EXHIBIT 1

VoiceStream Wireless Corporation
a Washington Corporation

Officers and Directors

Jonathan M. Nelson, Director	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Mitchell R. Cohen, Director	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
John L. Bunce, Jr., Director	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Terrence M. O'Toole, Director	36.50 131st Avenue SE, Suite 400 Bellevue, WA 98006
Daniel J. Evans, Director	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Canning Fok, Director	3650 13 1" Avenue SE, Suite 400 Bellevue, WA 98006
Hans R. Snook, Director	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
John W. Stanton, Director Chairman and Chief Executive Officer	3650 13 1st Avenue SE, Suite 400 Bellevue, WA 98006
Donald Guthrie, Director Vice Chairman	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Robert R. Stapleton, Director President	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Cregg B. Baumbaugh Executive Vice President - Finance, Strategy and Development	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Alan R. Bender, Executive Vice President, General Counsel and Secretary	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006
Robert P. Dotson Senior Vice President - Marketing	3650 13 1" Avenue SE, Suite 400 Bellevue, WA 98006
Timothy R. Wong Senior Vice President - Engineering	3650 13 1st Avenue SE, Suite 400 Bellevue, WA 98006
Patricia L. Miller Vice President, Controller and Principal Accounting Officer	3650 131st Avenue SE, Suite 400 Bellevue, WA 98006

Name	Age	Position
John W. Stanton	44	Chairman. Chief Executive Officer and Director
Robert R. Stapleton	41	President and Director
Douglas G. Smith(I)	45	Vice Chairman and Director
Donald Guthrie	44	Vice Chairman and Director
Cregg B. Baumbaugh	43	Executive Vice President — Finance. Strategy and Development
Alan R. Bender	45.	Executive Vice President, General Counsel and Secretary
Robert P. Dotson	39	Senior Vice President — Marketing
Timothy R. Wong	43	Senior Vice President — Engineering
Patricia L. Miller	36	Vice President, Controller and Principal Accounting Officer
Mitchell R. Cohen	35	Director
Daniel J. Evans	74	Director
Richard L. Fields(l)	43	Director
Canning K.N. Fok	48	Director
Jonathan M. Nelson	43	Director
Terence M. O'Toole	41	Director
James N. Perry, Jr.(1)	39	Director
James J. Ross(1)	61	Director
Hans Snook.	5I	Director
Susan M.F. Woo Chow(2)	46	Director
Frank J. Sixt(2)	48	Director
Kaj-Erik Relander(1)	37	Director

(1) To become a director upon completion of the Omnipoint reorganization.

(2) To become a director upon the first to occur of the Omnipoint reorganization and the Aerial reorganization.

In addition, pursuant to the TDS stockholder agreement, TDS will have the right to designate at least one director of VoiceStream Holdings, as described under "VoiceStream Holdings Voting Agreement." TDS has not at this time determined who it will propose to designate.

John W. Stanton has been a director of VoiceStream since February 1998, and has been Chief Executive Officer and Chairman of VoiceStream since its formation in 1994. Mr. Stanton has also been a director, Chief Executive Officer and Chairman of Western Wireless and its predecessors since 1,992. Mr. Stanton served as a director of McCaw Cellular from 1986 to 1994, and as a director of LIN Broadcasting fmm 1990 to 1994, during which time it was a publicly-traded company. From 1983 to 1991; Mr. Stanton served in various capacities with McCaw Cellular, serving as Vice-Chairman of the Board of McCaw Cellular from 1988 to September 1991 and as Chief Operating Officer of McCaw Cellular fmm 1985 to 1988. Mr. Stanton is also a member of the board of directors of Advanced Digital Information Corporation and Columbia Sportswear, Inc. In addition, Mr. Stanton is a trustee of Whitman College; a private college.

