$ 401	$ 701
Cumulative effect of accounting change, before taxes		100
Liabilities incurred	225	
Accretion/depreciation expense	75	50
Ending asset retirement obligations	$ 701	$ 851

3. Effects of Recent Accounting Pronouncements:

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. The Company adopted the provisions of this statement on January 1, 2003. See Note 2 for further details.

In November 2002, the EITF of the FASB reached consensus on EITF No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. This consensus requires that revenue arrangements with multiple deliverables be divided into separate units of accounting if the deliverables in the arrangement meet specific criteria. In addition, arrangement consideration must be allocated among the separate units of accounting based on their relative fair values, with certain limitations. The sale of wireless service with an accompanying handset constitutes a revenue arrangement with multiple deliverables. The Company adopted the provisions of this consensus for revenue arrangements entered into beginning after July 1, 2003. The Company has elected to apply the accounting provisions of this EITF on a prospective basis beginning July 1, 2003. The Company allocates amounts charged to customers between the sale of handsets and the sale of wireless telecommunication services on a relative fair value basis. In most cases, this results in all amounts collected from the customer upon activation of the handset being allocated to the sale of the handset. As a result of this treatment, activation fees included in the consideration at the time of sale are recorded as handset revenue. Prior to the adoption of EITF 00-21, the Company had deferred activation fee revenue and amortized these revenues over the average life of the Company s subscribers. The existing deferred revenue of $13.5 million at July 1, 2003 continues to be amortized over the remaining life of the customer.

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4. PCS Licenses:

PCS licenses represent the 14 C-Block PCS licenses acquired by the Company in the FCC auction in May 1996.

The grant of the licenses by the FCC subjects the Company to certain FCC ownership restrictions. Should the Company fail to qualify under such ownership restrictions, the PCS licenses may be subject to FCC revocation provisions. Management believes that the Company currently complies and will continue to comply with such restrictions. All licenses granted will expire ten years from the date of grant; however, FCC rules provide for renewal provisions. Such renewals are granted routinely without substantial cost.

In February 2002, the Company consummated the sale of 10 MHz of a single 30 MHz PCS license for cash consideration of $286.2 million, $145.0 million of which was paid in advance of the sale in 2001, plus the assumption by the purchaser of $3.8 million in FCC debt resulting in a gain of $279.0 million and in the reduction of the PCS license carrying value at December 31, 2002.

5. Accounts Payable and Accrued Expenses:

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

	December 31,	
	2002	**2003**
Accounts payable	$ 18,552	$ 48,492
Book overdraft	3,884	4,708
Accrued property and equipment	28,953	47,121
Accrued liabilities	2,905	35,428
Payroll and employee benefits	4,313	5,446
Accrued interest	647	4,847
Taxes, other than income	20,759	6,277
Taxes payable	8,993	304
Other	823	1,065
Accounts payable and accrued expenses	$ 89,829	$ 153,688

6. Long-Term Debt:

Long-term debt consisted of the following at December 31 (in thousands):

	2002	2003
FCC notes	$ 56,242	$ 46,771
Senior Notes		150,000
Microwave clearing obligations	2,397	3,817
Total face-value debt	58,639	200,588
Less Original issue discount	(7,789)	(4,793)
Total debt	50,850	195,795
Less Current maturities	(9,499)	(13,362)
Total long-term debt	$ 41,351	$ 182,433

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Maturities of the principal amount of long-term debt at face value are as follows (in thousands):

For the Year Ending December 31,	
2004	$ 13,362
2005	14,252
2006	15,201
2007	3,956
2008	296
Thereafter	153,521
Total	$ 200,588

The FCC Notes mature in January 2007, bear 6.5% interest per annum and provide for quarterly payments of interest only until April 2003 and principal and interest thereafter until maturity. The FCC notes are secured by a first priority interest in the PCS licenses.

Based on an estimated fair market borrowing rate of 14% at time of issuance, the FCC notes are recorded on the Company s financial statements at December 31, 2002 and 2003, at the discounted value of $48.5 million and $42.0 million, respectively. The discount of $7.8 million and $4.8 million at December 31, 2002 and 2003, respectively, is amortized using the effective interest method over the term of the debt. Amortization of the original issue discount resulted in additional interest expense of $2.7 million, $3.0 million and $3.0 million for the years ended December 31, 2001, 2002 and 2003, respectively. In February, 2002, $3.8 million in face value of FCC notes were assumed by the purchaser of 10 MHz of spectrum of a single 30 MHz license.

In the event that the Company becomes unable to meet its obligations under an individual FCC note or otherwise violates regulations applicable to holders of PCS licenses, the FCC could take a variety of actions, including requiring immediate repayment of amounts due under that individual FCC note, the revocation of the PCS license related to that FCC note, and fining the Company an amount equal to the difference between the price at which the Company acquired the license and the amount of the winning bid at a subsequent auction of that license, plus an additional penalty of 3% of the lesser of the subsequent winning bid and the Company s bid amount. The Company is current with its obligations under these notes.

As provided by FCC regulations, and further discussed in Note 8, the Company has opted to make payments on the installment method to the various carriers to whom it owes a microwave cost sharing liability. The Company has remitted a 10% down payment upon presentation of the supported costs by the carrier and makes payments to the carriers for the same terms as the FCC notes which mature in 10 years from inception.

In October 1998, the Company sold $30.0 million of Senior Notes due October 2006 to Lucent (the Lucent Senior Notes) and warrants to purchase $6.0 million of Class C Common Stock (the Warrants), which were exercisable upon grant. In addition, the Company issued contingent warrants (the Contingent Warrants) to purchase $3.0 million of Class C Common Stock, which were contingent upon the Company not repaying the Lucent Senior Notes before February 2001. The Contingent Warrants to purchase $3.0 million of Class C Common Stock became exercisable in February 2001, and were recorded as additional $3.0 million in original issue discount. During 2000, Lucent and the Company amended the Lucent Senior Notes and increased the amount outstanding by $3.6 million for interest payments that were deferred. The Lucent Senior Notes were recorded on the Company s financial statements at December 31, 2000 at the accreted value of $34.5 million. The original issue discount of $1.3 million at December 31, 2000 was amortized using an effective interest rate of 16.85%, which resulted in additional interest expense of $0.6 million during 2001. The Lucent Senior Notes bore interest at a variable rate equal to either (a) LIBOR plus an applicable margin or (b) a base rate (defined as

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the higher of the prime rate or the federal funds rate plus 0.5%) plus an applicable margin, which was payable quarterly, and was secured by substantially all assets of the Company. The weighted average interest in effect for the period ended December 31, 2001 with respect to the Lucent Senior Notes was 9.73%.

