METROPCS COMMUNICATIONS INC
Form S-1/A
May 07, 2004
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As filed with the Securities and Exchange Commission on May 7, 2004

Registration No. 333-113865

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

MetroPCS Communications, Inc.

(Exact name of registrant as specified in its charter)

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

8144 Walnut Hill Lane, Suite 800

Dallas, Texas 75231

(214) 265-2550

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

Roger D. Linquist

President, Chief Executive Officer,

Secretary and Chairman of the Board

8144 Walnut Hill Lane, Suite 800

Dallas, Texas 75231

(214) 265-2550

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

Copies to:

Andrews Kurth LLP

600 Travis, Suite 4200

Houston, Texas 77002

(713) 220-4200

Attn: Henry Havre

Kin Gill

Latham & Watkins LLP

885 Third Avenue, Suite 1000

New York, New York 10022

(212) 906-1200

Attn: Ian Blumenstein

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (2)
Common stock, par value $0.0001 per share (1)	$250,000,000	$31,675(3)

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

(3) The registrant has previously paid fees of $31,675.

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

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

SUBJECT TO COMPLETION, DATED MAY 7, 2004

PROSPECTUS

Shares

MetroPCS Communications, Inc.

Common Stock

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

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

See Risk Factors beginning on page 9 to read about risks that you should consider before buying shares of our common stock.

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

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

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

The underwriters expect to deliver the shares on , 2004.

Joint Book-Running Managers

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

UBS Investment Bank

Joint Lead Manager

JPMorgan

Thomas Weisel Partners LLC

The date of this Prospectus is , 2004

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

Until , 2004 (25 days after the date of this prospectus), all dealers effecting transactions of the common stock offered hereby, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligations of dealers to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

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

MetroPCS

We are the fastest growing wireless communications provider in the United States, measured by annual percentage growth in customers and revenue. We offer wireless voice and data services on a no-contract, flat rate, unlimited usage basis in the San Francisco, Miami, Atlanta and Sacramento metropolitan areas, which include a total population of 22.6 million people. We launched service in all of these areas in the first quarter of 2002, except for San Francisco, which we launched in September 2002. We reported positive net income and adjusted EBITDA after four quarters of operations and one million customers after eight quarters of operations. As of March 31, 2004, we had approximately 1.2 million customers. We believe that we reached these growth and profitability milestones significantly faster than any other U.S. wireless carrier and that our no-contract, flat rate, unlimited usage service offering will allow us to continue to penetrate our existing markets and further drive our growth in profitability. In addition, we believe our services can be successfully introduced in new markets, and we continue to assess attractive expansion opportunities.

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

For the year ended December 31, 2003, we reported total revenues of $459.5 million, net cash provided by operating activities of $109.6 million, adjusted EBITDA of $95.5 million and net income of $20.6 million. In 2003, our net income declined from net income of $139.1 million reported in 2002, primarily as a result of a $279 million pre-tax gain realized on the sale of 10 MHz of spectrum in our Atlanta market in February 2002. For the three months ended March 31, 2004, we reported total revenues of $173.0 million, net cash provided by operating activities of $24.4 million, adjusted EBITDA of $39.1 million and net income of $10.8 million. By comparison, for the three months ended March 31, 2003, we reported total revenues of $99.4 million, net cash used in operating activities of $(4.8) million, adjusted EBITDA of $11.2 million and net income of $9,000. As of March 31, 2004, we had $895.2 million of total assets, $185.1 million of cash and cash equivalents and $193.1 million of total debt. For information regarding our calculation of adjusted EBITDA, refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Reconciliation of Non-GAAP Financial Measures.

