

SUNCOM WIRELESS HOLDINGS, INC.

Form 10-Q

May 09, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2007

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 1-15325

SUNCOM WIRELESS HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

23-2974475

(I.R.S. employer
identification no.)

1100 Cassatt Road

Berwyn, Pennsylvania 19312

(Address and zip code of principal executive offices)

(610) 651-5900

(Registrant's telephone number, including area code)

Indicate by a check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of April 30, 2007, 71,245,007 shares of the registrant's Class A common stock, par value \$0.01 per share, were outstanding.

**SUNCOM WIRELESS HOLDINGS, INC.
FIRST QUARTER REPORT
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SUNCOM WIRELESS HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value)
(Unaudited)

	March 31, 2007	December 31, 2006
ASSETS:		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 34,133	\$ 37,683
Short-term investments	173,850	157,600
Restricted cash and restricted short-term investments	1,689	1,668
Accounts receivable, net of allowance for doubtful accounts of \$8,291 and \$8,895, respectively	88,729	96,255
Accounts receivable – roaming partners	15,489	14,811
Inventory, net	25,668	27,441
Prepaid expenses	24,636	16,446
Assets held for sale	377	11,446
Other current assets	19,394	11,960
<i>Total current assets</i>	383,965	375,310
<i>Long term assets:</i>		
Property and equipment, net	462,918	480,880
Intangible assets, net	786,160	794,250
Other long-term assets	8,988	4,419
<i>Total assets</i>	\$ 1,642,031	\$ 1,654,859
LIABILITIES AND STOCKHOLDERS' DEFICIT:		
<i>Current liabilities:</i>		
Accounts payable	\$ 74,818	\$ 71,602
Accrued liabilities	84,925	89,134
Current portion of long-term debt	2,809	2,810
Other current liabilities	27,266	24,937
<i>Total current liabilities</i>	189,818	188,483
<i>Long-term debt:</i>		
Capital lease obligations	454	531
Senior secured term loan	241,875	242,500
Senior notes	714,657	714,341
<i>Senior long-term debt</i>	956,986	957,372
Subordinated notes	732,904	732,365

Total long-term debt	1,689,890	1,689,737
Deferred income taxes, net	143,236	143,124
Deferred revenue	1,638	1,766
Deferred gain on sale of property and equipment	57,686	46,173
Other	5,429	2,468
Total liabilities	2,087,697	2,071,751
Commitments and contingencies		
Stockholders' deficit		
Series B Preferred Stock, \$0.01 par value, 50,000,000 shares authorized; no shares issued or outstanding as of March 31, 2007 and December 31, 2006		
Series C Convertible Preferred Stock, \$0.01 par value, 3,000,000 shares authorized; no shares issued or outstanding as of March 31, 2007 and December 31, 2006		
Preferred stock, \$0.01 par value, 17,000,000 shares authorized; no shares issued or outstanding as of March 31, 2007 and December 31, 2006		
Class A Common Stock, \$0.01 par value, 520,000,000 shares authorized; 73,038,482 shares issued and 71,252,453 shares outstanding as of March 31, 2007 and 65,112,383 shares issued and 63,331,189 shares outstanding as of December 31, 2006	713	633
Class B Non-voting Common Stock, \$0.01 par value, 60,000,000 shares authorized; no shares issued and outstanding as of March 31, 2007 and 7,926,099 shares issued and outstanding as of December 31, 2006		79
Additional paid-in capital	612,524	611,961
Accumulated deficit	(1,057,162)	(1,027,824)
Class A common stock held in trust		(173)
Deferred compensation		173
Class A common stock held in treasury, at cost (1,786,029 and 1,781,194 shares, respectively)	(1,741)	(1,741)
Total stockholders' deficit	(445,666)	(416,892)
Total liabilities and stockholders' deficit	\$ 1,642,031	\$ 1,654,859

See accompanying notes to financial statements.

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SUNCOM WIRELESS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2007	2006
Revenues:		
Service	\$ 186,435	\$ 155,467
Roaming	22,002	21,466
Equipment	24,483	24,959
Total revenue	232,920	201,892
Operating Expenses:		
Cost of service (excluding the below amortization and excluding depreciation and asset disposal of \$21,013 and \$101,671 for the three months ended March 31, 2007 and 2006, respectively)	62,932	67,948
Cost of equipment	38,867	39,221
Selling, general and administrative (excluding depreciation and asset disposal of \$3,133 and \$1,828 for the three months ended March 31, 2007 and 2006, respectively)	89,040	88,627
Termination benefits and other related charges		898
Depreciation and asset disposal	24,146	103,499
Amortization	7,834	11,504
Total operating expenses	222,819	311,697
Income (loss) from operations	10,101	(109,805)
Interest expense	(38,334)	(37,742)
Interest and other income	2,404	4,094
Loss before taxes	(25,829)	(143,453)
Income tax provision	(3,098)	(3,752)
Net loss	(\$28,927)	(\$147,205)
Net loss per common share (Basic and Diluted)	(\$0.42)	(\$2.15)
Weighted average common shares outstanding (Basic and Diluted)	68,955,155	68,361,726

See accompanying notes to financial statements.

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SUNCOM WIRELESS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March	
	31,	
	2007	2006
Cash flows from operating activities:		
Net loss	(\$28,927)	(\$147,205)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, asset disposal and amortization	31,980	115,003
Deferred income taxes	2,732	3,351
Accretion of interest	1,189	1,100
Bad debt expense	6,532	5,938
Non-cash compensation	564	2,196
Change in operating assets and liabilities:		
Accounts receivable	(1,871)	(2,630)
Inventory	1,773	3,668
Prepaid expenses and other current assets	(9,337)	(6,468)
Intangible and other assets	(3,299)	(33)
Accounts payable	1,410	(1,724)
Accrued payroll and liabilities	(11,252)	(11,380)
Deferred revenue	1,437	1,712
Accrued interest	15,898	15,908
Other liabilities	(411)	(994)
Net cash provided by (used in) operating activities	8,418	(21,558)
Cash flows from investing activities:		
Purchase of available for sale securities	(230,550)	(182,754)
Proceeds from sale of available for sale securities	214,300	226,000
Capital expenditures	(5,319)	(11,302)
Proceeds from sale of assets	26,274	1,548
Payment of direct costs on business transactions	(428)	
Other		(26)
Net cash provided by investing activities	4,277	33,466
Cash flows from financing activities:		
Payments under senior secured term loan	(625)	(625)
Change in bank overdraft	(8,316)	(12,031)
Principal payments under capital lease obligations	(77)	(76)
Payment of direct costs on business transactions	(7,227)	(804)
Net cash used in financing activities	(16,245)	(13,536)

Net decrease in cash and cash equivalents	(3,550)	(1,628)
Cash and cash equivalents, beginning of period	37,683	16,083
Cash and cash equivalents, end of period	\$ 34,133	\$ 14,455
Non-cash investing and financing activities		
Change in capital expenditures included in accounts payable	\$ 2,145	(\$1,839)
Change in direct transaction costs included in accrued expenses	(517)	
See accompanying notes to financial statements.		

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SUNCOM WIRELESS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

1. Basis of Presentation

The accompanying consolidated financial statements are unaudited and have been prepared by management. In the opinion of management, these consolidated financial statements contain all of the adjustments, consisting of normal recurring adjustments, necessary to state fairly, in summarized form, the financial position and the results of operations of SunCom Wireless Holdings, Inc. (Holdings) and its wholly-owned subsidiaries (collectively, the

Company). SunCom Wireless refers to SunCom Wireless, Inc., an indirect wholly owned subsidiary of Holdings. The results of operations for the three months ended March 31, 2007 may not be indicative of the results that may be expected for the year ending December 31, 2007. The financial information presented herein should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006, which include information and disclosures not included herein.

