T-Mobile US, Inc.
Form 10-Q
April 24, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017
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: 1-33409
T-MOBILE US, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	20-0836269
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12920 SE 38th Street, Bellevue, Washington	98006-1350
(Address of principal executive offices)	(Zip Code)

(425) 378-4000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨
Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of April 19, 2017
Common Stock, $0.00001 par value per share	830,835,887

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
T-Mobile US, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions, except share and per share amounts)	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 7,501	$ 5,500
Accounts receivable, net of allowances of $100 and $102	1,851	1,896
Equipment installment plan receivables, net	1,880	1,930
Accounts receivable from affiliates	37	40
Inventories	1,021	1,111
Asset purchase deposit	2,203	2,203
Other current assets	1,406	1,537
Total current assets	15,899	14,217
Property and equipment, net	21,235	20,943
Goodwill	1,683	1,683
Spectrum licenses	27,150	27,014
Other intangible assets, net	338	376
Equipment installment plan receivables due after one year, net	975	984
Other assets	768	674
Total assets	$ 68,048	$ 65,891
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,160	$ 7,152
Payables to affiliates	256	125
Short-term debt	7,542	354
Deferred revenue	934	986
Other current liabilities	393	405
Total current liabilities	15,285	9,022
Long-term debt	13,105	21,832
Long-term debt to affiliates	9,600	5,600
Tower obligations	2,614	2,621
Deferred tax liabilities	4,842	4,938
Deferred rent expense	2,635	2,616
Other long-term liabilities	1,004	1,026
Total long-term liabilities	33,800	38,633
Commitments and contingencies (Note 9)		
Stockholders' equity		
5.50% Mandatory Convertible Preferred Stock Series A, par value $0.00001 per share, 100,000,000 shares authorized; 20,000,000 and 20,000,000 shares issued and outstanding; $1,000 and $1,000 aggregate liquidation value	—	—
Common Stock, par value $0.00001 per share, 1,000,000,000 shares authorized; 832,259,647 and 827,768,818 shares issued, 830,804,268 and 826,357,331 shares outstanding	—	—
Additional paid-in capital	38,877	38,846
Treasury stock, at cost, 1,455,379 and 1,411,487 shares issued	(4)	(1)

Accumulated other comprehensive income	2	1
Accumulated deficit	(19,912)	(20,610)
Total stockholders' equity	18,963	18,236
Total liabilities and stockholders' equity	$ 68,048	$ 65,891

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

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T-Mobile US, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions, except share and per share amounts)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016 (As Adjusted - See Note 1)
Revenues		
Branded postpaid revenues	$4,725	$ 4,302
Branded prepaid revenues	2,299	2,025
Wholesale revenues	270	200
Roaming and other service revenues	35	51
Total service revenues	7,329	6,578
Equipment revenues	2,043	1,851
Other revenues	241	235
Total revenues	9,613	8,664
Operating expenses		
Cost of services, exclusive of depreciation and amortization shown separately below	1,408	1,421
Cost of equipment sales	2,686	2,374
Selling, general and administrative	2,955	2,749
Depreciation and amortization	1,564	1,552
Cost of MetroPCS business combination	—	36
Gains on disposal of spectrum licenses	(37)	(636)
Total operating expenses	8,576	7,496
Operating income	1,037	1,168
Other income (expense)		
Interest expense	(339)	(339)
Interest expense to affiliates	(100)	(79)
Interest income	7	3
Other income (expense), net	2	(2)
Total other expense, net	(430)	(417)
Income before income taxes	607	751
Income tax benefit (expense)	91	(272)
Net income	698	479
Dividends on preferred stock	(14)	(14)
Net income attributable to common stockholders	$684	$ 465
Net income	$698	$ 479
Other comprehensive income (loss), net of tax		
Unrealized gain (loss) on available-for-sale securities, net of tax effect of $1 and $(2)	1	(3)
Other comprehensive income (loss)	1	(3)
Total comprehensive income	$699	$ 476
Earnings per share		
Basic	$0.83	$ 0.57
Diluted	$0.80	$ 0.56
Weighted average shares outstanding		
Basic	827,723,034	819,431,761

