

SUNCOM WIRELESS HOLDINGS, INC.

Form 10-Q

July 31, 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 June 30, 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 July 20, 2007, 59,228,826 shares of the registrant's Class A common stock, par value \$0.01 per share, were outstanding.

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

	June 30, 2007	December 31, 2006
ASSETS:		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 55,638	\$ 37,683
Short-term investments	127,300	157,600
Restricted cash and restricted short-term investments	1,711	1,668
Accounts receivable, net of allowance for doubtful accounts of \$8,741 and \$8,895, respectively	94,235	96,255
Accounts receivable - roaming partners	17,493	14,811
Inventory, net	28,205	27,441
Prepaid expenses	22,990	16,446
Assets held for sale	377	11,446
Other current assets	6,655	11,960
Total current assets	354,604	375,310
<i>Long-term assets:</i>		
Property and equipment, net	453,198	480,880
Intangible assets, net	777,794	794,250
Other long-term assets	10,742	4,419
Total assets	\$ 1,596,338	\$ 1,654,859
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
<i>Current liabilities:</i>		
Accounts payable	\$ 78,935	\$ 71,602
Accrued liabilities	55,344	89,134
Current portion of long-term debt	2,792	2,810
Other current liabilities	26,994	24,937
Total current liabilities	164,065	188,483
<i>Long-term debt:</i>		
Capital lease obligations	389	531
Senior secured term loan	241,250	242,500
Senior notes	714,977	714,341
Senior long-term debt	956,616	957,372
Subordinated notes	12,205	732,365

Total long-term debt	968,821	1,689,737
Deferred income taxes, net	146,993	143,124
Deferred revenue	1,520	1,766
Deferred gain on sale of property and equipment	57,866	46,173
Other	5,551	2,468
Total liabilities	1,344,816	2,071,751
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, \$0.01 par value, 70,000,000 shares authorized; no shares issued or outstanding as of June 30, 2007 and December 31, 2006		
Class A common stock, \$0.01 par value, 580,000,000 shares authorized, 59,341,576 shares issued and 59,228,826 shares outstanding as of June 30, 2007; and 520,000,000 shares authorized, 6,511,238 shares issued and 6,333,119 shares outstanding as of December 31, 2006 (see Note 2)	592	633
Class B non-voting common stock, \$0.01 par value, no shares authorized as of June 30, 2007; 60,000,000 shares authorized; 792,610 shares issued and outstanding as of December 31, 2006		79
Additional paid-in capital	1,502,822	611,961
Accumulated deficit	(1,250,151)	(1,027,824)
Class A common stock held in trust		(173)
Deferred compensation		173
Class A common stock held in treasury, at cost (112,750 and 178,119 shares, respectively)	(1,741)	(1,741)
Total stockholders' equity (deficit)	251,522	(416,892)
Total liabilities and stockholders' equity (deficit)	\$ 1,596,338	\$ 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 data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenue:				
Service	\$ 195,674	\$ 164,430	\$ 382,109	\$ 319,897
Roaming	25,099	19,519	47,101	40,985
Equipment	21,681	22,739	46,164	47,698
Total revenue	242,454	206,688	475,374	408,580
Operating expenses:				
Cost of service (excluding the below amortization and excluding depreciation and asset disposal of \$18,134 and \$82,856 for the three months ended June 30, 2007 and 2006, respectively, and \$39,147 and \$184,527 for the six months ended June 30, 2007 and 2006, respectively)	66,262	66,717	129,194	134,665
Cost of equipment	34,792	32,270	73,659	71,491
Selling, general and administrative (excluding depreciation and asset disposal of \$2,801 and \$1,675 for the three months ended June 30, 2007 and 2006, respectively, and \$5,934 and \$3,503 for the six months ended June 30, 2007 and 2006, respectively)	91,626	83,385	180,666	172,012
Termination benefits and other related charges		658		1,556
Depreciation and asset disposal	20,935	84,531	45,081	188,030
Amortization	7,243	10,689	15,077	22,193
Total operating expenses	220,858	278,250	443,677	589,947
Income (loss) from operations	21,596	(71,562)	31,697	(181,367)
Interest expense	(29,635)	(38,167)	(67,969)	(75,909)
Interest and other income	2,422	3,313	4,826	7,407
Loss on debt-for-equity exchange	(182,868)		(182,868)	
Loss before taxes	(188,485)	(106,416)	(214,314)	(249,869)
Income tax provision	(4,504)	(3,991)	(7,602)	(7,743)
Net loss	(\$192,989)	(\$110,407)	(\$221,916)	(\$257,612)
Net loss per common share (basic and diluted)	(\$5.80)	(\$16.07)	(\$11.02)	(\$37.59)

Weighted average common shares outstanding (basic and diluted)	33,246,761	6,868,498	20,143,932	6,852,413
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See accompanying notes to financial statements.