Robert R. Stapleton has been a director of VoiceStream since April 1999 and President of VoiceStream since its formation in 1994. Effective April 1998, Mr. Stapleton became responsible for all operations of VoiceStream. Mr. Stapleton was President of Western Wireless and one of its

predecessors from 1992 to May 1999. From 1989 to 1992, he served in various positions with General Cellular, including Chief Operating Officer and Vice President of Operations. From 1984 to 1989, Mr. Stapleton was employed by mobile communications subsidiaries of Pacific Telesis, Inc., which now are affiliated with Vodafone AirTouch.

Douglas G. Smith founded Omnipoint in June 1987 and has continuously served as its Chairman, President and Chief Executive Officer. From 1985 to 1987, he was one of four professionals in a small venture capital fund focusing on opportunities in the electronic information industry. From 1980 to 1985, he founded and managed the Investment Data Systems Division of Strategic Information (a division of Ziff-Davis Publishing).

Donald Guthrie has been a director of VoiceStream since April 1999 and has been Vice Chairman since February 1998. He has also served as Vice Chairman of Western Wireless since November 1995. From February 1997 to April 1999, he also served as the Chief Financial Officer of Western Wireless. From 1986 to October 1995, he served as Senior Vice President and Treasurer of McCaw Cellular and, from 1990 to October 1995, he served as Senior Vice President — Finance of LIN Broadcasting.

Cregg B. Baumbaugh has been Executive Vice President — Finance, Strategy and Development of VoiceStream since May 3, 1999. He served as Senior Vice President-Corporate Development of VoiceStream and Western Wireless from 1994 to May 1999. From November 1989 through May 1999, he has served in various positions with Western Wireless and its predecessor, including Vice President — Business Development. From 1986 to 1989, Mr. Baumbaugh was employed by The First Boston Corporation.

Alan R. Bender has been Executive Vice President, General Counsel and Secretary of VoiceStream since May 3, 1999. He also holds such positions with Western Wireless. From 1990 to May 1999, he held various positions with Western Wireless, VoiceStream and their respective predecessors, including serving as Senior Vice President and General Counsel and Secretary since 1994. From 1988 to 1990, Mr. Bender was Vice President and Senior Counsel of Equitec Financial Group, Inc., a subsidiary of PacifiCorp Inc.

Robert P. Dotson has been Senior Vice President -Marketing and Sales of VoiceStream since May 3. 1999. From 1996 to May 1999, he served as Vice President — Marketing of VoiceStream and Western Wireless. Previously, Mr. Dotson held various marketing positions with PepsiCo's KFC restaurant group, serving as Senior Director of Concept Development from 1994 to 1996, Director of International Marketing from 1993 to 1994, Divisional Marketing Director from 1991 to 1993 and Manager of New Product Development 'and Base Business Marketing from 1989 through 1991.

Timothy R. Wong has been Senior Vice President — Engineering of VoiceStream since May 3, 1999. From 1996 to May 1999, he served as Vice President — Engineering of VoiceStream and Western Wireless. From 1990 to 1995, Mr. Wong held various positions at US WEST Cellular, serving as Executive Director — Engineering and Operations from 1994 to 1995, Director of Wireless Systems Engineering in 1993, Manager of International Wireless Engineering in 1992 and Manager-Systems Design from 1990 to 1991.

Patricia L. Miller has been Vice President, Controller and Principal Accounting Officer of VoiceStream since May 3, 1999. From 1998 to May 1999, she served as Controller and Principal Accounting Officer of VoiceStream and Western Wireless. From 1993 to 1997, Ms. Miller held various accounting positions with Western Wireless. Prior to 1993, Ms. Miller held various accounting positions with a subsidiary of Weyerhaeuser Company.

Mitchell R. Cohen has been a director of VoiceStream since February 1998. He has also been a director of Western Wireless since its formation in 1994. Mr. Cohen was a director of Genera] Cellular from March 1992 to December 1995. Mr. Cohen is a Managing Director of Hellman & Friedman, having joined Hellman & Friedman as an associate in July 1989. From 1986 to 1989, Mr. Cohen was employed by Shearson Lehman Hutton, Inc. Mr. Cohen currently is a director of Advanstar, Inc.