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Competitive Strengths

Our principal competitive strengths are:

- Our flat rate calling plans, which provide unlimited usage within a local calling area with no long-term contracts
- Our focus on densely populated markets, which provide significant operational efficiencies
- Our leadership position as the lowest cost provider of wireless telephone services in the United States
- Our state-of-the-art CDMA 1XRTT network, which provides more efficient use of spectrum than other commonly deployed wireless technologies
- Our deep spectrum portfolio, which provides us with operational flexibility and the ability to swap or sell spectrum

Our service is designed to eliminate the gap between traditional wireless and wireline pricing, and we believe our ability to attract approximately 1.2 million customers to date demonstrates the substantial demand for our service. Our market clusters in San Francisco, Miami, Atlanta and Sacramento cover four of the 25 most populous metropolitan areas in the United States, and the average population density of our licensed markets as of March 31, 2004 was 335 people per square mile, which is four times the national average. Our operating strategy and our focus on densely populated major markets have allowed us to achieve a significant cost advantage over traditional wireless carriers. We are currently the lowest cost provider of wireless services in the United States measured by cost per minute or cost per customer, and our cost structure allows us to offer our services at affordable prices while maintaining cash profit margins per customer that are among the highest in the industry. We believe we were the first U.S. wireless carrier to have 100% of our customers on a code division multiple access radio transmission technology, or CDMA 1XRTT, network, which provides us with substantially more voice and data capacity than other commonly deployed wireless technologies. As a result of our network efficiency, we do not need all of our current spectrum to execute our business plan, and we believe our excess spectrum has significant value, as demonstrated by our sale in February 2002 of 10 MHz of excess spectrum in our Atlanta market for $290.0 million. We believe these competitive strengths distinguish us from other wireless carriers and should allow us to successfully execute our business strategy and continue our rapid growth.

Business Strategy

Our business strategy is to:

- Continue to target the underserved customer segments in our markets
- Offer affordable, fixed price calling plans without long-term service contracts

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

Expand into attractive markets through acquisitions and spectrum swaps

As a result of our business strategy, we have ranked among the leaders in the U.S. wireless industry in incremental market penetration in every quarter since we launched operations. Historically, approximately 42% of our gross customer additions have been first time wireless customers. We believe our rapid adoption rates and customer mix demonstrate that our service is expanding the overall size of the wireless market and better meeting the needs of many existing wireless users. Our operating strategy, network design and rapidly increasing scale should allow us to maintain our cost leadership position, as we further reduce our operating costs per customer and enhance profitability in the future. We expect that attractive expansion opportunities will become available, and we plan to target new markets that complement our existing footprint or can be operated as a standalone cluster with growth and profitability characteristics similar to our existing markets.

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The Offering

Common stock offered by MetroPCS	shares
Common stock offered by the selling stockholders	shares
Capital stock to be outstanding after this offering:	
Common stock	shares
Class A common stock	shares
Voting rights	Holders of the common stock offered in this prospectus will have one vote per share. However, with respect to all matters submitted to a vote of stockholders for which a separate class vote is not required, the holders of our Class A common stock, consisting of Roger D. Linquist (our President, Chief Executive Officer, Secretary and Chairman of the Board) and C. Boyden Gray (a member of our board of directors), will have, collectively, votes equal to 50.1% of the aggregate voting power of all shares entitled to vote. The holders of our common stock will have, collectively, votes equal to 49.9% of the aggregate voting power of all shares entitled to vote. In addition, the holders of Class A common stock will be entitled to a separate class vote to elect four members of our board of directors, and the holders of common stock will be entitled to a separate class vote to elect three members of our board of directors. Following this offering, we intend to petition the FCC for the ability to convert our Class A common stock into common stock, with one vote per share. We expect to complete this process within approximately nine months of the consummation of this offering. However, we cannot assure you that the FCC will grant this request in a timely fashion or at all. See Legislation and Government Regulations and Description of Capital Stock.
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $ million. We intend to use the net proceeds to us for general corporate purposes, including continued expansion of our networks in existing markets and expansion into new markets, including through acquisitions. In addition, we may use a portion of the net proceeds to redeem a portion of our 10 $^{3}/4$% senior notes due 2011. We will not receive any proceeds from the sale of common stock by the selling stockholders. See Use of Proceeds.
Proposed Nasdaq National Market symbol	MPCS.
Risk factors	See Risk Factors beginning on page 9 of this prospectus for a discussion of factors you should consider carefully before deciding to invest in our common stock.