Diluted	869,395,250	859,382,827

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

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T-Mobile US, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	2017	2016
Operating activities		
Net income	$698	$479
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,564	1,552
Stock-based compensation expense	67	52
Deferred income tax expense (benefit)	(97)	264
Bad debt expense	93	121
Losses from sales of receivables	95	52
Deferred rent expense	20	32
Gains on disposal of spectrum licenses	(37)	(636)
Changes in operating assets and liabilities		
Accounts receivable	(68)	(202)
Equipment installment plan receivables	(13)	109
Inventories	44	(801)
Deferred purchase price from sales of receivables	(19)	21
Other current and long-term assets	(11)	185
Accounts payable and accrued liabilities	(651)	(492)
Other current and long-term liabilities	45	288
Other, net	(17)	1
Net cash provided by operating activities	1,713	1,025
Investing activities		
Purchases of property and equipment, including capitalized interest of $48 and $36	(1,528)	(1,335)
Purchases of spectrum licenses and other intangible assets, including deposits	(14)	(594)
Sales of short-term investments	—	75
Other, net	(8)	(6)
Net cash used in investing activities	(1,550)	(1,860)
Financing activities		
Proceeds from issuance of long-term debt	5,495	—
Repayments of capital lease obligations	(90)	(36)
Repayments of long-term debt	(3,480)	(5)
Tax withholdings on share-based awards	(92)	(46)
Dividends on preferred stock	(14)	(14)
Other, net	19	1
Net cash provided by (used in) financing activities	1,838	(100)
Change in cash and cash equivalents	2,001	(935)
Cash and cash equivalents		
Beginning of period	5,500	4,582
End of period	$7,501	$3,647
Supplemental disclosure of cash flow information		
Interest payments, net of amounts capitalized	$495	$415
Income tax payments	15	2
Noncash investing and financing activities		
Decrease in accounts payable for purchases of property and equipment	(325)	(127)

Leased devices transferred from inventory to property and equipment	243	784
Returned leased devices transferred from property and equipment to inventory	(197)	(131)
Issuance of short-term debt for financing of property and equipment	288	150
Assets acquired under capital lease obligations	284	124

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

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T-Mobile US, Inc.
Notes to the Condensed Consolidated Financial Statements

Note 1 – Basis of Presentation

The unaudited condensed consolidated financial statements of T-Mobile US, Inc. ("T-Mobile," "we," "our," "us" or the "Company") include all adjustments of a normal recurring nature necessary for the fair presentation of the results for the interim periods presented. The results for the interim periods are not necessarily indicative of those for the full year. The condensed consolidated financial statements should be read in conjunction with our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

The condensed consolidated financial statements include the balances and results of operations of T-Mobile and our consolidated subsidiaries. We consolidate majority-owned subsidiaries over which we exercise control, as well as variable interest entities ("VIE") where we are deemed to be the primary beneficiary and VIEs which cannot be deconsolidated, such as those related to Tower obligations. Intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP") requires our management to make estimates and assumptions which affect the financial statements and accompanying notes. Estimates are based on historical experience, where applicable, and other assumptions which our management believes are reasonable under the circumstances. These estimates are inherently subject to judgment and actual results could differ from those estimates.