Daniel J. Evans has been a director of VoiceStream since February 1998. He has *also* been a director of Western Wireless since 1997. Mr. Evans is the Chairman of Daniel J. Evans Associates. a consulting firm. From 1965 through 1977, Mr. Evans was Governor of the State of Washington, In 1983 he was appointed and then elected to the United States Senate to fill the seat of the late Senator Henry M. Jackson. He serves as a director of Flow International Corporation, Puget Sound Energy, Tera Computer Company, and serves on the Board of Regents of the University of Washington.

Richard L. Fields has served as a Director of Omnipoint since September 1991. Since February 1994, Mr. Fields has been a Managing Director and Executive Vice President of Allen & Co., and prior to such time he was a Vice President of Allen & Co. Mr. Fields is currently a director of LivePerson, Inc. and the Telecommunications Development Fund.

Canning K.N. Fok has been a director of VoiceStream since February 1998. For more than five years, Mr. Fok has been Group Managing Director of Hutchison and Chairman of Orange plc. Other appointments include Chairman of Hutchison Telecommunications (Australia) Limited, Deputy Chairman of Hongkong Electric Holdings Limited and Cheung Kong Infrastructure Holdings Limited, and Director of Cheung Kong (Holdings) Limited. Mr. Fok is also a director of Partner Communications Company, Ltd. Mr. Fok is a chartered accountant.

Jonathan M. Nelson has been a director of VoiceStream since February 1998. He has also been a director of Western Wireless since its formation in 1,994. Mr. Nelson has been President and Chief Executive Officer of Providence Equity Partners Inc., an investment advisor, since its inception in 1995 and is a Member of Providence Equity Partners L.L.C. which is the general partner of Providence Equity Partners L.P. and Providence Equity Partners II L.P. He is also Co-Chairman of Providence Ventures Inc., an investment advisor, and a managing general partner of Providence Ventures LB. which is the general partner of the genera! partner of Providence Media Partners L.P., a venture capital fund. Since 1986, Mr. Nelson has been a Managing Director of Narragansett Capital, Inc., a private management company for three separate equity investment funds. Mr. Nelson is currently a director of AT&T Canada..

Terence M. O'Toole has been a director of VoiceStream since February 1998.. He has also been a director of Western Wireless since it was formed in 1994. Mr. O'Toole joined Goldman Sachs in 1983 and became a Vice President in 1987, a general partner in 1992 and a Managing Director in 1996. He is currently a director of AMF Bowling, Inc. and Amscan Holdings, Inc.

James N. *Perry, Jr.* has been. a Director of Omnipoint since August 1993. In January 1993, he became. Vice President of MDCP. Previously, Mr. Perry served in various positions at First Capital Corporation of Chicago and its affiliates. Mr. Perry currently serves as a director of Allegiance Telecom, Inc. and. Clearnet Communications. Inc.

James J. Ross has been Vice-Chairman of the Omnipoint board since 1989. Mt. Ross is a private venture investor. Since February 1995, Mr. Ross has been Of Counsel in the law firm of Becker Ross Stone DeStefano & Klein and prior to such time, he was a partner at such firm.

Hans R. Snook has been a director of VoiceStream since February 1998. For more than five years, Mr. Snook has been Group Managing Director of Orange plc, a telecommunications service provider in the United Kingdom, and a director of a separate affiliate of Hutchison.

Susan M.F. Woo Chow has been an Executive Director of Hutchison since 1993 and Deputy Group Managing Director since 1998 of Hutchinson. She is also a Director of Orange plc and Hongkong Electric Holdings Limited and an Executive Director of Cheung Kong Infrastructure Holdings Limited.

Frank J. Sixt has been an Executive Director of Hutchison since 1991 and Group Finance Director since 1998 of Hutchison. He is also a Director of Cheung Kong (Holdings) Limited, Orange plc and Hongkong Electric Holdings Limited and an Executive Director of Cheung Kong Infrastructure Holdings Limited.