In October 1998, the Company entered into an Unsecured Creditors Credit Agreement with Lucent to fund up to $18 million of the unsecured creditors fund, as defined, in the Company s plan of reorganization under the United States Bankruptcy Code. The Unsecured Creditors Credit Agreement provided for payment of fees for the undrawn amount of the commitment and for interest to be paid quarterly on amounts funded under the agreement at a rate which is the greater of (a) the prime rate in effect on any day or (b) the federal funds effective rate plus one-half of 1%, plus an applicable margin which escalated quarterly. As part of the Unsecured Creditors Credit Agreement, the Company issued warrants to purchase 1,371,180 shares of Class C Common Stock at an exercise price of approximately $0.02 per share. Lucent was entitled to exercise these warrants at any time prior to October 8, 2008. The fair value of these warrants at the time of issuance, $2.3 million, and an initial commitment fee of $0.7 million was recorded as debt issuance cost and was amortized over the term of the Unsecured Creditors Credit Agreement. In February 2001, the Unsecured Creditors Credit Agreement was terminated by the Company and the remaining debt issuance cost was expensed because such cost had no future benefit.

In September 2001, the Company paid Lucent $13.9 million to settle the Warrants, Contingent Warrants and the 1,371,180 warrants associated with the Unsecured Creditors Credit Agreement and $39.8 million to settle the Lucent Senior Notes and other liabilities. See Note 10 for further discussion.

On September 29, 2003, the Company completed the sale of $150.0 million of 10¾% Senior Notes due 2011 (the Senior Notes). The Senior Notes are guaranteed on a senior unsecured basis by all of the Company s current and future domestic restricted subsidiaries, other than certain immaterial subsidiaries. The Company has no independent assets or operations. The guarantees are full and unconditional and joint and several, and currently there are no subsidiaries of the Company other than the subsidiary guarantors. The Senior Notes rank equally in right of payment with all of the Company s future senior unsecured indebtedness, and rank senior to all of the Company s future subordinated indebtedness. The Senior Notes are effectively subordinated, however, to the Company s existing and future secured indebtedness to the extent of the collateral securing such indebtedness. The Company may redeem some or all of the Senior Notes at any time on or after October 1, 2007, beginning at 105.375% of principal amount, plus accrued and unpaid interest, decreasing to 100% of principal amount, plus accrued and unpaid interest on October 1, 2009. In addition, prior to October 1, 2006, the Company may redeem up to 35% of the Senior Notes with the net proceeds of equity sales at 110.75% of principal amount, plus accrued and unpaid interest; provided that the redemption occurs within 90 days of the closing of such offering. The indenture also contains repurchase provisions related to asset sales and changes in control. Additionally, the indenture, among other things, restricts the ability of MetroPCS, Inc. and its restricted subsidiaries under certain conditions to:

incur additional indebtedness and, in the case of our restricted subsidiaries, issue preferred stock;

create liens on their assets;

pay dividends or make other restricted payments;

make investments;

enter into transactions with affiliates;

sell or make dispositions of assets;

place restrictions on the ability of subsidiaries to pay dividends or make other payments to MetroPCS, Inc.;

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- engage in certain business activities; and
- merge or consolidate.

The net proceeds of the offering were approximately $144.5 million after estimated underwriter fees and other debt issuance costs of $5.5 million which have been recorded in long-term other assets and are being amortized over the life of the debt. Of such costs, $0.1 million is included in accounts payable and accrued expenses. The net proceeds will be used to further deploy the Company s network and related infrastructure, as well as for general corporate purposes. The Company is subject to certain covenants set forth in the indenture governing the Senior Notes. The Company was in compliance with these covenants at December 31, 2003.

The carrying amount of the Company s debt approximates fair value at December 31, 2002 and 2003 based on the Company s estimate of interest rates that would be obtained for new debt with similar terms.

7. Concentrations:

The Company purchases a substantial portion of its wireless infrastructure equipment and handset equipment from only a few major suppliers. Further, the Company relies on one key vendor in each of the following areas: billing services, customer care, handset logistics and payroll processing. Loss of any of these suppliers could adversely affect operations temporarily until a comparable substitute could be found.

Local and long-distance telephone and other companies provide certain communication services to the Company. Disruption of these services could adversely affect operations in the short term until an alternative telecommunication provider was found.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the diversity of the Company s indirect retailer base.

8. Commitments and Contingencies:

Until April 2005, the Company may be required to share radio frequency spectrum with existing fixed microwave licensees operating on the same spectrum as the Company s. To the extent that the Company s PCS operations interfere with those of existing microwave licensees, the Company will be required to pay for the relocation of the existing microwave station paths to alternate spectrum locations or transmission technologies. The FCC adopted a transition plan to move those microwave users to different locations on the spectrum. The FCC also adopted a cost sharing plan, so that if the relocation of a microwave user benefits more than one PCS licensee, all benefiting PCS licensees are required to share the relocation costs. After the expiration of the FCC-mandated transition and cost sharing plans in April 2005, any remaining microwave user operating in the PCS spectrum must relocate if it interferes with a PCS licensee s operations, and it will be responsible for its own relocation costs. The Company does not believe the costs to relocate existing microwave station paths to alternate spectrum locations or transmission technologies will be material to the Company s financial position or results of operations.

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The Company has entered into non-cancelable operating lease agreements to lease facilities, certain equipment and sites for towers and antennas required for the operation of its wireless networks. Future minimum rental payments required for all non-cancelable operating leases at December 31, 2003 are as follows (in thousands):

Year Ending December 31:	
2004	$ 29,337
2005	29,710
2006	28,510
2007	21,033
2008	18,050
Thereafter	46,245
Total	$ 172,885

Total rent expense for the years ended December 31, 2001, 2002 and 2003 was $6.4 million, $22.8 million and $27.6 million, respectively.