All significant intercompany accounts or balances have been eliminated in consolidation.

Certain reclassifications have been made to prior period financial statements to conform to the current period presentation.

2. New Accounting Pronouncements

In September 2006, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements , which is effective for fiscal years beginning after November 15, 2007. The statement was issued to define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. The Company is currently assessing the effect, if any, this statement will have on its financial statements or its results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 . This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. This statement does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. This statement is effective for fiscal years beginning after November 15, 2007. The Company does not expect this statement to have a material effect on its financial statements or its results of operations.

3. Stock-based Compensation

Holdings makes grants of restricted stock under its Amended and Restated Stock and Incentive Plan and its Directors' Stock and Incentive Plan to provide incentives to key employees and non-management directors and to further align the interests of such individuals with those of its stockholders. Grants of restricted stock generally are made annually under these stock and incentive plans, and the grants generally vest over a four-or-five-year period.

The Company measures the fair value of restricted stock awards based upon the market price of Holdings' common stock as of the date of grant, and these grants are amortized over their applicable vesting period using the straight-line method. In accordance with SFAS No. 123(R) Share-Based Payment , the Company has estimated that its forfeiture rate is 3% based on historical experience. The Company's net loss for the three months ended March 31, 2007 and 2006 included approximately \$0.6 million and \$2.2 million, respectively, of stock-based compensation expense. The following table summarizes the allocation of this compensation expense.

	For the three months ended March 31,	
	2007	2006
	(Dollars in thousands)	
Cost of service	\$ 56	\$ 148
Selling, general and administrative	508	2,048

Total stock-based compensation expense	\$	564	\$	2,196
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The following activity occurred under Holdings' restricted stock plans for the three months ended March 31, 2007:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested balance at December 31, 2006	2,302,133	\$ 2.31
Forfeited	(4,835)	1.72

Unvested balance at March 31, 2007	2,297,298	\$ 2.31
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As of March 31, 2007, there was approximately \$2.3 million of total unrecognized compensation costs related to Holdings' stock plans. These costs are expected to be recognized over a weighted-average period of 2.0 years. In addition, an aggregate of 1,708,500 shares were authorized for future grants under Holdings' stock plans as of March 31, 2007.

During the three months ended March 31, 2007 and 2006, no stock awards were granted under Holdings' stock plans. The total fair value of shares that vested during the three months ended March 31, 2006 was \$0.7 million. No shares vested during the three months ended March 31, 2007.

4. Restricted Cash and Restricted Short-term Investments

Restricted cash and restricted short-term investments represent deposits that are pledged as collateral for the Company's surety bonds on its cell site leases. As of March 31, 2007, the Company had total restricted cash and short-term investments of \$1.7 million.

5. Property and Equipment

The following table summarizes the Company's property and equipment as of March 31, 2007 and December 31, 2006, respectively.

	March 31, 2007	December 31, 2006
	(Dollars in thousands)	
<i>Property and equipment:</i>		
Land	\$ 313	\$ 313
Network infrastructure and equipment	796,996	792,356
Furniture, fixtures and computer equipment	113,756	111,852
Capital lease assets	1,424	1,424
Construction in progress	12,612	16,839
	925,101	922,784
Less accumulated depreciation	(462,183)	(441,904)
Property and equipment, net	\$ 462,918	\$ 480,880

6. Detail of Certain Liabilities

The following table summarizes certain current liabilities as of March 31, 2007 and December 31, 2006, respectively:

	March 31, 2007	December 31, 2006
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(Dollars in thousands)

Accrued liabilities:

Bank overdraft liability	\$ 6,425	\$ 14,741
Accrued payroll and related expenses	12,268	20,255
Accrued expenses	27,126	30,930
Accrued interest	39,106	23,208
Total accrued liabilities	\$84,925	\$ 89,134

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SUNCOM WIRELESS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	March 31, 2007	December 31, 2006
	(Dollars in thousands)	
<i>Other current liabilities:</i>		
Deferred revenue	\$ 19,203	\$ 17,638
Deferred gain on sale of property and equipment	2,709	2,205
Security deposits	5,354	5,094
Total other current liabilities	\$ 27,266	\$ 24,937

7. Long-term Debt

The following table summarizes the Company's indebtedness as of March 31, 2007 and December 31, 2006, respectively:

	March 31, 2007	December 31, 2006
	(Dollars in thousands)	
<i>Current portion of long-term debt:</i>		
Current portion of capital lease obligations	\$ 309	\$ 310
Current portion of senior secured term loan	2,500	2,500
Total current portion of long-term debt	2,809	2,810
<i>Long-term debt:</i>		
Capital lease obligations	\$ 454	\$ 531
Senior secured term loan	241,875	242,500
8 1/2% senior notes	714,657	714,341
9 3/8% senior subordinated notes	341,053	340,735
8 3/4% senior subordinated notes	391,851	391,630
Total long-term debt	1,689,890	1,689,737
Total debt	\$ 1,692,699	\$ 1,692,547

8. Debt for Equity Exchange

The construction of the Company's network and the marketing and distribution of wireless communications products and services have required, and will continue to require, substantial capital. Capital outlays have included license acquisition costs, capital expenditures for network construction, funding of operating cash flow losses and other working capital costs, debt service and financing fees and expenses. The Company will have additional capital requirements, which could be substantial, for future upgrades and advances in new technology. The Company believes that cash on hand and short-term investments will be sufficient to meet its projected capital and operational requirements for at least the next twelve months. However, the Company is highly leveraged with approximately \$1.7 billion of debt. SunCom Wireless' inability to pay such debt service could result in a default on such indebtedness which, unless cured or waived, would have a material adverse effect on its liquidity and financial position.

Accordingly, on January 31, 2007, Holdings, SunCom Wireless and SunCom Wireless Investment Company LLC, a Delaware limited liability company and a wholly-owned subsidiary of Holdings (SunCom Investment), and certain holders of the 9³/₈% Senior Subordinated Notes due 2011 and 8³/₄% Senior Subordinated Notes due 2011 of SunCom Wireless, or collectively the SunCom Wireless Subordinated Notes , entered into an Exchange Agreement, pursuant to which the holders of the SunCom Wireless Subordinated Notes that are parties thereto, who currently hold approximately 98% of the outstanding principal amount of the SunCom Wireless Subordinated Notes, will exchange all of their outstanding SunCom Wireless Subordinated Notes (subject to certain contractual constraints) in exchange for an aggregate of approximately 51.9 million shares of Holdings Class A common stock. The 51.9 million shares reflect a 1-for-10 reverse stock split to be effected pursuant to the merger described below. This exchange will be effected by SunCom Investment. Immediately prior to the exchange, Holdings will contribute to SunCom Investment the new shares of Class A common stock necessary to complete the exchange. As a result of the exchange, the holders of the outstanding SunCom Wireless Subordinated Notes participating in the exchange will receive in the aggregate (in respect of their SunCom Wireless Subordinated Notes tendered in the exchange) approximately 87.8% of Holdings outstanding Class A common stock on a fully-diluted basis. The existing holders of Holdings Class A common stock will own approximately 12.2% of Holdings Class A common stock on a fully-diluted basis following the exchange.

The Exchange Agreement contains customary representations, warranties and covenants. In connection with the Exchange Agreement, the holders of the SunCom Wireless Subordinated Notes have agreed to exit consents that will remove, effective as

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SUNCOM WIRELESS HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of the closing of the exchange, substantially all of the restrictive covenants and certain of the events of default from the indentures governing the SunCom Wireless Subordinated Notes.