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SunCom Wireless Holdings, Inc.
Consolidated Statements of Stockholders Equity (Deficit)
(Dollars in thousands)

	Class B		Common				Accumulated Deficit	Total Stockholders Equity (Deficit)
	Class A	Non-Voting	Additional	Deferred	Stock Held	Treasury		
	Common Stock	Common Stock	Paid-In Capital	Compensation	in Trust	Stock		
Balance at December 31, 2006	\$ 633	\$ 79	\$ 611,961	\$ 173	\$ (173)	\$ (1,741)	\$ (1,027,824)	\$ (416,892)
Adoption of FASB Interpretation No. 48 (FIN 48)							(411)	(411)
Deferred compensation, net of forfeitures	7		(7)					
Termination of deferred compensation plan				(173)	173			
Conversion of Class B to Class A	79	(79)						
Reverse stock split	(647)		647					
Stock issuance in connection with debt-for-equity exchange	520		889,165					889,685
Non-cash compensation			1,099					1,099
Net loss							(221,916)	(221,916)
Other			(43)					(43)
Balance at June 30, 2007	\$ 592	\$	\$ 1,502,822	\$	\$	\$ (1,741)	\$ (1,250,151)	\$ 251,522

Balance at December 31, 2005	\$ 627	\$ 79	\$ 607,849	\$ 145	\$ (145)	\$ (1,375)	\$ (690,446)	\$ (83,266)
Deferred compensation, net of forfeitures	6		(6)	5	(5)			
Non-cash compensation			3,021					3,021
Purchase of treasury stock						(366)		(366)
Net loss							(257,612)	(257,612)
Balance at June 30, 2006	\$ 633	\$ 79	\$ 610,864	\$ 150	\$ (150)	\$ (1,741)	\$ (948,058)	\$ (338,223)

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

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net loss	(\$221,916)	(\$257,612)
Adjustments to reconcile net loss to net cash used in operating activities, net of effects from divestitures:		
Depreciation, asset disposal and amortization	60,158	210,223
Deferred income taxes	6,489	7,171
Accretion of interest	2,069	2,215
Bad debt expense	14,100	10,065
Non-cash compensation	1,099	3,021
Loss on debt-for-equity exchange	182,868	
Change in operating assets and liabilities:		
Accounts receivable	(16,949)	(10,707)
Inventory	(764)	7,561
Prepaid expenses and other current assets	(7,422)	(5,831)
Intangible and other assets	(5,199)	(807)
Accounts payable	5,018	(1,473)
Accrued payroll and liabilities	(5,961)	(6,547)
Deferred revenue	661	2,829
Accrued interest	(17,814)	(46)
Other liabilities	(536)	(2,421)
Net cash used in operating activities	(4,099)	(42,359)
Cash flows from investing activities:		
Purchase of available for sale securities	(337,950)	(436,604)
Proceeds from sale of available for sale securities	368,250	540,800
Proceeds from sale of assets	27,530	1,590
Payment of direct costs on business transactions	(451)	(54)
Capital expenditures	(16,347)	(42,173)
Other		(37)
Net cash provided by investing activities	41,032	63,522
Cash flows from financing activities:		
Payments under senior secured term loan	(1,250)	(1,250)
Change in bank overdraft	(9,474)	(6,270)
Principal payments under capital lease obligations	(160)	(151)
Payment of direct costs on debt-for-equity exchange	(8,078)	(2,886)
Purchase of treasury stock		(366)
Other	(16)	

Net cash used in financing activities	(18,978)	(10,923)
Net increase in cash and cash equivalents	17,955	10,240
Cash and cash equivalents, beginning of period	37,683	16,083
Cash and cash equivalents, end of period	\$ 55,638	\$ 26,323
Non-cash investing and financing activities		
Change in capital expenditures included in accounts payable	\$ 2,661	(\$1,284)
Change in direct transaction costs included in accrued expenses	(517)	
Fair value of equity issued in the debt-for-equity exchange	889,685	
Carrying value of debt retired in the debt-for-equity exchange	(720,977)	
Write-off of deferred financing costs in connection with the debt-for- equity exchange	896	

See accompanying notes to financial statements.