In May 2001, the Company entered into a purchase commitment with Lucent for the purchase of personal communication services systems totaling $161.0 million: $86.9 million, $46.1 million and $28.0 million to be purchased for the years ended December 31, 2001, 2002 and 2003, respectively. At December 31, 2003, the Company had no outstanding commitments on this agreement.

The Company entered into non-cancelable purchase agreements with a vendor for the acquisition of expansion carriers installed in base stations which are recorded in property and equipment upon shipment. Under these agreements, the Company agrees to pay for the base stations upon shipment, and the expansion carriers at the earlier of the date the carrier is turned on or twelve months from the shipment date of the base station for the first expansion carrier, and the earlier of the date the carrier is turned on or twenty-four months from the shipment date of the base station for the second expansion carrier. Outstanding obligations under these purchase agreements were $9.2 million and $22.1 million at December 31, 2002 and 2003, respectively. Of these amounts, $9.2 million and $13.6 million were included in accounts payable at December 31, 2002 and 2003, respectively, and $8.5 million was included in other long-term liabilities at December 31, 2003.

Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. The ultimate disposition of these matters is not expected to have a material adverse impact on the Company s financial position, results of operations or liquidity.

9. Series D Cumulative Convertible Redeemable Participating Preferred Stock:

In July 2000, the Company executed a Securities Purchase Agreement, which was subsequently amended (as amended, the SPA). Under the SPA, the Company sold Series D Cumulative Convertible Redeemable Participating Preferred Stock (Series D Preferred Stock). In January 2001, the Company finalized $350.0 million in commitments to purchase Series D Preferred Stock. Of this commitment, net proceeds of $88.2 and $160.0 were received in 2001 and 2002, respectively. In 2003, the Company called the remaining commitments for the Series D Preferred Stock for proceeds of approximately $65.5 million. Additionally, all principal and accrued interest totaling $5.1 million on the Company s 2002 Subordinated Convertible Notes were converted into Series D Preferred Stock. Dividends accrue at an annual rate of 6% of the liquidation value of $100 per share on the Series D Preferred Stock. Dividends of $5.0 million, $10.8 million and $18.7 million were accrued for the years ended December 31, 2001, 2002 and 2003, respectively, and are included in the Series D Preferred Stock balance.

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Each share of Series D Preferred Stock is converted into Class C Common Stock upon the event of (i) the completion of a qualified public offering, as defined in the agreement, (ii) the Company s Class C Common Stock trades on a national securities exchange for a period of 30 consecutive trading dates above a price that implies a market valuation of the Series D Preferred Stock in excess of twice the initial purchase price of the Series D Preferred Stock, or (iii) 66 $^{2}/_{3}$% of holders of the Series D Preferred Stock provide written notice to the Company stating the Series D Preferred Stock is to be converted into Class C Common Stock. The Series D Preferred Stock and the accrued but unpaid dividends thereon are convertible into Class C Common Stock at $4.70 per share of Class C Common Stock, which per share amount is subject to adjustment in accordance with the terms of the certificate of designations relating to the Series D Preferred Stock. If not previously converted, the Company is required to redeem all outstanding shares of Series D Preferred Stock on July 17, 2015, at the liquidation preference plus accrued but unpaid dividends.

The holders of Series D Preferred Stock, as a class with the holders of the Class C Common Stock, have the right to vote on all matters as if each share of Series D Preferred Stock had been converted into Class C Common Stock, except for the election of directors. See Note 10. The holders of Series D Preferred Stock, as a class, can nominate one member of the Board of Directors. Each share of Series D Preferred Stock is entitled to a liquidation preference equal to the sum of:

- the per share liquidation value, plus
- the greater of:
  - the amount of all accrued and unpaid dividends and distributions on such share, and
  - the amount that would have been paid in respect of such share had it been converted into Class C Common Stock immediately prior to the event that triggered payment of the liquidation preference.

The SPA defines a number of events of noncompliance. Upon an occurrence of an event of noncompliance, the holders of not less than 66 $^{2}/_{3}$% of the then outstanding shares of Series D Preferred Stock can request the Company to redeem the outstanding shares at an amount equal to the liquidation preference plus accrued but unpaid dividends. The Company was in compliance at December 31, 2003.

10. Capitalization:

Conversion of Debt

From inception through February 1998, the Company issued various warrants in conjunction with sales of stock and in exchange for consulting services. As of December 31, 2003, the total number of warrants outstanding, and the exercise prices related thereto, are as follows:

Price	Issued	Outstanding
Warrants for Class B Shares		
$0.0002	528,000	528,000
$0.0167	102,000	102,000
Total Warrants for Class B Shares	630,000	630,000
Warrants for Class C Shares		
$0.0002	27,286,766	12,564,090
$0.0167	7,791,840	1,828,080
$1.6667	414,000	414,000
Total Warrants for Class C Shares	35,492,606	14,806,170
Total Warrants	36,122,606	15,436,170

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In September 2001, the Company executed a Termination and Release Agreement with Lucent whereby all amounts owed under the Lucent Senior Notes including interest, costs of counsel and indemnity amounts together with $6.0 million aggregate denomination of Class C Common Stock Warrants and $3.0 million aggregate denomination of Class C Common Stock Contingent Warrants issued pursuant to the Lucent Senior Notes and 1,371,180 Class C Common Stock Warrants issued pursuant to the Unsecured Creditors Credit Agreement were fully settled and terminated for cash consideration of $53.7 million. Approximately $39.8 million was allocated to the retirement of the Lucent Senior Notes resulting in a loss on the early extinguishment of debt of $7.1 million. The remaining $13.9 million was allocated to the repurchase of the warrants resulting in a reduction of paid-in capital.

Redemption

If, at any time, ownership of shares of Class C Common Stock by a holder would cause the Company to violate any FCC ownership requirements or restrictions, the Company may, at the option of the Board of Directors, redeem a number of shares of Class C Common Stock sufficient to eliminate such violation.

Conversion Rights

Each share of Class A and B Common Stock shall automatically be converted into one share of Class C Common Stock in January 2007 or such earlier date as may be determined by the Board of Directors. The Board of Directors may approve the conversion of shares of Class B Common Stock into shares of Class C Common Stock at any time following the consummation of an initial public offering of the Company s capital stock.