The Exchange Agreement contains covenants of the parties calling for the board of directors of Holdings to be reconstituted immediately following the closing of the exchange, to include Michael Kalogris and Scott Anderson, both current directors of Holdings, as well as eight new directors to be designated by various of the holders of the SunCom Wireless Subordinated Notes that are parties to the Exchange Agreement. Also pursuant to the Exchange Agreement, Holdings has agreed, following the closing of the exchange, to pursue strategic alternatives, including the potential sale of substantially all of its business.

Under the terms of the Exchange Agreement, Holdings may not initiate or solicit alternative proposals prior to the closing of the exchange, subject to exceptions that permit Holdings' board of directors to respond to unsolicited proposals and take actions required by their fiduciary duties.

The Exchange Agreement and the related merger (described below) have been approved by Holdings' stockholders. The consummation of the exchange is subject to approval from the FCC and other customary closing conditions. The parties expect the exchange and the related merger to close in the second quarter of 2007.

The Exchange Agreement contains termination rights, including Holdings' right to terminate the Exchange Agreement if Holdings' board of directors accepts a superior proposal, and provides that, upon the termination of the Exchange Agreement under specified circumstances, Holdings will be required to pay each holder of SunCom Wireless Subordinated Notes that is a party to the Exchange Agreement a break-up fee equal to 2% of the total outstanding principal amount of the SunCom Wireless Subordinated Notes held by such holder as of the date of the Exchange Agreement, or approximately \$14.2 million in the aggregate. Whether or not the exchange transaction is consummated, Holdings is obligated to pay the reasonable fees and expenses of counsel to the holders of the SunCom Wireless Subordinated Notes participating in the exchange, up to \$1.0 million in the aggregate. As of March 31, 2007, the Company had recorded \$12.4 million of deferred transaction costs, which consisted primarily of legal and financial advisory fees related to the exchange. These costs are included within other current assets on the Company's consolidated balance sheet.

Also on January 31, 2007, simultaneously with the execution of the Exchange Agreement, Holdings entered into an Agreement and Plan of Merger with SunCom Merger Corp., a Delaware corporation and direct wholly-owned subsidiary of Holdings formed for the purpose of entering into the merger agreement (Merger Sub). Pursuant to the merger agreement, Merger Sub will be merged with and into Holdings, with Holdings continuing as the surviving corporation in the merger. In the merger, each issued and outstanding share of Class A common stock of Holdings will be converted into 0.1 share of Class A common stock of Holdings, as the surviving corporation in the merger, plus the contingent right to receive additional shares of Class A common stock of Holdings, as the surviving corporation in the merger, totaling up to a maximum of 3% of the fully-diluted Class A common stock of Holdings (after giving effect to the exchange transaction assuming full participation by the SunCom Wireless Subordinated Notes) in the aggregate to all holders prior to the merger, in the event Holdings fails to undertake certain actions related to a potential sale of Holdings following the exchange and the merger. Each issued and outstanding share of common stock of Merger Sub will be cancelled in the exchange for no consideration. The merger will be consummated prior to the consummation of the transactions contemplated by the Exchange Agreement. The merger is being effected, among other reasons, to implement a 1-for-10 reverse stock split and to ensure that Holdings has sufficient authorized shares of Class A common stock to complete the exchange.

In connection with the exchange, J.P. Morgan SBIC LLC and Sixty Wall Street SBIC Fund L.P. transferred all of their shares of Holdings' Class B non-voting common stock (which constituted all remaining outstanding Class B shares) to their affiliates, J.P. Morgan Capital, L.P. and Sixty Wall Street Fund, L.P., respectively. Such entities then converted all of such shares of Class B non-voting common stock into shares of Class A common stock.

9. Athens Sale

In August 2006, the Company entered into a definitive agreement to sell to Cingular Wireless substantially all of the assets of its wireless communications network and FCC licenses relating to its Athens, Georgia market. The

closing of the sale was substantially completed on January 31, 2007. The carrying values of the network and related assets and FCC licenses sold as part of this agreement were \$2.1 million and \$8.9 million, respectively, and total proceeds for the fair value of the assets sold was approximately \$10.9 million. After deducting \$0.3 million of transaction costs, the loss on the Athens sale was approximately \$0.4 million. This loss is included within depreciation and asset disposal expense on the consolidated statement of operations for the three months ended March 31, 2007.

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SUNCOM WIRELESS HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pending the successful assignment of six cell sites related to the Athens sale, Cingular Wireless will pay the Company an additional \$0.9 million of cash, and the related assets, which have a carrying value of approximately \$0.4 million, will be transferred to Cingular Wireless. This transaction is expected to be completed during the second half of 2007. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, these pending assets have been classified in assets held for sale on the consolidated balance sheet as of March 31, 2007.

10. Tower Sale

On November 13, 2006, the Company agreed to sell 69 wireless communications towers located in its continental United States business segment to SBA Towers II LLC (SBA) for approximately \$17.0 million, reflecting a price of approximately \$0.3 million per tower. The closing of 58 of the 69 towers occurred during the first quarter of 2007. The remaining eleven sites are expected to close during the second quarter of 2007 (see Note 13 Subsequent Events).

In connection with the sale of the towers, the Company has entered into site lease agreements with SBA, under which it will pay SBA monthly rent for the continued use of space that the Company occupied on the towers prior to their sale. The leases have an initial term of 10 years, and the monthly rental amount are subject to certain escalation clauses over the life of the lease. The Company is required to prepay the first four years' rent under each site agreement at each closing, and during the first quarter of 2007, the Company paid approximately \$4.8 million in connection with the closings.

The Company accounted for this sale-leaseback transaction in accordance with SFAS No. 98 Accounting for Leases and SFAS No. 28 Accounting for Sales with Leasebacks. The carrying value of the towers sold was approximately \$1.6 million. After deducting \$0.3 million of selling costs, the gain on the sale of the towers was approximately \$12.5 million, all of which was deferred and is being recognized over the remaining operating lease terms of the towers that are leased-back to the Company.

11. Recently Adopted Accounting Pronouncements

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$2.9 million alternative minimum income tax liability and interest expense for unrecognized tax benefits, of which \$2.5 million was recorded as a deferred tax asset and the remaining \$0.4 million was accounted for as an adjustment to the beginning balance of retained earnings on the consolidated balance sheet. As of the date of adoption and after the impact of recognizing the increase in liabilities noted above, the Company's unrecognized tax benefits totaled \$20.2 million, the disallowance of which would not affect the annual effective income tax rate. The Company does not expect the unrecognized tax benefit to change significantly during the next twelve months.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company is subject to U.S. federal income tax and state and local income tax examination for all years since 1997. The Company is subject to foreign income tax examination for all years since 2004.

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During the three months ended March 31, 2007, the Company recognized approximately \$0.4 million in potential interest associated with uncertain tax positions, which increased the Company's unrecognized tax benefit to \$20.6 million as of March 31, 2007. Accrued interest and penalties were \$3.1 million and \$3.5 million as of January 1, 2007 and March 31, 2007, respectively. To the extent interest is not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

In June 2006, the FASB ratified the Emerging Issues Task Force issue 06-3, How Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (Gross Versus Net Presentation) (EITF 06-3). EITF 06-3 addresses income statement presentation and disclosure requirements for taxes assessed by a governmental authority that are directly imposed on and concurrent with a revenue-producing transaction between a seller and a customer, including sales and use taxes. EITF 06-3 permits such taxes to be presented on either a gross basis (included in revenues and costs) or on a net basis (excluded from revenues). The Company has historically presented, and will continue to present, such taxes on a net basis.