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**SUNCOM WIRELESS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 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 and six months ended June 30, 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. 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.

Therefore, 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, 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, which was amended on May 15, 2007. Pursuant to the amended Exchange Agreement, on May 15, 2007, the holders of the SunCom Wireless Subordinated Notes that were parties thereto exchanged \$731.6 million principal amount of their outstanding SunCom Wireless Subordinated Notes for an aggregate of approximately 52.0 million shares of Holdings' Class A common stock. The 52.0 million shares reflect a 1-for-10 reverse stock split that was effected immediately prior to the exchange pursuant to the merger described below. As a result of the exchange, the holders of the outstanding SunCom Wireless Subordinated Notes participating in the exchange received in the aggregate (in respect of their SunCom Wireless Subordinated Notes tendered in the exchange) approximately 87.9% of Holdings' outstanding Class A common stock on a fully-diluted basis. Following the exchange, the existing holders of Holdings' Class A common stock owned approximately 12.1% of Holdings' Class A common stock on a fully-diluted basis.

In connection with the Exchange Agreement, the holders of the SunCom Wireless Subordinated Notes agreed to exit consents that removed, effective as 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 contained covenants, which called 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 who have been designated by various of the holders of the SunCom Wireless Subordinated Notes that were parties to the Exchange Agreement. Also pursuant to the Exchange Agreement, Holdings agreed to pursue strategic alternatives, including the potential sale of substantially all of its business.

Also on January 31, 2007, concurrent 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). On May 15, 2007, pursuant to the merger agreement, Merger Sub 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 was converted into 0.1 share of Class A common stock of Holdings, as the surviving corporation in the merger. Each issued and outstanding share of common stock of Merger Sub was cancelled in the exchange for no consideration. The merger was consummated prior to the consummation of the transactions contemplated by the Exchange Agreement. The merger was effected, among other reasons, to implement a 1-for-10 reverse stock split and to ensure that Holdings had sufficient authorized shares of Class A common stock to complete the exchange. The par value of the common stock was not affected by the reverse stock split and remained at \$0.01 per share. Consequently, the aggregate par value of the issued Class A common stock was reduced by reclassifying the par value amount of the eliminated

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

shares of common stock to additional paid-in capital in the Company's consolidated balance sheets. The Company has paid cash in lieu of any fractional shares to which a holder of Class A common stock would otherwise be entitled as a result of the reverse stock split. The number of authorized shares of Class A common stock remains unchanged, and all shares and per share amounts have been adjusted in the consolidated financial statements and in the notes to the consolidated financial statements for all periods presented to reflect the reverse stock split. Prior period additional paid-in capital and Class A common stock balances have not been adjusted on the consolidated balance sheet to reflect the reverse stock split.

During January 2007, and 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 shares of Class B non-voting common stock) 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.

As a result of the debt-for-equity transaction, the Company recorded a loss of \$182.9 million, or \$5.50 and \$9.08 per basic and diluted share for the three and six months ended June 30, 2007, respectively. The loss resulted from exchanging 52,028,376 shares of Holdings' Class A common stock, with a value of \$889.7 million based on a stock price of \$17.10 per share on the close date, for \$731.6 million principal amount of the SunCom Wireless Subordinated Notes, which had a carrying value of \$721.0 million as of the date of the exchange. In addition, the Company wrote-off \$0.9 million of unamortized debt issuance costs and \$13.3 million of transaction costs related to the exchange.

3. 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.

4. Stock-Based Compensation

Holdings grants 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-year period.

The Company measures the fair value of restricted stock awards based upon the market price of Holdings' Class A 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 June 30, 2007 and 2006 includes approximately \$0.5 million and \$0.8 million, respectively, of stock-based compensation expense, and the Company's net loss for the six months ended June 30, 2007 and 2006 included approximately \$1.1 million and \$3.0 million, respectively, of stock-based compensation expense. The following table summarizes the allocation of this compensation expense.