Voting Rights

The holders of Class A Common Stock, as a class, have the right to (i) vote 50.1% of the Company s voting interests on all matters and (ii) elect four (of seven) members of the Board of Directors. The holders of Class B Common Stock, as a class, have no voting rights. The holders of Class C Common Stock, as a class with the holders of Series D Preferred Stock, have the right to (i) vote 49.9% of the Company s voting interests on all matters and (ii) elect the remaining number of members of the Board of Directors (collectively, three of seven) as are from time-to-time set forth in the Company s bylaws.

11. Stock Option Plan:

The Company has a stock option plan (the Option Plan) under which it grants options to purchase Class B and Class C Common Stock. As of December 31, 2002 and 2003, the maximum number of shares reserved for the Option Plan was 24,643,000 shares. The Option Plan is administered by the Board of Directors. Vesting periods and terms for stock option grants are determined by the plan administrator. No option granted shall have a term in excess of fifteen years. Options granted during 2001, 2002 and 2003 have a vesting period of three to four years.

Options granted under the Option Plan are exercisable upon grant. Shares received upon exercising options are restricted from sale based on a vesting schedule. In the event an option holder s service with the Company is terminated, the Company may repurchase unvested shares issued under the Option Plan at the option exercise price.

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MetroPCS, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Generally, the value of the options is determined by using a Black-Scholes pricing model that includes the following variables: 1) exercise price of the instrument, 2) fair market value of the underlying stock on date of grant, 3) expected life, 4) estimated volatility and 5) the risk-free interest rate. The Company utilized the following weighted-average assumptions in estimating the fair value of the options grants in 2001, 2002 and 2003:

	2001	2002	2003
Expected dividends	0.00%	0.00%	0.00%
Expected volatility	43.63%	60.67%	68.01%
Risk-free interest rate	4.60%	4.08%	2.82%
Expected lives in years	5.00	5.00	5.00
Weighted-average fair value of options:			
Granted at below market price	$ 1.47	$ 1.73	$ 2.76
Weighted-average exercise price of options:			
Granted at below market price	$ 2.35	$ 2.35	$ 2.35

The Black-Scholes model was not developed for use in valuing employee stock options, but was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, it requires the use of subjective assumptions including expectations of future dividends and stock price volatility. Such assumptions are only used for making the required fair value estimate and should not be considered as indicators of future dividend policy or stock price appreciation. Because changes in the subjective assumptions can materially affect the fair value estimate, and because employee stock options have characteristics significantly different from those of traded options, the use of the Black-Scholes option pricing model may not provide a reliable estimate of the fair value of employee stock options.

A summary of the status of the Company s Option Plan as of December 31, 2001, 2002 and 2003, and changes during the periods then ended, is presented in the table below:

	2001		2002		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	15,538,980	$ 0.51	18,873,913	$ 0.64	19,113,663	$ 0.78
Granted	3,816,133	2.35	1,551,950	2.35	2,026,850	2.35
Exercised	(100,334)	2.35	(759,350)	0.25	(141,892)	0.30
Forfeited	(380,866)	2.35	(552,850)	1.24	(306,874)	2.35

Outstanding and exercisable, end of year	18,873,913	0.64	19,113,663	0.78	20,691,747	0.91
Options vested at year-end	12,497,739		14,939,324		16,551,391	

The following table summarizes information about stock options outstanding at December 31, 2003:

	Options Outstanding			Options Vested	
Exercise Price	**Number of Shares**	**Weighted Average Contractual Life**	**Weighted Average Exercise Price**	**Number of Shares**	**Weighted Average Exercise Price**
$0.12	12,687,380	8.2	$ 0.12	12,687,380	$ 0.12
$0.50	798,000	11.5	$ 0.50	681,625	$ 0.50
$2.35	7,206,367	8.2	$ 2.35	3,182,386	$ 2.35

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Notes to Consolidated Financial Statements (Continued)

During 2002, 759,350 options granted under the Option Plan were exercised for 726,850 shares of Class B Common Stock and 32,500 shares of Class C Common Stock for an aggregate of approximately $188,000. During 2003, 141,892 options granted under the Option Plan were exercised for 130,000 shares of Class B Common Stock and 11,892 shares of Class C Common Stock for total proceeds of approximately $43,000.

As of December 31, 2001, 2002, and 2003, options outstanding under the Option Plan have a weighted average remaining contractual life of 10.3, 9.1 and 8.3 years, respectively.

During 2001, 2002 and 2003, the Company recorded deferred compensation of $2.5 million, $0.8 million and $3.4 million, representing the difference between the estimated fair value of the stock and the option exercise price at the date of grant. The deferred compensation is amortized over the vesting period. The Company recognized amortization of deferred compensation of $1.5 million, $1.1 million and $1.1 million in 2001, 2002 and 2003, respectively. In addition, the Company has approximately 1.7 million stock options outstanding that are required to be marked-to-market under variable accounting. The Company recognized additional compensation expense of $6.2 million related to these options in 2003 to reflect an increase in the estimated value of the Company s common stock.

12. Employee Benefit Plan:

The Company sponsors a savings plan under Section 401(k) of the Internal Revenue Code for the majority of its employees. The plan allows employees to contribute a portion of their pretax income in accordance with specified guidelines. The Company does not match employee contributions but may make discretionary or profit-sharing contributions. The Company has made no contributions to the savings plan through December 31, 2003.