Kaj-Erik Relander has been the Executive Vice President, International Operations, and the Chief Financial Officer of Sonera Corporation since 1999 and, effective January 1, 2000, he will be the head of Sonera's new Mobile and Media Division. Since joining Sonera in 1994, Mr. Relander has also served as Sonera's Group Business Controller and as Director, Finance and Business Development.

Each of the following individuals will be selected by Omnipoint to become members of the VoiceStream Holdings board pursuant to the reorganization agreement: Douglas G. Smith, Richard L. Fields, James J. Ross and James N. Perry. See "VoiceStream Holdings Voting Agreement." The remaining members of the VoiceStream Holdings board will be elected pursuant to a voting agreement.

VoiceStream Proforma

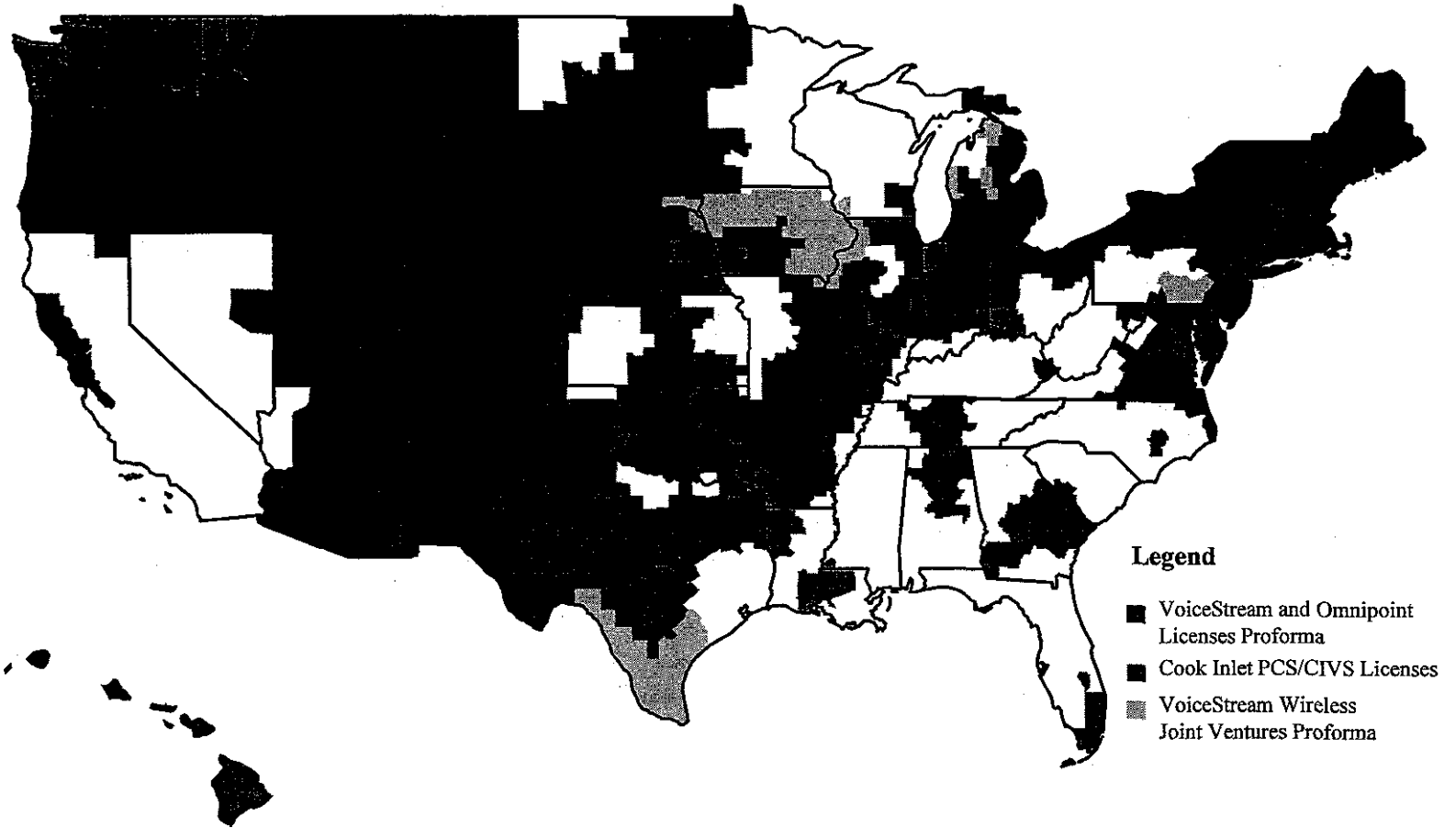

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EXHIBIT 2

Federal Communications Commission

Wireless Telecommunications Bureau

Radio Station Authorization

Call Sign: WPOL272	File Number. 0000012949	Print Date: 10/29/1999

Name of Licensee:

Attention: Scott D. Torrison
CookInlet/VoiceStream PCS LLC
2529 C Street

Anchorage AK 99503

Market Number:	Channel Block:	Sub-Market Designator:
BTA078	c	0

Market Name: Chicago, IL

The license hereof is authorized, for the period indicated, to operate a radio transmitting station in accordance with the terms and conditions hereinafter described. This authorization is subject to the provisions of the Communications Act of 1934, as amended, subsequent Acts of Congress, international treaties and agreements to which the United States is a signatory, and all pertinent rules and regulations of the Federal Communications Commission, contained in Title 47 of the code of Federal Regulations.

Effective Date	1st Build-out Date	2nd Build-out Date	3rd Build-out Date	4th Build-out Date	Expiration Date
10/28/1999	10/28/2004	10/28/2009			10/28/2009

Conditions:

Pursuant to Section 309(h) of the Communications Act of 1934, as amended, (47 U.S.C. 309(h)), this license is subject to the following conditions: This license does not vest in the licensee any right to operate a station nor any right in the use of frequencies beyond the term thereof nor in any other manner than authorized herein. Neither this license nor the right granted thereunder shall be assigned or otherwise transferred in violation of the Communications Act of 1934, as amended, 47 U.S.C. 151, et seq. This license is subject in terms to the right of use or control conferred by Section 706 of the Communications Act of 1934, as amended, 47 U.S.C. 606.

Special Conditions:

This authorization is subject to the condition that, in the event that systems using the same frequencies as granted herein are authorized in an adjacent foreign territory (Canada/United States), future coordination of any base station transmitters within 72 km (45 miles) of the United States/Canada border shall be required to eliminate any harmful interference to operations in the adjacent foreign territory and to ensure continuance of equal access to the frequencies by both countries.

A graphical representation of the geographic area authorized to this call sign may be generated by selecting 'License Search' at the following web address: http://wtbwww05.fcc.gov

EXHIBIT 3

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SEC Filing- EDGAR Online

Nasdaq:VSTR

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Recent Filings: May 1999 (Qtrly Rpt) | Aug 1999 (Qtrly Rpt) | **Nov** 1999 (Qtrly Rpt)
More filings for VSTR available from EDGAR Online | Access real-time filings with EDGAR Online Premium

November 12, 1999

Investor Research Center
VSTR Get Report

VOICESTREAM WIRELESS CORP (VSTR)
Quarterly Report (SEC form 10-Q)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE LITIGATION REFORM ACT OF 1995.

Statements contained or incorporated by reference herein that are not based on historical fact, including without limitation, statements containing the words "believes," "may," "will," "estimate," "continue," "anticipates," "intends," "expects" and words of similar import, constitute "forward-looking statements" within the meamng of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and in the regions in which VoiceStream Wireless Corporation ("VoiceStream") operates; technology changes; competition; changes in business strategy or development plans; the high leverage of VoiceStream; the ability to attract and retain qualified personnel; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted against VoiceStream; VoiceStream's and its third-party suppliers' ability to take corrective action in a timely manner with respect to the year 2000

issue; and other factors referenced in VoiceStream's filings with the Securities and Exchange Commission Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. VoiceStream disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

The following is a discussion and analysis of the consolidated financial condition and results of operations of VoiceStream and should be read in conjunction with VoiceStream's consolidated financial statements and notes thereto and other financial information included herein and in VoiceStream's Form 10/A (Commission File No. 000-25441). Due to the phase of the business cycle of VoiceStream's PCS operations, VoiceStream's operating results for prior periods may not be indicative of future performance.