Table of Contents**SUNCOM WIRELESS HOLDINGS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. Segment Information**

The Company has two reportable segments, which it operates and manages as strategic business units. Reportable segments are defined as components of an enterprise for which separate financial information is available and is evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in assessing performance. The Company's reporting segments are based upon geographic area of operation; one segment consists of the Company's operations in the continental United States and the other consists of the Company's operations in Puerto Rico and the U.S. Virgin Islands. The Corporate and other segment column below includes centralized services that largely support both segments. The Company's reporting segments follow the same accounting policies used for the Company's consolidated financial statements.

Financial information by reportable business segment is as follows:

	As of and for the three months ended March 31, 2007				As of and for the three months ended March 31, 2006			
	Continental United States	Puerto Rico and U.S. Virgin Islands	Corporate and other	Consolidated	Continental United States	Puerto Rico and U.S. Virgin Islands	Corporate and other	Consolidated
	(Dollars in thousands)							
Revenues:								
Service	\$ 132,960	\$ 53,475	\$	\$ 186,435	\$ 110,057	\$ 45,410	\$	\$ 155,467
Roaming	18,773	3,229		22,002	17,855	3,611		21,466
Equipment	18,210	6,273		24,483	20,125	4,834		24,959
Total revenue	169,943	62,977		232,920	148,037	53,855		201,892
Depreciation, asset disposal and amortization	19,130	6,937	5,913	31,980	83,874	26,527	4,602	115,003
Income (loss) from operations	\$ 15,657	\$ 7,975	(\$13,531)	\$ 10,101	(\$76,825)	(\$19,307)	(\$13,673)	(\$109,805)
Total assets	\$1,071,882	\$352,673	\$ 217,476	\$1,642,031	\$1,162,586	\$ 342,458	\$ 343,274	\$1,848,318
Capital expenditures	2,007	2,106	1,206	5,319	5,653	4,551	1,098	11,302

A reconciliation from segment income (loss) from operations to consolidated loss before taxes is set forth below:

	For the three months ended March 31,	
	2007	2006
	(Dollars in thousands)	
Total segment income (loss) from operations	\$ 10,101	(\$109,805)

Unallocated amounts:

Interest expense	(38,334)	(37,742)
Interest and other income	2,404	4,094

Consolidated loss before taxes	(\$25,829)	(\$143,453)
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13. Subsequent Event

Tower Sale. On November 13, 2006, the Company agreed to sell 69 wireless communications towers located in its continental United States business segment to SBA for approximately \$17.0 million, reflecting a price of approximately \$0.3 million per tower. The closing of 58 of the 69 towers occurred during the first quarter of 2007. The closing of an additional five towers occurred on April 25, 2007 for a purchase price of approximately \$1.1 million. The remaining six sites are expected to close during the second quarter of 2007.

General

Forward-looking Statements

Overview

We believe our markets are strategically attractive because of their strong demographic characteristics for wireless communications services. According to the 2005 Paul Kagan Associates Report, our service area includes 11 of the top 100 markets in the country with population densities that are higher than the national average. We currently provide wireless voice and data services utilizing global system for mobile communications and general packet radio service, or *GSM/GPRS*, technology, which is capable of providing enhanced voice and data services.

Results of Operations

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

Consolidated operations

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	As of and for the three months ended March 31,			
	2007	2006	Change	Change %
Gross additions	107,851	116,315	(8,464)	(7.3%)
Net additions	33,646	41,292	(7,646)	(18.5%)
Subscribers (end of period)	1,120,838	1,007,114	113,724	11.3%
Monthly subscriber churn	2.2%	2.5%	0.3%	12.0%
Average revenue per user	\$ 55.70	\$ 51.55	\$ 4.15	8.1%
Cost per gross addition	\$ 402	\$ 382	(\$20)	(5.2%)

Gross additions are new subscriber activations, and net additions are gross additions less subscriber deactivations. Monthly subscriber churn is calculated by dividing subscriber deactivations by our average subscriber base for the period. These statistical measures may not be compiled in the same manner as similarly titled measures of other companies. In addition, average revenue per user, or *ARPU*, and cost per gross addition, or *CPGA*, are performance measures not calculated in accordance with accounting principles generally accepted in the United States, or *GAAP*. For more information about ARPU and CPGA, see Reconciliation of Non-GAAP Financial Measures below.

Continental United States segment operations

The table below summarizes the key metrics in the operations of our continental United States segment as of and for the three months ended March 31, 2007 and 2006.

	As of and for the three months ended March 31,			
	2007	2006	Change	Change %
Gross additions	68,106	78,960	(10,854)	(13.7%)
Net additions	20,136	35,982	(15,846)	(44.0%)
Subscribers (end of period)	793,120	734,953	58,167	7.9%
Monthly subscriber churn	2.0%	2.0%		
Average revenue per user	\$ 56.68	\$ 51.21	\$ 5.47	10.7%
Cost per gross addition	\$ 424	\$ 406	(\$18)	(4.4%)

Subscribers. The decrease in net subscriber additions of 15,846 was driven by lower subscriber gross additions and higher involuntary subscriber deactivations due to non-payment for the quarter ended March 31, 2007, compared to the same period of last year. We believe the lower year-over-year gross subscriber additions were the result of our strategy to pursue higher ARPU subscribers as well as increased competitive pressure for a diminishing pool of potential subscribers. The 58,167 increase in total subscribers was attributable to net subscriber additions from April 1, 2006 through March 31, 2007.

Monthly Subscriber Churn. The monthly subscriber churn was flat due to decreased voluntary subscriber deactivations resulting from the reduced impact of the migration of our subscribers from TDMA to GSM/GPRS technology in 2006, offset by increased involuntary subscriber deactivations due to non-payment by a higher credit challenged customer mix. We believe that churn in the continental United States segment may increase slightly in the near term due to increased involuntary churn as a result of rate plan offerings to more credit challenged customers.

Average Revenue Per User. ARPU reflects the average amount billed to subscribers based on rate plan and calling feature offerings. ARPU is calculated by dividing service revenue, excluding service revenue credits made to existing subscribers and revenue not generated by wireless subscribers, by our average subscriber base for the respective period. The ARPU increase of \$5.47 was primarily the result of an increase in average revenue from usage of features offered for additional fees and an increase in average access revenue per subscriber. The increase in average feature revenue was primarily the result of subscribers increased usage of our data offerings, such as short message service, or *SMS*, and downloadable ring tones. The increase in average access revenue was primarily the result of higher access points on add-a-line activations. In addition, miscellaneous revenue also increased due to higher fees charged to delinquent paying subscribers. As a result of an anticipated mix of new rate plan offerings, we expect ARPU to remain relatively flat in the foreseeable future. For more details regarding our calculation of ARPU, refer to Reconciliation of Non-GAAP Financial Measures below.

Cost Per Gross Addition. CPGA is calculated by dividing the sum of equipment margin for handsets sold to new subscribers (equipment revenue less cost of equipment, which costs have historically exceeded the related revenues) and selling expenses (exclusive of the non-cash compensation portion of the selling expenses) related to adding new subscribers by total gross subscriber additions during the relevant period. The CPGA increase of \$18, or 4.4%, was primarily the result of lower gross additions to leverage the fixed selling costs for the period, partially offset by lower advertising and promotional spending and lower commission expense per gross addition due to a shift in the distribution channel mix favoring company-owned channels,

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which historically have a lower commission expense. For more details regarding our calculation of CPGA, refer to Reconciliation of Non-GAAP Financial Measures below.