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

- is based upon our outstanding capital stock as of March 31, 2004;
- assumes a one for reverse stock split of our outstanding common stock prior to the consummation of this offering;
- gives effect to the conversion of all of our outstanding Series D preferred stock into common stock, which will occur concurrently with the consummation of this offering (including shares of common stock to be issued in respect of unpaid dividends on our outstanding Series D preferred stock that have accumulated as of March 31, 2004);
- excludes shares of common stock to be issued in respect of unpaid dividends on our outstanding Series D preferred stock that have accumulated subsequent to March 31, 2004;
- excludes shares reserved for issuance under our equity compensation plans (of which shares are currently issuable upon the exercise of outstanding options with a weighted average exercise price of $ per share) and shares issuable upon the exercise of outstanding warrants with a weighted exercise price of $ per share; and
- assumes no exercise of the underwriters over-allotment option.

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

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Summary Consolidated Financial and Other Data

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

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

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

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	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
Other Financial and Operating Data (Non-GAAP):					
Adjusted EBITDA (in thousands) (2)	$ (27,963)	$ (92,452)	$ 95,507	$ 11,210	$ 39,126
Adjusted EBITDA margin (3)			21%	11%	23%
Covered POPs (at period end) (4)		16,964,450	17,662,491	17,197,196	17,942,763
Customers (at period end)		513,484	976,899	708,965	1,150,954
Average monthly churn (5)		4.4%	4.6%	3.5%	3.8%
Average revenue per user (ARPU) (2)		$ 39.17	$ 37.68	$ 39.50	$ 40.00
Cost per gross addition (CPGA) (2)		158.50	99.86	104.97	96.74
Cash cost per user (CCPU) (2)		36.49	17.82	18.64	18.80

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

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

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

Adjusted earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, average revenue per user, or ARPU, cost per gross addition, or CPGA, and cash cost per user, or CCPU, are an integrated set of non-GAAP financial measures utilized by our management to judge our operating performance. We believe these measures are important in understanding the performance of our operations from period to period, and although every company in the wireless industry does not define each of these measures in precisely the same way, we believe that these measures (which are common in the wireless industry) facilitate key operating performance comparisons with other companies in the wireless industry. The following tables reconcile our non-GAAP financial measures with our financial statements presented in accordance with GAAP.

We have presented adjusted EBITDA because this financial measure, in combination with other GAAP and non-GAAP financial measures, is an integral part of our internal reporting system utilized by management to assess and evaluate the performance of our business. Adjusted EBITDA is used by management to facilitate evaluation of our ability to meet future debt service, capital expenditure and working capital requirements. Omitting interest, taxes and the enumerated non-cash items provides a financial measure that is useful to management in assessing operating performance because the cash generated by our business operations enables us to grow. The components of adjusted EBITDA include the key revenue and expense items for which our operating managers are responsible and upon which we evaluate their performance. Additionally, adjusted EBITDA is tied directly to the other key non-GAAP operating measures we monitor, ARPU, CPGA and CCPU.