Six months ended June 30,

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	Three months ended			
	June 30,			
	2007	2006	2007	2006
	(Dollars in thousands)			
Cost of service	\$ 32	\$ 91	\$ 88	\$ 239
Selling, general and administrative expense	503	734	1,011	2,782
Total stock-based compensation expense	\$ 535	\$ 825	\$ 1,099	\$ 3,021

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The following activity occurred under Holdings' restricted stock plans for the six months ended June 30, 2007:

	Shares	Weighted Average Grant-Date Fair Value
Unvested balance at December 31, 2006	230,213	\$ 23.12
Granted	77,938	17.15
Vested	(79,289)	30.74
Forfeited	(2,268)	21.27

Unvested balance at June 30, 2007	226,594	\$ 18.42
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As of June 30, 2007, there was approximately \$3.1 million of total unrecognized compensation costs related to Holdings' stock plans. These costs are expected to be recognized over a weighted average period of 2.5 years. In addition, an aggregate of 94,697 shares were authorized for future grants under Holdings' stock plans as of June 30, 2007.

During the six months ended June 30, 2007 and 2006, the following activity occurred under Holdings' stock plans:

	Six months ended June 30,	
	2007	2006
Stock awards granted (shares)	77,938	99,857
Weighted average grant-date fair value	\$ 17.15	\$ 14.98
Total fair value of shares vested (in thousands)	\$ 2,438	\$ 3,493

5. 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 June 30, 2007, the Company had total restricted cash and short-term investments of \$1.7 million.

6. Property and Equipment

The following table summarizes the Company's property and equipment as of June 30, 2007 and December 31, 2006, respectively.

	June 30, 2007	December 31, 2006
	(Dollars in thousands)	
Property and equipment:		
Land	\$ 313	\$ 313
Network infrastructure and equipment	803,508	792,356
Furniture, fixtures and computer equipment	115,999	111,852
Capital lease assets	1,424	1,424
Construction in progress	14,841	16,839
	936,085	922,784
Less accumulated depreciation	(482,887)	(441,904)
Property and equipment, net	\$ 453,198	\$ 480,880

7. Detail of Certain Liabilities

The following table summarizes certain current liabilities as of June 30, 2007 and December 31, 2006, respectively:

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

	June 30, 2007	December 31, 2006
	(Dollars in thousands)	
<i>Accrued liabilities:</i>		
Bank overdraft liability	\$ 5,267	\$ 14,741
Accrued payroll and related expenses	14,680	20,255
Accrued expenses	30,003	30,930
Accrued interest	5,394	23,208
 Total accrued liabilities	 \$55,344	 \$ 89,134
 <i>Other current liabilities:</i>		
Deferred revenue	\$ 18,545	\$ 17,638
Deferred gain on sale of property and equipment	2,745	2,205
Security deposits	5,704	5,094
 Total other current liabilities	 \$26,994	 \$ 24,937

8. Long-Term Debt

The following table summarizes the Company's indebtedness as of June 30, 2007 and December 31, 2006, respectively:

	June 30, 2007	December 31, 2006
	(Dollars in thousands)	
<i>Current portion of long-term debt:</i>		
Current portion of capital lease obligations	\$ 292	\$ 310
Current portion of senior secured term loan	2,500	2,500
 Total current portion of long-term debt	 2,792	 2,810
 <i>Long-term debt:</i>		
Capital lease obligations	\$ 389	\$ 531
Senior secured term loan	241,250	242,500
8 1/2% senior notes	714,977	714,341
9 3/8% senior subordinated notes	5,397	340,735
8 3/4% senior subordinated notes	6,808	391,630
 Total long-term debt	 968,821	 1,689,737
 Total debt	 \$971,613	 \$1,692,547

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 six months ended June 30, 2007.

Pending the successful assignment of six cell sites related to the Athens sale, Cingular Wireless will pay the Company an additional \$0.9 million, and the related assets, which have a carrying value of approximately \$0.4 million, will be transferred to Cingular Wireless. This final part of the transaction is expected to be completed during the third quarter of 2007 (see Note 13 Subsequent Events). 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 June 30, 2007.

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

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 63 of the 69 towers occurred during the first six months of 2007, and the remaining six sites are not expected to be sold to SBA.

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 is 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, which aggregated to approximately \$5.2 million during the first six months of 2007.

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 proceeds for the sale of the 63 towers were approximately \$15.5 million and the carrying value of the towers was approximately \$1.7 million. After deducting \$0.4 million of selling costs, the gain on the sale of the towers was approximately \$13.4 million, all of which was deferred and will be recognized over the remaining operating lease terms of the towers that have been 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 is 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 certain 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 six months ended June 30, 2007, the Company recognized approximately \$1.1 million in potential interest associated with uncertain tax positions, which increased the Company's unrecognized tax benefit to \$21.3 million as of June 30, 2007. Accrued interest and penalties were \$3.1 million and \$4.2 million as of January 1, 2007 and June 30, 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.