13. Income Taxes:

The provision for taxes on income consists of the following (in thousands):

	2001	2002	2003
Current:			
Federal	$	$ 7,186	$ 1,087

State		1,807	556
		8,993	1,643
Deferred:			
Federal		8,325	12,424
State		1,769	1,598
		10,094	14,022
Provision for income taxes	$	$ 19,087	$ 15,665

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Notes to Consolidated Financial Statements (Continued)

Deferred taxes are provided for those items reported in different periods for income tax and financial reporting purposes. The Company s significant deferred tax assets and liabilities and the changes in those assets and liabilities were as follows (in thousands):

	2002	Change	2003
Start-up costs capitalized for tax purposes	$ 7,434	$ (2,534)	$ 4,900
Net operating loss carry forward		30,126	30,126
Net basis difference in PCS licenses	14,884	(3,606)	11,278
Revenue deferred for book purposes	6,426	(2,495)	3,931
Accrued interest expense	3,548	(3,548)	
Allowance for doubtful accounts	2,786	(1,368)	1,418
Deferred rent expense	1,107	458	1,565
Deferred compensation	1,005	2,872	3,877
Accrued property tax	900	(635)	265
Inventory		840	840
Accrued vacation	437	(24)	413
Depreciation	(42,184)	(35,915)	(78,099)
Deferred cost of handset sales	(3,125)	558	(2,567)
Amortization of original issue discount	(3,077)	1,184	(1,893)
Other	(235)	65	(170)
Valuation allowance			
	$ (10,094)	$ (14,022)	$ (24,116)

At December 31, 2001, the Company had approximately $45 million of net operating loss carryforwards for federal income tax purposes. In connection with the gain on sale of spectrum (see Note 4) the Company fully utilized the net operating loss carryforward in 2002. During 2003, the Company generated approximately $76.8 million of net operating loss for federal income tax purposes, of which $15.3 million will be carried back to 2002 and the remaining amount of $61.5 million will be available for carryforward to offset future income. In addition, the Company has approximately $162 million of net operating loss carryforwards for state income tax purposes. The federal net operating loss will expire in 2023. The state net operating losses will begin to expire in 2013. The Company has been able to take advantage of additional depreciation available under federal tax law in 2002 and 2003 for federal income tax purposes, therefore creating a significant deferred tax liability. The reversal of the timing differences which gave rise to the deferred tax liability will allow the Company to benefit from the deferred tax assets. As such, the valuation allowance was released in 2002.

A reconciliation of income taxes computed at the United States federal statutory income tax rate (35%) to the provision for income taxes reflected in the consolidated statements of operations for the years ended December 31, 2001, 2002 and 2003 is as follows (in thousands):

	2001	2002	2003
U.S. Federal income tax (benefit) provision at statutory rate	$ (15,813)	$ 55,354	$ 12,681
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal income tax impact	(2,033)	7,117	1,630
Change in valuation allowance	16,128	(43,209)	
Resolution of federal income tax audit			647
Other	1,718	(175)	707
Provision for income taxes	$	$ 19,087	$ 15,665

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Notes to Consolidated Financial Statements (Continued)

14. Net Income (Loss) Per Common Share:

	2001	2002	2003
	(In Thousands, except Share Information)		
Basic EPS Two-Class Method:			
Net income (loss) before cumulative effect of change in accounting principle	$ (45,180)	$ 139,067	$ 20,640
Accrued dividends on Series D Preferred Stock	(4,963)	(10,838)	(18,749)
Net income (loss) attributable to Common Stockholders before cumulative effect of change in accounting principle	$ (50,143)	$ 128,229	$ 1,891
Amount allocable to Common Stockholders	100%	64%	50%
Rights to undistributed earnings (losses)	$ (50,143)	$ 82,067	$ 946
Weighted average common shares outstanding	69,805,472	72,495,481	72,866,107
Basic EPS before cumulative effect of change in accounting principle	$ (0.72)	$ 1.13	$ 0.01
Cumulative effect of change in accounting principle			(74)
Amount allocable to Common Stockholders	100%	64%	50%
Rights to undistributed earnings (losses)	$	$	$ (37)
Weighted average common shares outstanding	69,805,472	72,495,481	72,866,107
Cumulative effect of change in accounting principle	$	$	$ 0.00
Net income attributable to Common Stockholders	$ (50,143)	$ 128,229	$ 1,817
Amount allocable to Common Stockholders	100%	64%	50%
Rights to undistributed earnings (losses)	$ (50,143)	$ 82,067	$ 909
Weighted average common shares outstanding	69,805,472	72,495,481	72,866,107
Basic EPS	$ (0.72)	$ 1.13	$ 0.01
Diluted EPS:			
Net income (loss) before cumulative effect of change in accounting principle allocable to Common Stockholders	$ (50,143)	$ 82,067	$ 946
Cumulative effect of change in accounting principle, allocable to Common Stockholders			(37)
Net income (loss), allocable to Common Stockholders	$ (50,143)	$ 82,067	$ 909
Weighted average common shares outstanding	69,805,472	72,495,481	72,866,107
Dilutive effect of stock options and warrants		23,513,208	25,642,822

Weighted average common stock and common stock equivalents outstanding		69,805,472		96,008,689		98,508,929
Diluted EPS before cumulative effect of change in accounting principle	$	(0.72)	$	0.85	$	0.01
Cumulative effect of change in accounting principle						0.00
Diluted EPS	$	(0.72)	$	0.85	$	0.01

At December 31, 2001, 2002 and 2003, 18.4 million, 41.2 million and 72.9 million of convertible shares of Series D preferred stock, respectively, were excluded from the calculation of diluted earnings per share since the effect was anti-dilutive.

At December 31, 2001, 18.2 million of warrants to purchase common stock were excluded from the calculation of diluted earnings per share since the effect was anti-dilutive.

At December 31, 2001, 7.6 million of options to purchase common stock were excluded from the calculation of diluted earnings per share since the effect was anti-dilutive.

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Notes to Consolidated Financial Statements (Continued)

Pro forma net income per share, presented below, gives effect to the conversion of all outstanding shares of Series D Preferred Stock and accrued, but unpaid dividends, as well as Class B common stock, in connection with the proposed initial public offering and the formation of our holding company, MetroPCS Communications, Inc. See Note 1. As a result of the conversion of the Series D Preferred Stock, pro forma earnings per share is not calculated using the two-class method, as presented above.