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Adjusted EBITDA is a supplement to GAAP financial information and should not be construed as an alternative to, or more meaningful than, net income (loss), as determined in accordance with GAAP, or cash flows from operating activities, as determined in accordance with GAAP. We believe adjusted EBITDA is useful to investors as a means to evaluate our operating performance prior to financing costs, tax charges, non-cash depreciation and amortization expense, non-cash compensation charges, and certain other non-cash items. The following table reconciles adjusted EBITDA to net income (loss) as determined in accordance with GAAP for the periods indicated. We have also presented a reconciliation of adjusted EBITDA to net cash provided by (used in) operating activities to provide information with respect to our ability to meet future debt service, capital expenditures and working capital requirements.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
	(In thousands)				
Calculation of Adjusted EBITDA:					
Net income (loss)	$ (45,180)	$ 139,067	$ 20,566	$ 9	$ 10,837
Add back non adjusted EBITDA items included in net income (loss):					
Non-cash compensation	1,455	1,115	7,379	241	3,256
Depreciation and amortization	208	21,394	41,900	9,047	12,774
(Gain) loss on sale of assets		(278,956)	333	111	87
Interest expense	10,491	6,805	11,254	1,755	5,572
Interest income	(2,046)	(964)	(1,061)	(140)	(616)
Loss (gain) on extinguishment of debt	7,109		(603)		(201)
Provision for income taxes		19,087	15,665	113	7,417
Cumulative effect of change in accounting principle, net of tax			74	74	
Adjusted EBITDA	(27,963)	(92,452)	95,507	11,210	39,126
Interest expense, net of interest income	(8,445)	(5,841)	(10,193)	(1,615)	(4,956)
Bad debt expense		381	991	749	433
Accretion of asset retirement obligation			50	25	79
Non-cash interest	3,882	3,028	3,090	784	688
Deferred rents	949	1,853	1,160	414	435
Cost of abandoned cell sites			824	477	183
Non-deferred tax		(8,993)	(1,643)		
Working capital changes	(824)	37,501	19,832	(16,870)	(11,620)
Net cash provided by (used in) operating activities	$ (32,401)	$ (64,523)	$ 109,618	$ (4,826)	$ 24,368

We believe average revenue per user, or ARPU, is a useful measure to evaluate our per-customer service revenue realization and to assist in forecasting our future service revenues. Average number of customers for any measurement period is determined by dividing (a) the sum of the average monthly number of customers for the measurement period by (b) the number of months in such period. Average monthly number of customers for any month represents the sum of the number of customers on the first day of the month and the last day of the month divided by two. The following table shows the calculation of ARPU for the periods indicated:

	Year Ended December 31,		Three Months Ended March 31,	
	2002	2003	2003	2004
	(In thousands, except average number of customers and ARPU)			

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

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We utilize cost per gross addition, or CPGA, to assess the efficiency of our distribution strategy, validate the initial capital invested in our customers and determine the number of months to recover our customer acquisition costs. This measure also provides a gauge to compare our average acquisition costs per new customer to those of other wireless communications providers. The following table shows the calculation of CPGA for the periods indicated:

	Year Ended December 31,		Three Months Ended March 31,	
	2002	2003	2003	2004
	(In thousands, except gross customer additions and CPGA)			
Calculation of Cost Per Gross Addition (CPGA):				
Selling expenses	$ 26,526	$ 44,076	$ 9,879	$ 12,214
Less: Activation revenues	(3,018)	(14,410)	(1,860)	(3,186)
Less: Equipment revenues	(23,458)	(88,562)	(23,399)	(40,077)
Plus: Equipment revenue not associated with new customers	578	17,150	1,035	16,729
Plus: Cost of equipment	100,651	155,084	44,213	64,047
Less: Equipment costs not associated with new customers	(2,050)	(24,030)	(2,541)	(21,201)
Gross addition expenses	$ 99,229	$ 89,308	$ 27,327	$ 28,526
Divided by: Gross customer additions	626,050	894,348	260,320	294,886
CPGA	$ 158.50	$ 99.86	$ 104.97	$ 96.74

We believe cash cost per user, or CCPU, is a useful measure to determine our operating efficiency and to gauge our per-customer cash costs in relation to those of other wireless communications providers. The following table shows the calculation of CCPU for the periods indicated:

	Year Ended December 31,		Three Months Ended March 31,	
	2002	2003	2003	2004
	(In thousands, except average number of customers and CCPU)			
Calculation of Cash Cost Per User (CCPU)				
Cost of service	$ 61,881	$ 118,335	$ 25,929	$ 40,909
Plus: Equipment costs associated with transactions with existing customers	2,050	24,030	2,541	21,201
Plus: Selling, general and administrative expenses (including non-cash compensation)	56,630	97,935	18,287	32,172
Less: Selling expenses	(26,526)	(44,076)	(9,879)	(12,214)

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