Results from Operations

(Dollars in thousands)	For the three months ended March 31,			
	2007	2006	Change \$	Change %
Revenues:				
Service	\$ 132,960	\$ 110,057	\$ 22,903	20.8%
Roaming	18,773	17,855	918	5.1%
Equipment	18,210	20,125	(1,915)	(9.5%)
Total revenue	169,943	148,037	21,906	14.8%
Operating expenses				
Cost of service	52,079	56,930	4,851	8.5%
Cost of equipment	26,400	28,527	2,127	7.5%
Selling, general and administrative	64,295	63,704	(591)	(0.9%)
Termination benefits and other related charges		898	898	100.0%
Depreciation, asset disposal and amortization	25,043	88,476	63,433	71.7%
Total operating expenses	167,817	238,535	70,718	29.6%
Income (loss) from operations	2,126	(\$90,498)	\$92,624	102.3%

Revenue. Service revenue increased by \$22.9 million, or 20.8%, for the three months ended March 31, 2007 compared to the three months ended March 31, 2006, primarily as a result of an \$11.6 million increase in access revenue resulting primarily from a larger subscriber base, increased revenue of \$6.9 million generated from enhanced features offered for a fee, such as SMS messaging and downloadable ring tones and a \$1.7 million increase in miscellaneous revenue attributable to higher late fees charged to delinquent paying subscribers. We expect subscriber growth to continue and hence, we expect service revenue to increase in the foreseeable future. The increase in roaming revenue was primarily due to increased roaming minutes of use period over period. We expect roaming revenue to increase slightly in the foreseeable future. Equipment revenue includes the revenue earned on the sale of a handset and handset accessories to new and existing subscribers. The equipment revenue decrease was primarily due to lower new activations.

Cost of Service. Cost of service for the three months ended March 31, 2007 decreased by \$4.9 million, or 8.5%, compared to the same period of 2006. This decrease was largely the result of a \$1.9 million decrease in interconnect costs as a result of decommissioning our TDMA network during 2006, which resulted in network efficiencies, a \$1.6 million decrease in incollect roaming costs (costs associated with our subscribers roaming on other carriers networks) attributable to less minutes of use and a \$1.1 million decrease in toll costs due to a lower rate per minute of use. As a result of the variable components of cost of service, such as interconnect and toll, our cost of service may increase in conjunction with the growth of our subscriber base. Cost of service as a percentage of service revenue was 39.2% and 51.7% for the quarters ended March 31, 2007 and 2006, respectively. This decrease of 12.5% was primarily attributable to increased service revenue and the above-mentioned declines in interconnect, incollect and toll costs. Cost of service as a percentage of service revenue may decline in the future, as we expect to continue to leverage the fixed components of cost of service, such as cell site rent, against increased revenue.

Cost of Equipment. Cost of equipment decreased \$2.1 million, or 7.5% in the first quarter of 2007 compared to the same period of 2006. The decrease was due to lower gross subscriber additions and the absence of costs incurred during the first quarter of 2006 to migrate subscribers from TDMA to GSM/GPRS technology. These decreases were partially offset by increased transactions with existing subscribers.

Selling, General and Administrative Expense. Selling, general and administrative expenses increased \$0.6 million, or 0.9%, for the three months ended March 31, 2007 compared to the same period of 2006. The increase was primarily due to a \$4.4 million increase in general and administrative expenses (excluding non-cash compensation), which resulted from higher bad debt expense of \$2.1 million due to a larger subscriber base and rate plan offerings to more credit-challenged customers. In addition, handset upgrades provided to existing subscribers in exchange for a contract extension increased, which resulted in \$0.9 million of incremental commission expense. This increase was partially offset by a \$1.6 million decrease in non-cash compensation expense due to the lower market price of stock grants and a \$1.3 million decrease in commissions as the result of lower gross subscriber additions and a shift in the distribution mix favoring company-owned channels. In addition, advertising and promotional expense decreased \$1.1 million. Our selling, general and administrative expenses may increase as a function of the growth of our subscriber base. General and administrative expense as a percentage of service revenue was 29.2% and 32.5% for the quarters ended March 31, 2007 and 2006, respectively. This decrease was primarily the result of greater service revenue for the three months ended March 31, 2007. This percentage may continue to decline in the future as we expect to leverage our fixed general and administrative costs, such as headcount and facilities costs, against increased revenue.

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Termination Benefit Expense. We incurred termination benefit expense of \$0.9 million for the first quarter of 2006 related to the reorganization of our continental United States operations. We did not incur any termination benefit expense for the same period of 2007.

Depreciation, Asset Disposal and Amortization Expense. Depreciation, asset disposal and amortization expense decreased by \$63.4 million, or 71.7%, for the three months ended March 31, 2007 compared to the same period of 2006. This decrease was primarily due to there being no incremental depreciation expense on our TDMA equipment, which was fully depreciated as of June 30, 2006 and was decommissioned during the fourth quarter of 2006.

Puerto Rico and U.S. Virgin Islands segment operations

The table below summarizes the key metrics in the operations of our Puerto Rico and U.S. Virgin Islands segment as of and for the three months ended March 31, 2007 and 2006.

	As of and for the three months ended March 31,			
	2007	2006	Change	Change %
Gross additions	39,745	37,355	2,390	6.4%
Net additions	13,510	5,310	8,200	154.4%
Subscribers (end of period)	327,718	272,161	55,557	20.4%
Monthly subscriber churn	2.7%	4.0%	1.3%	32.5%
Average revenue per user	\$ 53.30	\$ 52.45	\$ 0.85	1.6%
Cost per gross addition	\$ 364	\$ 332	(\$32)	(9.6%)

Subscribers. The increase in net subscribers additions of 8,200 was due to a 2,390 increase in gross subscriber additions and lower subscriber churn. The year-over-year gross subscriber addition increase was the result of the cumulative effect of a significant marketing and branding initiative associated with the SunCom brand and the brand erosion of several key competitors. The lower year-over-year subscriber churn was the result of decreased voluntary and involuntary deactivations. The increase in total subscribers was attributable to net subscriber additions resulting from April 1, 2006 through March 31, 2007.

Monthly Subscriber Churn. The decrease in monthly subscriber churn stemmed from decreased voluntary subscriber deactivations resulting from the reduced impact of migrating our remaining Puerto Rico TDMA subscribers to our GSM/GPRS technology during the first quarter of 2006. In addition, involuntary subscriber deactivations decreased due to improved collection efforts and the stabilization of our subscriber base during the three months ended March 31, 2007, as compared to the same period of 2006. As a result of contractual obligations with customers, we expect that the subscriber churn of our Puerto Rico and U.S. Virgin Islands segment may remain relatively flat in the near term.

Average Revenue Per User. The ARPU increase was primarily the result of an increase in the usage of features for additional fees, partially offset by a decrease in average billed access and airtime revenue per subscriber. The increase in average feature revenue was primarily the result of subscribers increased usage of our data offerings, such as SMS and downloadable ring tones. The decline in average access revenue was the result of adding new subscribers on lower-priced rate plans. The decline in average airtime revenue was the result of adding new subscribers on rate plans that included more minutes of use, such as included nights and weekends and mobile to mobile, than previously offered rate plans. In addition, average airtime revenue has also declined as a result of existing subscribers migrating to plans with more included minutes and higher use subscribers deactivating service. As a result of anticipated mix of new rate plan offerings, we expect ARPU to remain relatively flat in the foreseeable future.

Cost Per Gross Addition. The CPGA increase of \$32, or 9.6%, was primarily due to higher spending on advertising and promotional costs and higher equipment margin, partially offset by higher gross additions to leverage our fixed selling costs for the period ended March 31, 2007 as compared to the same period of last year.