	Year Ended December 31, 2003
Net income before cumulative effect of change in accounting principle	$ 20,640
Cumulative effect of change in accounting principle	(74)
Net income	$ 20,566
Basic Earnings Per Share Pro Forma	
Net income before cumulative effect of change in accounting principle	$ 0.14
Cumulative effect of change in accounting principle	0.00
Net income per share basic	$ 0.14
Diluted Earnings Per Share Pro Forma	
Net income before cumulative effect of change in principle	$ 0.12
Cumulative effect of change in accounting principle	0.00
Net income per share diluted	$ 0.12
Shares used in computing pro forma basic net income per share	145,799,580
Shares used in computing pro forma diluted net income per share	171,442,402

15. Supplemental Cash Flow Information:

	Year Ended December 31,		
	2001	2002	2003
		(in thousands)	
Cash paid for interest	$ 9,742	$ 3,805	$ 3,596

Cash paid for income taxes	21

Non-cash investing and financing activities:

The Company accrued dividends of $5.0 million, $10.8 million and $18.7 million related to the Series D Preferred Stock for the years ended December 31, 2001, 2002 and 2003, respectively.

The Company accrued $36.0 million, $29.0 million and $55.6 million of plant and equipment at December 31, 2001, 2002 and 2003, respectively.

The Company accrued $0, $2.8 million and $1.0 million of microwave relocation costs at December 31, 2001, 2002 and 2003, respectively.

In 2002, the Company sold 10 MHz of spectrum in which $3.8 million of face value FCC debt was assumed by the purchaser (see Note 4).

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16. Quarterly Results of Operations (Unaudited)

The following table summarizes the Company s quarterly financial data for the two years ended December 31, 2002 and 2003, respectively (in thousands):

2002	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	$ 5,737	$ 22,421	$ 36,994	$ 60,443
Income/(loss) from operations	243,832	(32,140)	(25,214)	(22,483)
Net income (loss)	190,434	(20,334)	(16,205)	(14,828)
Basic earnings (loss) per share	1.88	(0.31)	(0.26)	(0.26)
Diluted earnings (loss) per share	1.43	(0.31)	(0.26)	(0.26)

2003	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	$ 99,398	$ 107,650	$ 116,852	$ 135,582
Income from operations	1,811	19,088	15,593	9,403
Income before cumulative effect of change in accounting principle	83	10,693	8,514	1,350
Net income	9	10,693	8,514	1,350
Net income (loss) allocable to Common Stockholders	(4,259)	3,158	1,840	(3,762)
Net income (loss) per share				
Basic				
Income before cumulative effect of change in accounting principle	(0.06)	0.04	0.03	(0.05)
Cumulative effect of change in accounting principle, net of tax	(0.00)			
Net income (loss) per share basic	(0.06)	0.04	0.03	(0.05)
Diluted				
Income before cumulative effect of change in accounting principle	(0.06)	0.03	0.02	(0.05)
Cumulative effect of change in accounting principle, net of tax	(0.00)			
Net income (loss) per share diluted	(0.06)	0.03	0.02	(0.05)

Net income for the first quarter of 2002 included a $279.0 million ($245.3 million after tax) gain on the sale of spectrum in our Atlanta market.

In the first and fourth quarters of 2003 the net loss per share, allocable to Common Stockholders, resulted from the accrued dividends on Series D preferred stock.

17. Related-Party Transactions:

The Company paid approximately $0.3 million, $0.2 million and $0.2 million for the years ended December 31, 2001, 2002 and 2003, respectively, to a firm for professional services, a partner of which is a director of the Company. The Company paid approximately $1.3 million, $0.1 million and $0.7 million for the years ended December 31, 2001, 2002 and 2003, respectively, to a firm for professional services, a partner of which is related to a Company officer.

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Shares

MetroPCS Communications, Inc.

Common Stock

PROSPECTUS

Joint Book-Running Managers

Bear, Stearns & Co. Inc.

Merrill Lynch & Co.

UBS Investment Bank

Joint Lead Manager

JPMorgan

Thomas Weisel Partners LLC

, 2004

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PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution.***

The following table sets forth the various expenses, other than the underwriting discounts and commissions, payable by us in connection with the sale and distribution of the securities being registered. All amounts shown are estimates, except the Securities and Exchange Commission registration fee, the National Association of Securities Dealers, Inc. filing fee and the Nasdaq National Market application fee.

SEC registration fee	$ 31,675
NASD filing fee	25,500
Nasdaq National Market application fee	*
Blue sky qualification fees and expenses	*
Accounting fees and expenses	*
Legal fees and expenses	*
Printing and engraving expenses	*
Transfer agent fees and expenses	*
Miscellaneous fees and expenses	*
Total	*

* To be completed by amendment.

Item 14. ***Indemnification of Directors and Officers.***

Section 145 of the Delaware General Corporation Law permits a Delaware corporation to indemnify any person who was or is a party or witness or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reasons of the fact that he or she is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise. Depending on the character of the proceeding, a corporation may indemnify against expenses, costs and fees (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if the person indemnified acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. If the person indemnified is not wholly successful in such action, suit or proceeding, but is successful, on the merits or otherwise, in one or more but less than all claims, issues or matters in such proceeding, he or she may be indemnified against expenses actually and reasonably incurred in connection with each successfully resolved claim, issue or matter. In the case of an action or suit by or in the right of the corporation, no indemnification may be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware, or the court in which such action or suit was brought, shall determine that, despite the adjudication of liability, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. Section 145 provides that, to the extent a director, officer, employee or agent of a corporation has been successful in the defense of any action, suit or proceeding referred to above or in the defense of any claim, issue or manner therein, he or she shall be indemnified against expenses (including attorneys fees) actually and reasonably incurred by him or her in connection therewith.

Our bylaws provide that we shall, to the fullest extent permitted by Delaware law, indemnify any director made, or threatened to be made, a party to any action or proceeding by reason of being our director (or by reason of his or her service at our request as a director or officer of another corporation). Such indemnification:

shall not be deemed exclusive of any other rights to which an indemnified person may be entitled under any bylaw, agreement or vote of stockholders or disinterested directors or otherwise;

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shall continue as to a person who has ceased to be a director; and

shall inure to the benefit of the heirs, executors and administrators of such person.

Our bylaws also provide that expenses incurred by a director in defending a civil or criminal action, suit or proceeding by reason of the fact that he or she is or was our director (or was serving at our request as a director or officer of another corporation) shall be paid by us in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by us. Notwithstanding any other provision of our bylaws, we are not required to advance such expenses to an agent who is a party to an action, suit or proceeding brought by us and approved by a majority of our board of directors which alleges willful misappropriation of corporate assets by such agent, disclosure of confidential information in violation of such agent s fiduciary or contractual obligations to us or any other willful and deliberate breach in bad faith of such agent s duty to us or our stockholders.