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 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.

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

Financial information by reportable business segment is as follows:

	As of and for the three months ended June 30, 2007				As of and for the three months ended June 30, 2006			
	Continental U.S.	Puerto Rico and U.S. Virgin Islands	Corporate and other	Consolidated	Continental U.S.	Puerto Rico and U.S. Virgin Islands	Corporate and other	Consolidated
	(Dollars in thousands)							
Revenue:								
Service	\$ 138,195	\$ 57,479	\$	\$ 195,674	\$ 117,778	\$ 46,652	\$	\$ 164,430
Roaming	21,613	3,486		25,099	17,692	1,827		19,519
Equipment	15,019	6,662		21,681	16,787	5,952		22,739
Total revenue	174,827	67,627		242,454	152,257	54,431		206,688
Depreciation, asset disposal and amortization	18,841	6,549	2,788	28,178	82,664	8,039	4,517	95,220
Income (loss) from operations	\$ 20,057	\$ 12,923	\$ (11,384)	\$ 21,596	\$ (60,254)	\$ 2,290	\$ (13,598)	\$ (71,562)
Total assets	\$ 1,057,457	\$ 368,618	\$ 170,263	\$ 1,596,338	\$ 1,107,620	\$ 346,565	\$ 283,193	\$ 1,737,378
Capital expenditures	3,132	6,102	1,794	11,028	24,166	5,499	1,206	30,871
	As of and for the six months ended June 30, 2007				As of and for the six months ended June 30, 2006			
	Continental U.S.	Puerto Rico and U.S. Virgin Islands	Corporate and other	Consolidated	Continental U.S.	Puerto Rico and U.S. Virgin Islands	Corporate and other	Consolidated
	(Dollars in thousands)							
Revenue:								
Service	\$ 271,155	\$ 110,954	\$	\$ 382,109	\$ 227,835	\$ 92,062	\$	\$ 319,897
Roaming	40,386	6,715		47,101	35,547	5,438		40,985
Equipment	33,229	12,935		46,164	36,912	10,786		47,698
Total revenue	344,770	130,604		475,374	300,294	108,286		408,580
Depreciation, asset disposal	37,971	13,486	8,701	60,158	166,538	34,566	9,119	210,223

and
 amortization
 Income
 (loss) from
 operations

\$ 35,714 \$ 20,898 \$ (24,915) \$ 31,697 \$ (137,079) \$ (17,017) \$ (27,271) \$ (181,367)

Total assets \$1,057,457 \$368,618 \$170,263 \$1,596,338 \$1,107,620 \$346,565 \$283,193 \$1,737,378

Capital
 expenditures 5,139 8,208 3,000 16,347 29,819 10,050 2,304 42,173

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
	(Dollars in thousands)			
Total segment income (loss) from operations	\$ 21,596	\$ (71,562)	\$ 31,697	\$(181,367)
Unallocated amounts:				
Interest expense	(29,635)	(38,167)	(67,969)	(75,909)
Loss on debt for equity exchange	(182,868)		(182,868)	
Interest and other income	2,422	3,313	4,826	7,407
Consolidated loss before taxes	\$(188,485)	\$(106,416)	\$(214,314)	\$(249,869)

13. Subsequent Event

On July 1, 2007, in connection with the sale of the Company's wireless communications network and FCC licenses relating to its Athens, Georgia market (see Note 9 Athens Sale), the Company sold five of the remaining six cell sites to Cingular Wireless for proceeds of approximately \$0.8 million. The carrying values of the five cell sites sold as part of this agreement were approximately \$0.3 million, resulting in a gain of approximately \$0.5 million, which will be recorded during the third quarter of 2007. Pending the successful assignment of the final cell site related to the Athens sale, Cingular Wireless will pay the Company an additional \$0.1 million. This transaction is expected to be completed during the third quarter of 2007.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****General**

In this section, the terms *SunCom*, *we*, *us*, *our* and similar terms refer collectively to SunCom Wireless Holdings, Inc., our wholly-owned subsidiary, SunCom Wireless, Inc., and their consolidated subsidiaries. *Holdings* refers to SunCom Wireless Holdings, Inc. and *SunCom Wireless* refers to SunCom Wireless, Inc. The following discussion and analysis is based upon our financial statements as of the dates and for the periods presented in this section. You should read this discussion and analysis in conjunction with our financial statements and the related notes contained elsewhere in this report.