Change in Accounting Principle

Effective January 1, 2017, the imputed discount on Equipment Installment Plan ("EIP") receivables, which is amortized over the financed installment term using the effective interest method, and was previously presented within Interest income in our Condensed Consolidated Statements of Comprehensive Income, is now presented within Other revenues in our Condensed Consolidated Statements of Comprehensive Income. We believe this presentation is preferable because it provides a better representation of amounts earned from our major ongoing operations and aligns with industry practice thereby enhancing comparability. We have applied this change retrospectively and presented the effect on the three months ended March 31, 2017 and 2016, in the table below:

	Three Months Ended March 31, 2017			Three Months Ended March 31, 2016		
(in millions)	Unadjusted	Change in accounting principle	As adjusted	As filed	Change in accounting principle	As adjusted
Other revenues	$ 179	$ 62	$ 241	$ 170	$ 65	$ 235
Total revenues	9,551	62	9,613	8,599	65	8,664
Operating income	975	62	1,037	1,103	65	1,168
Interest income	69	(62)	7	68	(65)	3
Total other expense, net	(368)	(62)	(430)	(352)	(65)	(417)
Net income	698	—	698	479	—	479

The change in accounting principle did not have an impact on basic or diluted earnings per share for the three months ended March 31, 2017 and 2016 or Accumulated deficit as of March 31, 2017 or December 31, 2016.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”), and has since modified the standard with several ASU’s.

The standard requires entities to recognize revenue through the application of a five-step model, which includes: identification of the contract; identification of the performance obligations; determination of the transaction price; allocation of the transaction price to the performance obligations; and recognition of revenue as the entity satisfies the performance obligations.

We plan to adopt the standard when it becomes effective for us beginning January 1, 2018.

The guidance permits two methods of adoption, the full retrospective method applying the standard to each prior reporting period presented, or the modified retrospective method with a cumulative effect of initially applying the guidance recognized at

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the date of initial application. The standard also allows entities to apply certain practical expedients at their discretion. We currently anticipate adopting the standard using the modified retrospective method with a cumulative catch up adjustment and providing additional disclosures comparing results to previous rules.

We continue to evaluate the impact of the new standard but anticipate this standard will have a material impact on our consolidated financial statements. While we are continuing to assess all potential impacts of the standard, we currently believe the most significant impacts may include the following items:

- Whether our EIP contracts contain a significant financing component, which is similar to our current practice of imputing interest, and would similarly impact the amount of revenue recognized at the time of an EIP sale and whether or not a portion of the revenue is recognized as interest and included in other revenues, rather than equipment revenues.
- As we currently expense contract acquisition costs, we believe that the requirement to defer incremental contract acquisition costs and recognize them over the term of the initial contract and anticipated renewal contracts to which the costs relate will have a significant impact to our consolidated financial statements.
- Whether bill credits earned over time result in extended service contracts, which would impact the allocation and timing of revenue recognition between service revenue and equipment revenue.
- Overall, with the exception of the aforementioned impacts, we do not expect that the new standard will result in a substantive change to the method of allocation of contract revenues between various services and equipment, nor to the timing of when revenues are recognized for most of our service contracts.

We are still in the process of evaluating these impacts, and our initial assessment may change as we continue to refine our systems, processes and assumptions.

We are in the process of implementing significant new revenue accounting systems, processes and internal controls over revenue recognition which will ultimately assist us in the application of the new standard.

In February 2016, the FASB issued ASU 2016-02, “Leases.” The standard requires all lessees to report a right-of-use asset and a lease liability for most leases. The income statement recognition is similar to existing lease accounting and is based on lease classification. The standard requires lessees and lessors to classify most leases using principles similar to existing lease accounting, but eliminates the “bright line” classification tests. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. We are currently evaluating the standard, which will require recognizing and measuring leases at the beginning of the earliest period presented using a modified retrospective approach. We plan to adopt the standard when it becomes effective for us beginning January 1, 2019 and expect adoption of the standard will result in the recognition of right to use assets and liabilities that have not previously been recorded, which will have a material impact on our condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectibility of the reported amount. The standard will become effective for us beginning January 1, 2020, and will require a cumulative-effect adjustment to Accumulated deficit as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). Early adoption is permitted for us as of January 1, 2019. We are currently evaluating the impact this guidance will have on our condensed consolidated financial statements and the timing of adoption.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” The standard is intended to reduce current diversity in practice and provides guidance on how certain cash receipts and payments are presented and classified in the statement of cash flows. The standard will become effective for us beginning January 1, 2018, and will require a retrospective approach. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the timing of adoption. The standard will impact the presentation of cash flows related to beneficial interests in securitization, which is the deferred purchase price, resulting in a reclassification of cash inflows classified as Operating activities to Investing activities of approximately $1.0 billion and $900 million for the three months ended March 31, 2017 and March 31, 2016, respectively, in our condensed consolidated statement of cash flows.