Our bylaws also provide that our board of directors has the power on our behalf to indemnify any person, other than a director, made a party to any action, suit or proceeding by reason of the fact that such person is or was our officer or employee.

Our certificate of incorporation provides that our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

for any breach of the director s duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

under Section 174 of the Delaware General Corporation Law; or

for any transaction from which the director derived any improper personal benefit.

We have also entered into separate indemnification agreements with each of our directors and executive officers under which we have agreed to indemnify, and to advance expenses to, each director and executive officer to the fullest extent permitted by applicable law with respect to liabilities they may incur in their capacities as directors and officers.

We maintain director and officer liability insurance to insure each person who was, is, or will be our director or officer against specified losses and wrongful acts of such director or officer in his or her capacity as such, including breaches of duty and trust, neglect, error and misstatement. In accordance with the director and officer insurance policy, each insured party will be entitled to receive advances of specified defense costs.

Item 15. ***Recent Sales of Unregistered Securities.***

In connection with its formation, MetroPCS Communications, Inc. issued 100 shares of common stock to MetroPCS, Inc. on March 10, 2004 for an aggregate purchase price of $1,000. The transaction was deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) thereof as a transaction by an issuer not involving any public offering. MetroPCS, Inc. acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof. Appropriate legends were affixed to the share certificate issued in such transaction. MetroPCS, Inc. had adequate access, through its relationship with the registrant, to information about the registrant.

Item 16. ***Exhibits and Financial Statement Schedules.***

(a) Exhibits. The following exhibits are filed as part of this registration statement:

Exhibit No.	
1.1**	Form of Underwriting Agreement.
2.1**	Agreement and Plan of Merger, dated as of , 2004, by and among MetroPCS Communications, Inc., MPCS Holdco Merger Sub, Inc. and MetroPCS, Inc.
3.1**	Certificate of Incorporation of MetroPCS Communications, Inc.
3.2**	Bylaws of MetroPCS Communications, Inc.
4.1**	Specimen of common stock certificate.
5.1**	Opinion of Andrews Kurth LLP regarding the legality of the securities being registered hereby.
10.1(a)	General Agreement for Purchase of Personal Communications Services Systems, dated as of October 1, 2002, by and between MetroPCS Wireless, Inc. and Lucent Technologies, Inc. (incorporated by reference to Exhibit 10.2 to Amendment No. 1 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on January 6, 2004 (SEC File No. 333-111470)). (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.1(b)*	Amendment No. 3 to General Agreement for Purchase of Personal Communications Services Systems, dated as of February 1, 2004. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.2(a)	Securities Purchase Agreement, dated as of July 17, 2000, by and among MetroPCS, Inc., each of the Subsidiary parties listed on Schedule 1 thereto and each of the Purchaser parties listed on Schedule 2 thereto, as amended by (i) Amendment No. 1 to Securities Purchase Agreement, dated as of November 13, 2000, (ii) Amendment No. 2 to Securities Purchase Agreement, dated as of December 12, 2000, (iii) Amendment No. 3 to Securities Purchase Agreement, dated as of December 19, 2000, (iv) Amendment No. 4 to Securities Purchase Agreement, dated as of January 4, 2001, and (v) Amendment No. 5 to Securities Purchase Agreement, dated as of January 9, 2001 (incorporated by reference to Exhibit 10.3 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.2(b)*	Amendment No. 6 to Securities Purchase Agreement, dated as of November 3, 2003.
10.3(a)	Amended and Restated Stockholders Agreement, dated as of July 17, 2000, by and among MetroPCS, Inc. and the Stockholders named therein, as amended by (i) Amendment No. 1 to Amended and Restated Stockholders Agreement, dated as of November 13, 2000, and (ii) Amendment No. 2 to Amended and Restated Stockholders Agreement, dated as of January 4, 2001 (incorporated by reference to Exhibit 10.4 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.3(b)*	Amendment No. 3 to Amended and Restated Stockholders Agreement, dated as of November 3, 2003.
10.4(a)	Form of Installment Payment Plan Note, dated as of January 27, 1997, issued in favor of the Federal Communications Commission, as amended by First Amended and Modified Installment Payment Plan Note For Broadband PCS C Block, dated as of October 8, 1998 (incorporated by reference to Exhibit 10.5(a) to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.4(b)	Schedule of Installment Payment Plan Notes containing provisions set forth in the Form of Installment Payment Plan Note filed as Exhibit 10.5(a) (incorporated by reference to Exhibit 10.5(b) to Amendment No. 1 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on January 6, 2004 (SEC File No. 333-111470)).

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10.5	Indenture, dated as of September 29, 2003, by and among MetroPCS, Inc., as issuer, the Guarantors, as defined therein, and U.S. Bank National Association, as Trustee, relating to our 10¾% Senior Notes due 2011 (incorporated by reference to Exhibit 4.1 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.6**	Form of Officer and Director Indemnification Agreement.
10.7**	Second Amended and Restated 1995 Stock Option Plan.
10.8**	2004 Equity Incentive Compensation Plan
21.1*	Subsidiaries of Registrant.
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2**	Consent of Andrews Kurth LLP (included in Exhibit 5.1).
24.1*	Powers of Attorney (included in the signature pages to this registration statement).

* Filed herewith.
** To be filed by an amendment to this registration statement.
Incorporated by reference herein.

(b) Financial Statement Schedules.

Report of Independent Auditors on Financial Statement Schedule

Consolidated Valuation and Qualifying Accounts

Item 17. ***Undertakings.***

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by one or more of the registrants of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Dallas, State of Texas, on this 23rd day of March 2004.

METROPCS COMMUNICATIONS, INC.

By: /s/ ROGER D. LINQUIST

Roger D. Linquist

President, Chief Executive Officer, Secretary and

Chairman of the Board

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Roger D. Linquist as such signatory s true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, to sign on his or her behalf, individually and in the capacities stated below, any and all amendments (including post-effective amendments) to this registration statement (and to any registration statement filed pursuant to Rule 462 under the Securities Act), and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as fully as to all intents and purposes as such signatory might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to requirements of the Securities Act, this registration statement has been signed on March 23, 2004 by the following persons in the capacities indicated.