Forward-Looking Statements

When used in this Form 10-Q and in future filings by us with the Securities and Exchange Commission, in our press releases and in oral statements made with the approval of an authorized executive officer of SunCom, statements concerning possible or assumed future results of operations of SunCom and those preceded by, followed by or that include the words *may*, *will*, *should*, *expects*, *plans*, *anticipates*, *believes*, *estimates*, *predicts*, *potentially*, *may be*, *could*, *might*, *intends*, *anticipates*, *believes*, *estimates*, *predicts*, *potentially*, *may be*, *could*, *might*, *intends*, the negative of such terms and other comparable terminology (including confirmations by an authorized executive officer of SunCom or any such expressions made by a third party with respect to SunCom) are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speaks only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. For a discussion of certain risks and uncertainties that could affect our results of operations, liquidity and capital resources, see the *Risk Factors* section of our Form 10-K for the year ended December 31, 2006, Part II, Item 1A of this report and our other Securities and Exchange Commission filings. We have no obligation to release publicly the result of any revisions, which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

Overview

We are a provider of digital wireless communications services in the southeastern United States, Puerto Rico and the U.S. Virgin Islands. As of June 30, 2007, our wireless communications network covered a population of approximately 14.6 million potential customers in a contiguous geographic area encompassing portions of North Carolina, South Carolina, Tennessee and Georgia. In addition, we operate a wireless communications network covering a population of approximately 4.1 million potential customers in Puerto Rico and the U.S. Virgin Islands.

Our strategy is to provide extensive coverage to customers within our region, to offer our customers high-quality, innovative voice and data services with coast-to-coast coverage via compelling rate plans and to benefit from roaming revenues generated by other carriers' wireless customers who roam into our covered area.

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.

Debt-for-Equity Exchange

In order to improve our capital structure, we entered into an exchange agreement on January 31, 2007 with certain holders of the 9³/₈% senior subordinated notes due 2011 and 8³/₄% senior subordinated notes due 2011 issued by SunCom Wireless. On May 15, 2007, Holdings implemented a 1-for-10 reverse stock split to ensure that there existed sufficient authorized shares of Class A common stock to complete the debt-for-equity exchange contemplated by the exchange agreement. Also, on May 15, 2007, pursuant to the exchange agreement, holders of SunCom Wireless subordinated notes exchanged notes representing 98.3% of the outstanding SunCom Wireless subordinated notes for approximately 52.0 million shares of Holdings Class A common stock (after giving effect to the 1-for-10 reverse stock split immediately prior to the exchange). Also in connection with the exchange transaction, we agreed to explore strategic alternatives, including a possible sale of the company. We have engaged Goldman Sachs & Co. as our

financial advisor to explore strategic alternatives and assist us with a process to sell the company. See Note 2 to our consolidated financial statements for more information.

Table of Contents**Results of Operations**

We have two reportable segments, which we operate and manage as strategic business units. Our reporting segments are based upon geographic area of operation; one segment consists of our operations in the continental United States, and the other consists of our operations in Puerto Rico and the U.S. Virgin Islands. Each reporting segment markets wireless rate plans to consumers that are specific to its respective geographic area. For purposes of this discussion, corporate expenses are included in the continental United States segment results.

Three Months Ended June 30, 2007 Compared to the Three Months Ended June 30, 2006**Consolidated operations**

The table below summarizes the consolidated key metrics of our operations as of and for the three months ended June 30, 2007 and 2006. These results are further described in our segment discussions.

	As of and for the three months ended June 30,			
	2007	2006	Change	Change %
Gross additions	95,846	92,131	3,715	4.0%
Net additions	16,128	24,329	(8,201)	(33.7%)
Subscribers (end of period)	1,136,966	1,031,443	105,523	10.2%
Monthly subscriber churn	2.4%	2.2%	(0.2%)	(9.1%)
Average revenue per user	\$ 57.21	\$ 52.89	\$ 4.32	8.2%
Cost per gross addition	\$ 459	\$ 409	(\$50)	(12.2%)

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 U.S. segment operations

The table below summarizes key metrics of our continental U.S. segment operations as of and for the three months ended June 30, 2007 and 2006.