Results from Operations

	For the three months ended March 31,			
(Dollars in thousands)	2007	2006	Change \$	Change %

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Revenues:				
Service	\$53,475	\$45,410	\$8,065	17.8%
Roaming	3,229	3,611	(382)	(10.6%)
Equipment	6,273	4,834	1,439	29.8%
Total revenue	62,977	53,855	9,122	16.9%
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(Dollars in thousands)	For the three months ended March 31,			
	2007	2006	Change \$	Change %
Operating expenses				
Cost of service	10,853	11,018	165	1.5%
Cost of equipment	12,467	10,694	(1,773)	(16.6%)
Selling, general and administrative	24,745	24,923	178	0.7%
Depreciation, asset disposal and amortization	6,937	26,527	19,590	73.8%
Total operating expenses	55,002	73,162	18,160	24.8%
Income (loss) from operations	\$ 7,975	(\$19,307)	\$27,282	141.3%

Revenue. Service revenue increased \$8.1 million, or 17.8%, for the three months ended March 31, 2007 compared to the same period of 2006 primarily due to an increased number of subscribers, which resulted in increased access revenue of \$4.8 million. In addition, feature revenue increased by \$2.2 million as a result of additional usage of features offered for an additional fee, such as SMS messaging and downloadable ring tones. The decrease in roaming revenue was due to a lower rate per minute of use, partially offset by increased minutes of use on our network. Equipment sales revenue increased due to increased transactions with existing and new subscribers.

Cost of Service. Cost of service decreased by \$0.2 million, or 1.5%, for the three months ended March 31, 2007 compared to the same period of 2006. The decrease was the result of reduced interconnect expenses of \$1.3 million due to decommissioning our Puerto Rico TDMA network during the first quarter of 2006, which resulted in network efficiencies. This decrease was partially offset by increased incollect costs of \$0.6 million due to higher minutes of use and increased handset insurance costs of \$0.6 million resulting from a larger subscriber base. As a result of the variable components of cost of service, such as interconnect and toll, our cost of service may increase in conjunction with the growth of our subscriber base. Cost of service as a percentage of service revenue was 20.3% and 24.3% for the quarters ended March 31, 2007 and 2006, respectively. The decrease of 4.0% was primarily attributable to increased service revenue. Cost of service as a percentage of service revenue may decline in the future, as we expect to continue to leverage the fixed components of cost of service, such as cell site rent, against increased revenue.

Cost of Equipment. Cost of equipment increased \$1.8 million, or 16.6%, for the first quarter of 2007 compared to the same period of last year. This increase was primarily due to higher equipment costs for new activations due to increased gross subscriber additions period over period and increased transactions with existing subscribers, such as upgrades.

Selling, General and Administrative Expense. Selling, general and administrative expenses decreased slightly for the three months ended March 31, 2007 compared to the same period of 2006. The decrease was primarily due to decreased bad debt expense of \$1.5 million due to lower involuntary deactivations, partially offset by increased advertising and promotional costs of \$1.3 million. As a result of the variable components of selling, general and administrative expense, such as customer care personnel and billing costs, our selling, general and administrative expenses may increase as a function of the growth of our subscriber base. General and administrative expense as a percentage of service revenue was 26.0% and 34.5% for the quarter ended March 31, 2007 and 2006, respectively. The decline of 8.5 % was due primarily to increased service revenue. This percentage may continue to decline in the future as we expect to leverage our fixed general and administrative costs, such as headcount and facilities costs, against increased revenue.

Depreciation, Asset Disposal and Amortization Expense. Depreciation, asset disposal and amortization expense decreased by \$19.6 million, or 73.8%, for the three months ended March 31, 2007 compared to the same period of 2006. This decrease was primarily due to there being no depreciation expense on our TDMA equipment, which was decommissioned during the first quarter of 2006, and fully depreciated as of March 31, 2006.

Consolidated operations

Interest Expense. Interest expense was \$38.3 million, net of capitalized interest of \$0.3 million, for the three months ended March 31, 2007. Interest expense was \$37.7 million, net of capitalized interest of \$0.4 million, for the

three months ended March 31, 2006. The increase of \$0.6 million, or 1.6%, primarily related to an increase of \$0.5 million on our senior secured term loan resulting from rising interest rates quarter-over-quarter. We had a weighted average interest rate of 8.75% and 8.63% for the three months ended March 31, 2007 and 2006, respectively, on our average obligation for our senior and subordinated debt as well as our senior secured term loan.

Interest and Other Income. Interest and other income was \$2.4 million for the three months ended March 31, 2007, a decrease of \$1.7 million, compared to \$4.1 million for the same period of 2006. This decrease was primarily due to lower average daily cash and short-term investment balances for the quarter ended March 31, 2007.

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Income Tax Expense. Income tax expense was \$3.1 million for the three months ended March 31, 2007, a decrease of \$0.7 million, or 18.4%, compared to \$3.8 million for the same period of 2006. The decrease was primarily the result of selling FCC licenses related to our Athens sale, which decreased the difference between the book basis and tax basis of our licensing costs, which reduced our deferred tax liability. We continue to recognize a deferred tax liability associated with our licensing costs. Pursuant to our adoption of SFAS No. 142, we can no longer reasonably estimate the period of reversal, if any, for the deferred tax liabilities related to our licensing costs. Therefore, we will continue to incur deferred tax expense as additional deferred tax liabilities associated with the amortization of the tax basis of our FCC licenses are incurred.

Net Loss. Net loss was \$28.9 million and \$147.2 million for the three months ended March 31, 2007 and 2006, respectively. The net loss decrease of \$118.3 million resulted from the items discussed above.

Liquidity and Capital Resources

As of March 31, 2007, we had \$34.1 million in cash and cash equivalents compared to \$37.7 million as of December 31, 2006. In addition, we had \$173.9 million of short-term investments as of March 31, 2007, compared to \$157.6 million as of December 31, 2006. We also held \$1.7 million of restricted cash and short-term investments as of March 31, 2007 and December 31, 2006, which is pledged as collateral for our surety bonds on our cell site lease agreements. Net working capital was \$179.6 million as of March 31, 2007 and \$167.7 million as of December 31, 2006. Cash provided by operating activities was \$8.4 million for the three months ended March 31, 2007, an increase of \$30.0 million, compared to \$21.6 million of cash used in operating activities for the three months ended March 31, 2006. The increase in cash provided by operating activities was primarily due to increased revenue of \$31.0 million and decreased cost of service of \$5.0 million, partially offset by an increase in cash used in working capital of \$3.7 million and increased selling, general and administrative expense (excluding non-cash compensation) of \$2.0 million. Cash provided by investing activities was \$4.3 million for the three months ended March 31, 2007, a decrease of \$29.2 million, or 87.2%, compared to \$33.5 million for the three months ended March 31, 2006. The decrease in cash provided by investing activities was primarily related to a \$59.5 million increase in the net purchases of auction rate securities. This decrease was partially offset by a net increase in proceeds from asset sales of \$24.7 million, which related primarily to our tower sales and Athens sale, and a \$6.0 million reduction in capital expenditures. Cash used in financing activities was \$16.2 million for the three months ended March 31, 2007, an increase of \$2.7 million, compared to \$13.5 million for the three months ended March 31, 2006. The increase in cash used by financing activities relates primarily to a \$6.4 million increase in deferred transaction costs related to our efforts to complete a restructuring of our long-term debt obligations, partially offset by a \$3.7 million decrease in the change in bank overdraft.