In October 2016, the FASB issued ASU 2016-16, “Accounting for Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory.” The standard requires that the income tax impact of intra-entity sales and transfers of property, except for inventory,

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be recognized when the transfer occurs. The standard will become effective for us beginning January 1, 2018 and will require any deferred taxes not yet recognized on intra-entity transfers to be recorded to retained earnings under a modified retrospective approach. Early adoption is permitted. We are currently evaluating the standard, but expect that it will not have a material impact on our condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." The standard requires entities to include in their cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. The ASU does not define the terms "restricted cash" and "restricted cash equivalents." The standard will be effective for us beginning January 1, 2018 and will require a retrospective approach. Early adoption is permitted. We are currently evaluating the standard, but expect that it will not have a material impact on our condensed consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard eliminates the requirement to measure the implied fair value of goodwill by assigning the fair value of a reporting unit to all assets and liabilities within that unit ("the Step 2 test") from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited by the amount of goodwill in that reporting unit. The standard will become effective for us beginning January 1, 2020 and must be applied to any annual or interim goodwill impairment assessments after that date. Early adoption is permitted. We are currently evaluating the standard and timing of adoption, but expect that it will not have a material impact on our condensed consolidated financial statements.

Note 2 – Equipment Installment Plan Receivables

We offer certain retail customers the option to pay for their devices and accessories in installments over a period of up to 24 months using an EIP.

The following table summarizes the EIP receivables:

(in millions)	March 31, 2017	December 31, 2016
EIP receivables, gross	$ 3,159	$ 3,230
Unamortized imputed discount	(202)	(195)
EIP receivables, net of unamortized imputed discount	2,957	3,035
Allowance for credit losses	(102)	(121)
EIP receivables, net	$ 2,855	$ 2,914
Classified on the balance sheet as:		
Equipment installment plan receivables, net	$ 1,880	$ 1,930
Equipment installment plan receivables due after one year, net	975	984
EIP receivables, net	$ 2,855	$ 2,914

We use a proprietary credit scoring model that measures the credit quality of a customer at the time of application for mobile communications service using several factors, such as credit bureau information, consumer credit risk scores and service plan characteristics. Based upon customer credit profiles, we classify EIP receivables into the credit categories of "Prime" and "Subprime." Prime customer receivables are those with lower delinquency risk and Subprime customer receivables are those with higher delinquency risk. Subprime customers may be required to make a down payment on their equipment purchases. In addition, certain customers within the Subprime category are required to pay an advance deposit.

EIP receivables for which invoices have not yet been generated for the customer are classified as Unbilled. EIP receivables for which invoices have been generated but which are not past the contractual due date are classified as Billed – Current. EIP receivables for which invoices have been generated and the payment is past the contractual due date are classified as Billed – Past Due.