	As of and for the three months ended June 30,			
	2007	2006	Change	Change %
Gross additions	61,116	59,193	1,923	3.2%
Net additions	6,274	15,379	(9,105)	(59.2%)
Subscribers (end of period)	799,394	750,332	49,062	6.5%
Monthly subscriber churn	2.3%	2.0%	(0.3%)	(15.0%)
Average revenue per user	\$ 57.98	\$ 52.86	\$ 5.12	9.7%
Cost per gross addition	\$ 484	\$ 440	(\$44)	(10.0%)

Subscribers. The decrease in total net subscriber additions of 9,105 was driven by a 14,631 decline in our postpaid net subscriber additions that was partially offset by a 5,526 increase in our prepaid net subscriber additions. Gross subscriber additions in our postpaid base declined 10,389 quarter-over-quarter as a result of an appreciable increase in both access and equipment pricing on our month-to-month rate plan offerings, which are sold primarily to credit-challenged subscribers. Involuntary deactivations due to non-payment in our postpaid base increased quarter-over-quarter due to a growing subscriber base and higher churn on the month-to-month plans. Voluntary subscriber deactivations in our postpaid base declined quarter-over-quarter due to an increase in the percentage of postpaid subscribers under contract from 85% to 87%. Prepaid gross additions increased 12,312 quarter-over-quarter and prepaid deactivations increased 6,786 quarter-over-quarter, as we did not offer a prepaid product during the three months ending June 30, 2006. As of June 30, 2007, our postpaid subscriber base of 783,528 included 33,870 subscribers on the month-to-month offerings, and our prepaid subscriber base included 15,866 subscribers. The 49,062 increase in total subscribers was attributable to net subscriber additions from July 1, 2006 through June 30,

2007.

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Monthly Subscriber Churn. Our monthly postpaid subscriber churn was 2.0% for both the three months ended June 30, 2007 and June 30, 2006. These percentages include churn on the above-mentioned month-to-month rate plans. Subscriber churn on these plans was 7.1% for the three months ended June 30, 2007 and 4.2% for the three months ended June 30, 2006. Prepaid subscriber churn was 17.3% for the three months ended June 30, 2007, and there was no comparable data for the three months ended June 30, 2006 because we did not offer a prepaid product during that period. As a result, our consolidated subscriber churn increased from 2.0% for the three months ended June 30, 2006 to 2.3% for the three months ended June 30, 2007. We believe that churn in the continental U.S. segment may increase slightly in the near term due to an increased prepaid customer base, which generally has a higher rate of churn.

Average Revenue Per User. Average revenue per user, or *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 \$5.12 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 increasing their 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. The above discussion is on a consolidated subscriber basis; postpaid *ARPU* and prepaid *ARPU* were \$58.41 and \$31.85, respectively, for the three months ended June 30, 2007. As a result of the 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. Cost per gross addition, or *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 \$44, or 10.0%, was primarily the result of higher advertising and promotional spending and higher equipment margin per gross addition. These increases were partially offset by higher gross additions to leverage the fixed selling costs for the period. For more details regarding our calculation of *CPGA*, refer to Reconciliation of Non-GAAP Financial Measures below.

Continental U.S. Results from Operations

(Dollars in thousands)	For the three months ended June 30,			
	2007	2006	Change \$	Change %
Revenue:				
Service	\$ 138,195	\$ 117,778	\$ 20,417	17.3%
Roaming	21,613	17,692	3,921	22.2%
Equipment	15,019	16,787	(1,768)	(10.5%)
Total revenue	174,827	152,257	22,570	14.8%
Operating expenses				
Cost of service	54,587	55,879	1,292	2.3%
Cost of equipment	22,440	22,276	(164)	(0.7%)
Selling, general and administrative	67,498	60,115	(7,383)	(12.3%)
Termination benefits and other related charges		658	658	100.0%
Depreciation, asset disposal and amortization	21,629	87,181	65,552	75.2%
Total operating expenses	166,154	226,109	59,955	26.5%

Income (loss) from operations	\$ 8,673	\$ (73,852)	\$82,525	111.7%
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Revenue. Service revenue increased by \$20.4 million, or 17.3%, for the three months ended June 30, 2007 compared to the three months ended June 30, 2006, primarily as a result of an \$8.1 million increase in access revenue resulting primarily from a larger subscriber base and a higher average access point, increased revenue of \$8.3 million generated from enhanced features offered for a fee, such as SMS messaging and downloadable ring tones, and a \$1.5 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 \$3.9 million, or 22.2%, increase in roaming revenue was primarily due to increased roaming minutes of use period over period. See [Liquidity and Capital Resources](#) for a discussion on our expected decline in roaming revenue. Equipment revenue includes the revenue earned on the sale of handsets and handset accessories to new and existing subscribers. The equipment revenue decrease of \$1.8 million, or 10.5%, was primarily due to decreased revenue on new activations and handset upgrades for existing customers.