Liquidity

The construction of our network and the marketing and distribution of wireless communications products and services have required, and will continue to require, substantial capital. Capital outlays have included license acquisition costs, capital expenditures for network construction, funding of operating cash flow losses and other working capital costs, debt service and financing fees and expenses. We will have additional capital requirements, which could be substantial, for future upgrades and advances in new technology. We believe that cash on hand and short-term investments will be sufficient to meet our projected capital and operational requirements for at least the next twelve months. However, we are highly leveraged with approximately \$1.7 billion of debt. SunCom Wireless inability to pay such debt service could result in a default on such indebtedness which, unless cured or waived, would have a material adverse effect on its liquidity and financial position. Accordingly, we entered into an exchange agreement with certain holders of the SunCom Wireless subordinated notes to affect an exchange of such notes for shares of Holdings Class A common stock. While stockholders have approved the exchange, this transaction remains subject to FCC approval and closing conditions that may not be satisfied or waived. See Note 8 to our unaudited consolidated financial statements for more information. If this exchange transaction is not completed, absent SunCom Wireless ability to secure another source of liquidity, SunCom Wireless will need to implement an alternative financial plan, such as the sale of a significant portion of SunCom Wireless assets, to reduce its long-term debt. There can be no assurance that any such deleveraging efforts would be successful and, if not, SunCom Wireless may have to seek federal bankruptcy protection.

Reconciliation of Non-GAAP Financial Measures

We utilize certain financial measures that are not calculated in accordance with GAAP, to assess our financial performance. A non-GAAP financial measure is defined as a numerical measure of a company's financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the statement of income or statement of cash flows; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the comparable measure so calculated and presented. The discussion of each non-GAAP financial measure we use in this report appear above under Results of Operations. A brief description of the calculation of each measure is included where the particular measure is first discussed.

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Our method of computation may or may not be comparable to other similarly titled measures of other companies. The following tables reconcile our non-GAAP financial measures with our financial statements presented in accordance with GAAP.

Average revenue per user

We believe ARPU, which calculates the average service revenue billed to an individual subscriber, is a useful measure to evaluate our past billable service revenue and assist in forecasting our future billable service revenue. ARPU is exclusive of service revenue credits made to retain existing subscribers and revenue not generated by wireless subscribers. Service revenue credits are discretionary reductions of the amount billed to a subscriber. We have no contractual obligation to issue these credits; therefore, ARPU reflects the amount subscribers have contractually agreed to pay us based on their specific usage pattern. Revenue not generated by wireless subscribers, which primarily consists of Universal Service Fund program revenue, is excluded from our calculation of ARPU, as this revenue does not reflect amounts billed to subscribers. ARPU is calculated by dividing service revenue, exclusive of service revenue credits made to existing subscribers and revenue not generated by wireless subscribers, by our average subscriber base for the respective period. For quarterly periods, average subscribers is calculated by adding subscribers at the beginning of the quarter to subscribers at the end of the quarter and dividing by two.

Consolidated ARPU

Average revenue per user (ARPU)	Three Months Ended March 31,	
	2007	2006
	(Dollars in thousands, except ARPU)	
Service revenue	\$ 186,435	\$ 155,467
Subscriber retention credits	358	256
Revenue not generated by wireless subscribers	(2,309)	(3,175)
Adjusted service revenue	\$ 184,484	\$ 152,548
Average subscribers	1,104,015	986,468
ARPU	\$ 55.70	\$ 51.55

Segment ARPU

Average revenue per user (ARPU)	Continental United States		Puerto Rico and U.S. Virgin Islands	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2007	2006	2007	2006
	(Dollars in thousands, except ARPU)			
Service revenue	\$ 132,960	\$ 110,057	\$ 53,475	\$ 45,410
Subscriber retention credits	329	203	29	53
Revenue not generated by wireless subscribers	(131)	(116)	(2,178)	(3,059)
Adjusted service revenue	133,158	110,144	51,326	42,404
Average subscribers	783,052	716,962	320,963	269,506
ARPU	\$ 56.68	\$ 51.21	\$ 53.30	\$ 52.45

Cost per gross addition

We believe CPGA is a useful measure that quantifies the costs to acquire a new subscriber. This measure also provides a gauge to compare our average acquisition costs per new subscriber to that of other wireless communication

providers. CPGA is calculated by dividing the sum of equipment margin for handsets sold to new subscribers (equipment revenue less cost of equipment, which costs have historically exceeded the related revenue) and selling expenses, exclusive of non-cash compensation, related to adding new subscribers by total gross subscriber additions during the relevant period. Retail customer service expenses are excluded from CPGA, as these costs are incurred specifically for existing subscribers.

Table of Contents**Consolidated CPGA**

Cost per gross addition (CPGA)	Three Months Ended March 31,	
	2007	2006
	(Dollars in thousands, except CPGA)	
Selling expenses	\$ 36,295	\$ 37,196
Less: non-cash compensation included in selling expenses	(76)	(264)
Plus: termination benefits allocated to selling expense		56
Total cost of equipment transactions with new subscribers	18,229	19,741
CPGA operating expenses	54,448	56,729
Cost of service	\$ 62,932	\$ 67,948
Non-cash compensation included in selling expenses	76	264
Total cost of equipment transactions with existing subscribers	20,638	19,480
General and administrative expense	52,745	51,431
Termination benefits other than selling expense portion		842
Depreciation and asset disposal	24,146	103,499
Amortization	7,834	11,504
Total operating expenses	222,819	311,697
CPGA operating expenses (from above)	54,448	56,729
Equipment revenue transactions with new subscribers	(11,092)	(12,311)
CPGA costs, net	\$ 43,356	\$ 44,418
Gross subscriber additions	107,851	116,315
CPGA	\$ 402	\$ 382

Segment CPGA

Cost per gross addition (CPGA)	Continental United States		Puerto Rico and U.S. Virgin Islands	
	2007	2006	2007	2006
	Three Months Ended March 31,			
	(Dollars in thousands, except CPGA)			
Selling expenses	\$ 25,459	\$ 27,943	\$ 10,836	\$ 9,253
Less: non-cash compensation included in selling expenses	(33)	(247)	(43)	(17)
Plus: termination benefits allocated to selling expense		56		
Total cost of equipment transactions with new subscribers	10,742	13,136	7,487	6,605
CPGA operating expenses	36,168	40,888	18,280	15,841

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Cost of service	52,079	56,930	10,853	11,018
Non-cash compensation included in selling expenses	33	247	43	17
Total cost of equipment transactions with existing subscribers	15,658	15,391	4,980	4,089
General and administrative expense	38,836	35,761	13,909	15,670
Termination benefits other than selling expense portion		842		
Depreciation and asset disposal	21,645	83,438	2,501	20,061
Amortization	3,398	5,038	4,436	6,466
Total operating expenses	167,817	238,535	55,002	73,162
CPGA operating expenses (from above)	36,168	40,888	18,280	15,841
Equipment revenue transactions with new subscribers	(7,286)	(8,855)	(3,806)	(3,456)
CPGA costs, net	\$ 28,882	\$ 32,033	\$ 14,474	\$ 12,385
Gross subscriber additions	68,106	78,960	39,745	37,355
CPGA	\$ 424	\$ 406	\$ 364	\$ 332

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Inflation

We do not believe that inflation has had a material impact on our operations.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are highly leveraged and, as a result, our cash flows and earnings are exposed to fluctuations in interest rates. SunCom Wireless' debt obligations are U.S. dollar denominated. Our market risk, therefore, is the potential loss arising from adverse changes in interest rates. As of March 31, 2007, SunCom Wireless' debt can be categorized as follows (in thousands):

Fixed interest rates:	
Senior notes	\$ 714,657
Senior subordinated notes	\$ 732,904

Subject to interest rate fluctuations:	
Senior secured term loan	\$ 244,375

Our interest rate risk management program focuses on minimizing exposure to interest rate movements, setting an optimal mixture of floating and fixed rate debt and minimizing liquidity risk.