/s/ ROGER D. LINQUIST	/s/ MICHAEL N. LAVEY
Roger D. Linquist **President, Chief Executive Officer, Secretary and** **Chairman of the Board** **(Principal Executive Officer)**	**Michael N. Lavey** **Vice President, Controller and Interim Chief Financial Officer** **(Principal Financial and Accounting Officer)**
/s/ C. BOYDEN GRAY	/s/ HARRY F. HOPPER, III
/s/ C. Boyden Gray **Director**	**Harry F. Hopper, III** **Director**

/s/ JOSEPH T. MCCULLEN, JR.	/s/ ARTHUR C. PATTERSON
Joseph T. McCullen, Jr.	**Arthur C. Patterson**
Director	**Director**
/s/ JOHN SCULLEY	/s/ JAMES F. WADE
John Sculley	**James F. Wade**
Director	**Director**

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Report of Independent Auditors on

Financial Statement Schedule

To the Board of Directors of MetroPCS, Inc.:

Our audits of the consolidated financial statements referred to in our report dated February 25, 2004 appearing in this Registration Statement on Form S-1 of MetroPCS Communications, Inc. also included an audit of the consolidated financial statement schedule of MetroPCS, Inc. included in this Form S-1. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Dallas, Texas

February 25, 2004

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SCHEDULE II

MetroPCS, Inc. and Subsidiaries

Consolidated Valuation and Qualifying Accounts

For the Period December 31, 2000 through 2003

(in thousands)

Classification	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts	Deductions	Balance At End of Period
December 31, 2001					
Allowance for doubtful accounts					
Deferred tax valuation	15,921	27,288			43,209
December 31, 2002					
Allowance for doubtful accounts		383			383
Deferred tax valuation	43,209			(43,209)(1)	
December 31, 2003					
Allowance for doubtful accounts	383	991		(289)	1,085
Deferred tax valuation					

(1) This amount represents the reversal of the valuation allowance as a result of the sale of the spectrum and the utilization of the NOL carryforward. See Note 13 to our audited financial statements.

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EXHIBIT INDEX

Exhibit No.	
1.1**	Form of Underwriting Agreement.
2.1**	Agreement and Plan of Merger, dated as of , 2004, by and among MetroPCS Communications, Inc., MPCS Holdco Merger Sub, Inc. and MetroPCS, Inc.
3.1**	Certificate of Incorporation of MetroPCS Communications, Inc.
3.2**	Bylaws of MetroPCS Communications, Inc.
4.1**	Specimen of common stock certificate.
5.1**	Opinion of Andrews Kurth LLP regarding the legality of the securities being registered hereby.
10.1(a)	General Agreement for Purchase of Personal Communications Services Systems, dated as of October 1, 2002, by and between MetroPCS Wireless, Inc. and Lucent Technologies, Inc. (incorporated by reference to Exhibit 10.2 to Amendment No. 1 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on January 6, 2004 (SEC File No. 333-111470)). (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.1(b)*	Amendment No. 3 to General Agreement for Purchase of Personal Communications Services Systems, dated as of February 1, 2004. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.2(a)	Securities Purchase Agreement, dated as of July 17, 2000, by and among MetroPCS, Inc., each of the Subsidiary parties listed on Schedule 1 thereto and each of the Purchaser parties listed on Schedule 2 thereto, as amended by (i) Amendment No. 1 to Securities Purchase Agreement, dated as of November 13, 2000, (ii) Amendment No. 2 to Securities Purchase Agreement, dated as of December 12, 2000, (iii) Amendment No. 3 to Securities Purchase Agreement, dated as of December 19, 2000, (iv) Amendment No. 4 to Securities Purchase Agreement, dated as of January 4, 2001, and (v) Amendment No. 5 to Securities Purchase Agreement, dated as of January 9, 2001 (incorporated by reference to Exhibit 10.3 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.2(b)*	Amendment No. 6 to Securities Purchase Agreement, dated as of November 3, 2003.
10.3(a)	Amended and Restated Stockholders Agreement, dated as of July 17, 2000, by and among MetroPCS, Inc. and the Stockholders named therein, as amended by (i) Amendment No. 1 to Amended and Restated Stockholders Agreement, dated as of November 13, 2000, and (ii) Amendment No. 2 to Amended and Restated Stockholders Agreement, dated as of January 4, 2001 (incorporated by reference to Exhibit 10.4 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.3(b)*	Amendment No. 3 to Amended and Restated Stockholders Agreement, dated as of November 3, 2003.
10.4(a)	Form of Installment Payment Plan Note, dated as of January 27, 1997, issued in favor of the Federal Communications Commission, as amended by First Amended and Modified Installment Payment Plan Note For Broadband PCS C Block, dated as of October 8, 1998 (incorporated by reference to Exhibit 10.5(a) to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).
10.4(b)	Schedule of Installment Payment Plan Notes containing provisions set forth in the Form of Installment Payment Plan Note filed as Exhibit 10.5(a) (incorporated by reference to Exhibit 10.5(b) to Amendment No. 1 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on January 6, 2004 (SEC File No. 333-111470)).
10.5	Indenture, dated as of September 29, 2003, by and among MetroPCS, Inc., as issuer, the Guarantors, as defined therein, and U.S. Bank National Association, as Trustee, relating to our 10 $^{3}/4$% Senior Notes due 2011 (incorporated by reference to Exhibit 4.1 to MetroPCS, Inc. s Registration Statement on Form S-4 as filed with the SEC on December 23, 2003 (SEC File No. 333-111470)).

Exhibit No.	
10.6**	Form of Officer and Director Indemnification Agreement.
10.7**	Second Amended and Restated 1995 Stock Option Plan.
10.8**	2004 Equity Incentive Compensation Plan
21.1*	Subsidiaries of Registrant.
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2**	Consent of Andrews Kurth LLP (included in Exhibit 5.1).
24.1*	Powers of Attorney (included in the signature pages to this registration statement).

* Filed herewith.

** To be filed by an amendment to this registration statement.

Incorporated by reference herein.