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The balance and aging of the EIP receivables on a gross basis by credit category were as follows:

	March 31, 2017			December 31, 2016		
(in millions)	Prime	Subprime	Total	Prime	Subprime	Total
Unbilled	$1,274	$ 1,694	$2,968	$1,343	$ 1,686	$3,029
Billed – Current	49	76	125	51	77	128
Billed – Past Due	24	42	66	25	48	73
EIP receivables, gross	$1,347	$ 1,812	$3,159	$1,419	$ 1,811	$3,230

Activity for the three months ended March 31, 2017 and 2016, in the unamortized imputed discount and allowance for credit losses balances for the EIP receivables was as follows:

(in millions)	March 31, 2017	March 31, 2016
Imputed discount and allowance for credit losses, beginning of period	$ 316	$ 333
Bad debt expense	56	62
Write-offs, net of recoveries	(75)	(81)
Change in imputed discount on short-term and long-term EIP receivables	48	28
Impacts from sales of EIP receivables	(41)	(19)
Imputed discount and allowance for credit losses, end of period	$ 304	$ 323

The EIP receivables had weighted average effective imputed interest rates of 9.4% and 9.0% as of March 31, 2017 and December 31, 2016, respectively.

Note 3 – Sales of Certain Receivables

We have entered into transactions to sell certain service and EIP accounts receivables. The transactions, including our continuing involvement with the sold receivables and the respective impacts to our financial statements, are described below.

Sales of Service Receivables

Overview of the Transaction

In 2014, we entered into an arrangement to sell certain service accounts receivables on a revolving basis and in November 2016, the arrangement was amended to increase the maximum funding commitment to $950 million (the “service receivable sale arrangement”) with a scheduled expiration date in March 2018. As of March 31, 2017 and December 31, 2016, the service receivable sale arrangement provided funding of $752 million and $907 million, respectively. Sales of receivables occur daily and are settled on a monthly basis. The receivables consist of service charges currently due from customers and are short-term in nature.

In connection with the service receivable sale arrangement, we formed a wholly-owned subsidiary, which qualifies as a bankruptcy remote entity to sell service accounts receivables (the “Service BRE”). The Service BRE does not qualify as a Variable Interest Entity (“VIE”), and due to the significant level of control we exercise over the entity, it is consolidated. Pursuant to the arrangement, certain of our wholly-owned subsidiaries transfer selected receivables to the Service BRE. The Service BRE then sells the receivables to an unaffiliated entity (the “Service VIE”), which was established to facilitate the sale of beneficial ownership interests in the receivables to certain third parties.

Variable Interest Entity

We determined that the Service VIE qualifies as a VIE as it lacks sufficient equity to finance its activities. We have a variable interest in the Service VIE, but are not the primary beneficiary as we lack the power to direct the activities that most significantly impact the Service VIE's economic performance. Those activities include committing the Service VIE to legal agreements to purchase or sell assets, selecting which receivables are purchased in the service receivable sale arrangement, determining whether the Service VIE will sell interests in the purchased service receivables to other parties, funding of the entities and servicing of receivables. We do not hold the power to direct the key decisions underlying these activities. For example, while we act as the servicer of the sold receivables, which is considered a significant activity of the Service VIE, we are acting as an agent in our capacity as the servicer and the counterparty to the service receivable sale arrangement has the ability to remove us as the servicing agent of the receivables at will with no recourse available to us. As we have determined we are not the primary beneficiary, the results of the Service VIE are not consolidated into our condensed consolidated financial

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statements.

The following table summarizes the carrying amounts and classification of assets, which consists primarily of the deferred purchase price and liabilities included in our Condensed Consolidated Balance Sheets that relate to our variable interest in the Service VIE:

(in millions)	March 31, 2017	December 31, 2016
Other current assets	$ 227	$ 207
Accounts payable and accrued liabilities	38	17
Other current liabilities	127	129

Sales of EIP Receivables

Overview of the Transaction

In 2015, we entered into an arrangement to sell certain EIP accounts receivables on a revolving basis and in June 2016, the EIP sale arrangement was amended to increase the maximum funding commitment to $1.3 billion (the “EIP sale arrangement”) with a scheduled expiration date in November 2017. As of March 31, 2017 and December 31, 2016, the EIP sale arrangement provided funding of $1.2 billion each period. Sales of EIP receivables occur daily and are settled on a monthly basis. The receivables consist of customer EIP balances, which require monthly customer payments for up to 24 months.