Our cash and cash equivalents consist of short-term assets having initial maturities of three months or less, and our investments consist of auction rate securities with maturities of one year or less. While these investments are subject to a degree of interest rate risk, this risk is not considered to be material relative to our overall investment income position.

If interest rates rise over the remaining term of the senior secured term loan at the March 31, 2007 outstanding principal balance, we would realize increased annual interest expense of approximately \$1.2 million for each 50 basis point increase in rates. If interest rates decline over the remaining term of the senior secured term loan, we would realize decreased annual interest expense of approximately \$1.2 million for each 50 basis point decrease in rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures.

We have carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. As a result of this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2007, SunCom's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are effective to ensure that information required to be disclosed by SunCom in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and include controls and procedures designed to ensure that information required to be disclosed by SunCom in such reports is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls.

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

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

None

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit

Number

Description

- | | |
|-----|---|
| 2.1 | Exchange Agreement, dated as of January 31, 2007, among SunCom Wireless Holdings, Inc., SunCom Wireless Investment Co., LLC, SunCom Wireless, Inc. and the holders of the 9 ^{3/8} % Senior Subordinated Notes due 2011 and 8 ^{3/4} % Senior Subordinated Notes due 2011 of SunCom Wireless, Inc. party thereto (incorporated by reference to Exhibit 2.1 to the Form 8-K of SunCom Wireless Holdings, Inc. filed January 31, 2007). |
| 2.2 | Agreement and Plan of Merger, dated as of January 31, 2007, by and between SunCom Wireless Holdings, Inc. and SunCom Wireless Merger Corp. (incorporated by reference to Exhibit 2.2 to the Form 8-K of SunCom Wireless Holdings, Inc. filed January 31, 2007). |
| 3.1 | Second Restated Certificate of Incorporation of Triton PCS Holdings, Inc. (incorporated by reference to Exhibit 3.4 to the Form 10-Q of Triton PCS Holdings, Inc. for the quarter ended September 30, 1999). |
| 3.2 | Amendment to Second Restated Certificate of Incorporation of Triton PCS Holdings, Inc. changing the company's corporate name to SunCom Wireless Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Form 10-Q of SunCom Wireless Holdings, Inc. for the quarter ended March 31, 2005). |
| 3.3 | Second Amended and Restated Bylaws of Triton PCS Holdings, Inc. (incorporated by reference to Exhibit 3.6 to the Form 10-Q of Triton PCS Holdings, Inc. for the quarter ended September 30, 1999). |
| 4.1 | Specimen Stock Certificate. (incorporated by reference to Exhibit 4.1 to the Form 10-Q of SunCom Wireless Holdings, Inc. for the quarter ended March 31, 2005). |
| 4.2 | Indenture, dated as of January 19, 2001, among Triton PCS, Inc., the Guarantors party thereto and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.5 to Amendment No. 2 to the Form S-3 Registration Statement of Triton PCS Holdings, Inc., File No. 333-49974). |
| 4.3 | Supplemental Indenture, dated as of November 18, 2004, by and among Triton PCS, Inc., Affiliate License Co., L.L.C. and The Bank of New York, to the Indenture, dated as of January 19, 2001, among Triton PCS, Inc., the Guarantors party thereto and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.3 to the Form 10-K of Triton PCS Holdings, Inc. for the year ended December 31, 2004). |

- 4.4 Supplemental Indenture, dated as of January 27, 2005, by and among Triton PCS, Inc., AWS Network Newco, LLC, SunCom Wireless International, LLC, SunCom Wireless Puerto Rico Operating Company, LLC, Triton Network Newco, LLC and The Bank of New York to the Indenture, dated as of January 19, 2001, among Triton PCS, Inc., the Guarantors party thereto and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.4 to the Form 10-K of Triton PCS Holdings, Inc. for the year ended December 31, 2004).
- 4.5 Indenture, dated as of November 14, 2001, among Triton PCS, Inc., the Guarantors thereto and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.1 to the Form 8-K/A of Triton PCS Holdings, Inc. filed November 15, 2001).
- 4.6 Supplemental Indenture, dated as of November 18, 2004, by and among Triton PCS, Inc., Affiliate License Co., L.L.C. and The Bank of New York to the Indenture, dated as of November 14, 2001, among Triton PCS, Inc., the

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	Guarantors thereto and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.6 to the Form 10-K of Triton PCS Holdings, Inc. for the year ended December 31, 2004).
4.7	Supplemental Indenture, dated as of January 27, 2005, by and among Triton PCS, Inc., AWS Network Newco, LLC, SunCom Wireless International, LLC, SunCom Wireless Puerto Rico Operating Company, LLC, Triton Network Newco, LLC and The Bank of New York to the Indenture, dated as of November 14, 2001, among Triton PCS, Inc., the Guarantors thereto and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.7 to the Form 10-K of Triton PCS Holdings, Inc. for the year ended December 31, 2004).
4.8	Indenture, dated as of June 13, 2003, among Triton PCS, Inc., the Guarantors thereto and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.1 to the Form 8-K/A of Triton PCS Holdings, Inc. filed June 16, 2003).
4.9	Supplemental Indenture, dated as of November 18, 2004, by and among Triton PCS, Inc., Affiliate License Co., L.L.C. and The Bank of New York, to the Indenture, dated as of June 13, 2003, among Triton PCS, Inc., the Guarantors thereto and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.9 to the Form 10-K of Triton PCS Holdings, Inc. for the year ended December 31, 2004).
4.10	Supplemental Indenture, dated as of January 27, 2005, by and among Triton PCS, Inc., AWS Network Newco, LLC, SunCom Wireless International, LLC, SunCom Wireless Puerto Rico Operating Company, LLC, Triton Network Newco, LLC and The Bank of New York, to the Indenture, dated as of June 13, 2003, among Triton PCS, Inc., the Guarantors thereto and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.10 to the Form 10-K of Triton PCS Holdings, Inc. for the year ended December 31, 2004).
10.1	Amendment to Employment Agreement, dated as of January 31 2007, by and among SunCom Wireless Holdings, Inc., SunCom Wireless Management Company, Inc. and Michael Kalogris (incorporated by reference to Exhibit 10.1 to the Form 8-K of SunCom Wireless Holdings, Inc. filed February 1, 2007).*
10.2	Amendment to Employment Agreement, dated as of January 31, 2007, by and among SunCom Wireless Holdings, Inc., SunCom Wireless Management Company, Inc. and William Robinson (incorporated by reference to Exhibit 10.2 to the Form 8-K of SunCom Wireless Holdings, Inc. filed February 1, 2007).*
10.3	Amendment to Employment Agreement, dated as of January 31, 2007, by and among SunCom Wireless Holdings, Inc., SunCom Wireless Management Company, Inc. and Eric Haskell (incorporated by reference to Exhibit 10.3 to the Form 8-K of SunCom Wireless Holdings, Inc. filed February 1, 2007).*
10.4	Letter Agreement, dated as of March 26, 2007, between SunCom Wireless Holdings, Inc. and Laura Show-Porter.*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	

Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.

31.3 Certification of Vice President of Accounting and Controller pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.

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32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended.
*	Management contract or compensatory plan.

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SIGNATURES

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

SUNCOM WIRELESS HOLDINGS, INC.

Date: May 9, 2007

By: /s/ Michael E. Kalogris
Michael E. Kalogris
Chief Executive Officer (principal
executive officer)

Date: May 9, 2007

By: /s/ Eric Haskell
Eric Haskell
Chief Financial Officer (principal
financial officer)