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Cost of Service. Cost of service for the three months ended June 30, 2007 decreased by \$1.3 million, or 2.3%, compared to the same period of 2006. This decrease was largely the result of a \$1.8 million decrease in interconnect costs as a result of decommissioning our TDMA network during 2006, which resulted in network efficiencies and a corresponding reduction in costs, and a \$0.5 million decrease in cell site costs due primarily to the sale of our Athens market. These decreases were partially offset by a \$1.5 million increase in incollect roaming costs (costs associated with our subscribers roaming on other carriers' networks) attributable to the growth of our 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 39.5% and 47.4% for the quarters ended June 30, 2007 and 2006, respectively. This decrease of 7.9% was primarily attributable to increased service revenue and the declines in interconnect and cell site 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 increased slightly in the second quarter of 2007 compared to the same period of 2006. The increase was due to higher gross subscriber additions, partially offset by the absence of equipment costs incurred during the second quarter of 2006 to migrate subscribers from TDMA to GSM/GPRS technology.

Selling, General and Administrative Expense. Selling, general and administrative expense increased \$7.4 million, or 12.3%, for the three months ended June 30, 2007 compared to the same period of 2006. The increase was primarily due to a \$5.6 million increase in general and administrative expense (excluding non-cash compensation), which resulted from higher bad debt expense of \$4.0 million. The higher bad debt expense was due to a larger subscriber base and rate plan offerings to more credit-challenged customers. Also contributing to the higher general and administrative expense was an increase in handset upgrades provided to existing subscribers in exchange for a contract extension, which resulted in \$1.1 million of incremental commission expense. Advertising spending increased by \$1.5 million for the quarter ended June 30, 2007, compared to the same period of 2006. Commission expense increased \$0.7 million due to higher gross additions and distribution channel mix. These increases were partially offset by a \$0.3 million decrease in non-cash compensation expense due to the lower market price of stock grants. 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 30.0% and 30.6% for the quarters ended June 30, 2007 and 2006, respectively. This decrease was primarily the result of greater service revenue for the three months ended June 30, 2007. This percentage may decline in the future, as we expect to leverage our fixed general and administrative costs, such as headcount and facilities costs, against increased revenue.

Termination Benefit Expense. We did not incur any termination benefit expense for the second quarter of 2007. We incurred termination benefit expense of \$0.7 million for the same period of 2006 related to the reorganization of our continental U.S. operations.

Depreciation, Asset Disposal and Amortization Expense. Depreciation, asset disposal and amortization expense decreased by \$65.6 million, or 75.2%, for the three months ended June 30, 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 of our Puerto Rico and U.S. Virgin Islands segment operations as of and for the three months ended June 30, 2007 and 2006.

	As of and for the three months ended June 30,			
	2007	2006	Change	Change %
Gross additions	34,730	32,938	1,792	5.4%
Net additions	9,854	8,950	904	10.1%
Subscribers (end of period)	337,572	281,111	56,461	20.1%
Monthly subscriber churn	2.5%	2.9%	0.4%	13.8%
Average revenue per user	\$ 55.38	\$ 52.97	\$ 2.41	4.5%
Cost per gross addition	\$ 416	\$ 351	(\$65)	(18.5%)

Subscribers. The increase in net subscribers additions of 904 was due to a 1,792 increase in gross subscriber additions, offset partially by higher subscriber deactivations (at a lower churn rate). The increase in subscriber deactivations period over period was primarily the result of higher involuntary deactivations due to non-payment. The increase in total subscribers was attributable to net subscriber additions resulting from July 1, 2006 through June 30, 2007.

Monthly Subscriber Churn. The decrease in monthly subscriber churn stemmed from increased leverage due to a higher average subscriber base, partially offset by increased involuntary subscriber deactivations due to non-payment during the three

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months ended June 30, 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 and an increase in average billed airtime revenue per subscriber, partially offset by a decrease in average billed access revenue per subscriber. The increase in average feature revenue was primarily the result of subscribers increasing their usage of our data offerings, such as SMS messaging and downloadable ring tones. The increase in average airtime revenue was the result of higher billable minutes of use. The decline in average access revenue was the result of adding new subscribers on lower-priced rate plans. As a result of the anticipated mix of new rate plan offerings, we expect ARPU to remain relatively flat in the foreseeable future.