In connection with this EIP sale arrangement, we formed a wholly-owned subsidiary, which qualifies as a bankruptcy remote entity (the “EIP BRE”). Pursuant to the EIP sale arrangement, our wholly-owned subsidiary transfers selected receivables to the EIP BRE. The EIP BRE then sells the receivables to a non-consolidated and unaffiliated third-party entity for which we do not exercise any level of control, nor does the entity qualify as a VIE.

Variable Interest Entity

We determined that the EIP BRE is a VIE as its equity investment at risk lacks the obligation to absorb a certain portion of its expected losses. We have a variable interest in the EIP BRE and determined that we are the primary beneficiary based on our ability to direct the activities which most significantly impact the EIP BRE’s economic performance. Those activities include selecting which receivables are transferred into the EIP BRE and sold in the EIP sale arrangement and funding of the EIP BRE. Additionally, our equity interest in the EIP BRE obligates us to absorb losses and gives us the right to receive benefits from the EIP BRE that could potentially be significant to the EIP BRE. Accordingly, we determined that we are the primary beneficiary, and include the balances and results of operations of the EIP BRE in our condensed consolidated financial statements.

The following table summarizes the carrying amounts and classification of assets, which consists primarily the deferred purchase price and liabilities included in our Condensed Consolidated Balance Sheets that relate to the EIP BRE:

(in millions)	March 31, 2017	December 31, 2016
Other current assets	$ 348	$ 371
Other assets	104	83
Other long-term liabilities	3	4

In addition, the EIP BRE is a separate legal entity with its own separate creditors who will be entitled, prior to any liquidation of the EIP BRE, to be satisfied prior to any value in the EIP BRE becoming available to us. Accordingly, the assets of the EIP BRE may not be used to settle our general obligations and creditors of the EIP BRE have limited recourse to our general credit.

Sales of Receivables

The transfers of service receivables and EIP receivables to the non-consolidated entities are accounted for as sales of financial assets. Once identified for sale, the receivable is recorded at the lower of cost or fair value. Upon sale, we derecognize the net carrying amount of the receivables. We recognize the net cash proceeds in Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows.

The proceeds are net of the deferred purchase price, consisting of a receivable from the purchasers that entitles us to certain collections on the receivables. We recognize the collection of the deferred purchase price in Net cash provided by operating

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activities as it is dependent on collection of the customer receivables and is not subject to significant interest rate risk. The deferred purchase price represents a financial asset that is primarily tied to the creditworthiness of the customers and which can be settled in such a way that we may not recover substantially all of our recorded investment, due to default by the customers on the underlying receivables. We elected, at inception, to measure the deferred purchase price at fair value with changes in fair value included in Selling, general and administrative expense in our Condensed Consolidated Statements of Comprehensive Income. The fair value of the deferred purchase price is determined based on a discounted cash flow model which uses primarily unobservable inputs (Level 3 inputs), including customer default rates. As of March 31, 2017 and December 31, 2016, our deferred purchase price related to the sales of service receivables and EIP receivables was $678 million and $659 million, respectively.

The following table summarizes the impacts of the sale of certain service receivables and EIP receivables in our Condensed Consolidated Balance Sheets:

(in millions)	March 31, 2017	December 31, 2016
Derecognized net service receivables and EIP receivables	$ 2,354	$ 2,502
Other current assets	575	578
of which, deferred purchase price	574	576
Other long-term assets	104	83
of which, deferred purchase price	104	83
Accounts payable and accrued liabilities	38	17
Other current liabilities	127	129
Other long-term liabilities	3	4
Net cash proceeds since inception	1,886	2,030
Of which:		
Change in net cash proceeds during the year-to-date period	(144)	536
Net cash proceeds funded by reinvested collections	2,030	1,494

We recognized losses from sales of receivables of $95 million and $52 million for the three months ended March 31, 2017 and 2016, respectively. These losses from sales of receivables were recognized in Selling, general and administrative