OVERVIEW

VoiceStream provides wireless communications services in urban markets in the United States through the ownership and operation of PCS licenses. VoiceStream has commenced commercial operations in eleven markets under the VoiceStream brand name using the Global System for Mobile Communications ("GSM") technology. Additionally, VoiceStream PCS services are offered in four additional markets in conjunction with joint ventures.

VoiceStream was formed in 1994 as Western PCS Corporation. Prior to May 3, 1999, VoiceStream was an 80.1% owned subsidiary of Western Wireless Corporation, ("Western Wireless"). The remaining 19.9% was owned by Hutchison Telecommunications PCS (USA) Limited, a subsidiary of Hutchison Whampoa Limited, a Hong Kong company. On May 3, 1999, VoiceStream formally separated from Western Wireless' other operations (the "Spin-off'). VoiceStream has been operated separately from Western Wireless' other operations and has been a separate legal entity since its inception.

On June 23, 1999, VoiceStream announced that it had obtained approval from its Board of Directors for a merger with Omnipoint Corporation ("Omnipoint"); see Liquidity and Capital Resources section. Omnipoint provides PCS services in urban markets primarily in the Eastern United States.

On September 20, 1999, VoiceStream announced that its Board of Directors had approved a merger with Aerial Communications, Inc. ("Aerial"); see Liquidity and Capital Resources section. Aerial provides PCS services in urban markets including Columbus, Ohio, Houston, Texas, Kansas City, Missouri, Minneapolis, MN, Pittsburgh, PA, and Tampa-St. Petersburg, FL.

VoiceStream did not commence operations in any of its markets until February 1996. From that date through the end of 1996, VoiceStream launched service in six markets: Honolulu, Portland, Salt Lake City, Albuquerque, Oklahoma City and Des Moines. In 1997, VoiceStream launched service in El Paso, Boise and Denver. In 1998, VoiceStream launched service in Phoenix/Tucson, and in February of 1999, launched service in Seattle. Due to the varying dates at which each of the markets became operational, the expenses and revenues incurred during any period may not be comparable to another period and may not be representative of future operations. Additionally,

during each period being discussed, a portion of the operating expenses was related to start-up costs incurred before the commencement of operations in each of the markets. Exclusive of depreciation and amortization expense, which was not material, approximately $1 .O million

and $1.8 million of start-up costs were incurred during the three months ended September 30, 1999 and 1998, respectively, and $2.2 million and $3.5 million of start-up costs were incurred during the nine months ended September 30, 1999 and 1998, respectively.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

VoiceStream had 675,700 subscribers at September 30, 1999, representing an increase of 122,500 or 22.1% from June 30, 1999, and a 109.6% increase from December 31, 1998. At September 30, 1998, VoiceStream had 264,800 subscribers, representing an increase of 52,200 or 24.6% from June 30, 1998, and a 105.9% increase from December 31, 1997.

The following table sets forth certain financial data as it relates to the VoiceStream's operations:

(Dollars in thousands)	THREE MONTHS ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,		
	1999	% CHANGE	1998	1999	% CHANGE	1998
Revenues:						
Subscriber revenues	$ 107,238	222.1%	$ 33,291	$ 245,209	198.0%	$ 82,27
Roamer revenues	2,645	138.3%	1,110	6,205	153.7%	2,44
Equipment revenues	18,203	54.5%	11,785	48,554	74.3%	27,85
Total revenues	128,086		46,186	299,968		112,57
Operating expenses:						
Cost of service	24,906	102.7%	12,290	62,375	78.1%	35,01
Cost of equipment sales	32,996	54.5%	21,350	93,904	77.6%	52,88
General and administrative	35,542	98.3%	17,925	83,938	49.4%	56,18
Sales and marketing	48,883	118.4%	22,383	134,689	146.0%	54,74
Depreciation and amortization	40,866	93.8%	21,083	96,280	57.2%	61,24
Stock based compensation	6,632	N.M.		53,935	N.M.	
Total operating expenses	189,825		95,031	525,121		260,06
Other income (expense)	(31,295)	148.0%	(12,618)	(77,884)	122.1%	(35,06
Net Loss	$ (93,034)	51.4%	$ (61.463)	$(303,037)	66.0%	$(182,55
EBITDA (before non-cash charges)	$ (14,241)	(48.7)%	$ (27,762)	$ (74,938)	(13.1)%	$ (86,24

Cash flows provided by (used in):					
Operating activities	$ (41,654)	157.6%	$ (16,169)	$(107,874)	31.7%	$ (81,92
Investing activities	$ (136,299)	102.3%	$ (67,366)	$(440,326)	243.2%	$(128,28
Financing activities	$ 146,693	142.9%	$ 60,504	$ 589,009	176.7%	$ 212,89

REVENUES

The increase in service revenues is due to the increase in the number of subscribers and an increase in the average monthly subscriber revenue per average subscriber, or ARPU. The increase in subscribers is due to the relative maturity of the nine markets operating in the third quarter of 1999, which were also operating in the first nine months of 1998, and the addition of two more operating markets for the first nine months of 1999, and VoiceStream's "Get More" advertising campaign, featuring Jamie Lee Curtis, that was initiated in the second quarter of 1998. ARPU was $58.18 and $46.49 for the three months ended September 30, 1999 and 1998, respectively, and $54.59 and $46.47 for the nine months ended September 30, 1999 and 1998, respectively. The increase in ARPU is primarily due to an increase in the average minutes of use per subscriber and existing subscribers migrating to and new subscribers adding on to our higher priced rate plans. Included in subscriber revenues are prepaid revenues of $0.4 million and $0.5 million for the three months ended September 30, 1999 and 1998, respectively, and $1.9 million and $1.0 million for the nine months ended September 30, 1999 and 1998, respectively.

Roamer revenues are a result of VoiceStream's continuing effort to procure domestic and international roaming agreements with other carriers. VoiceStream expects roamer revenues to continue to increase throughout 1999 due to increased wireless subscribers and VoiceStream's expanded coverage.

Equipment revenues increased as a result of more handsets sold. The increase in handsets sold is due to the number of operational markets during each period and the relative maturity of VoiceStream's operations in these markets. Offsetting this increase is a decrease in the average handset selling price, which is the result of lower handset costs and the competitive environment. VoiceStream anticipates continued growth in equipment sales as a result of increases in subscriber additions and the commencement of commercial operations in other markets.

OPERATING EXPENSES

Cost of service expenses represent expenses incurred only by operational markets. The increase in cost of service is primarily attributable to the increased costs of maintaining the expanding wireless network. Cost of service as a percentage of service revenues declined to 22.7% from 35.7% in the three months ended September 30, 1999 and 1998, respectively, and to 24.8% from 41.3% in the nine months ended

September 30, 1999 and 1998, respectively, due to efficiencies gained from the growing subscriber base. While cost of service expenses are expected to continue to grow in 1999 due to the growth in subscribers and operating markets, VoiceStream expects the cost of service as a percentage of service revenue to decline as greater economies of scale are realized.

Cost of equipment sales increased primarily due to the increase in handsets sold, offset by a decrease in the average cost of handsets sold. VoiceStream expects this trend to continue during the remainder of 1999. Although subscribers generally are responsible for purchasing or otherwise obtaining their own handsets, VoiceStream has historically sold handsets below cost to respond to competition and general industry practice and expects to continue to do so in the future.

The increase in general and administrative expenses is primarily attributable to the increased costs associated with supporting a larger subscriber base. General and administrative costs per average subscriber were $19.28 and $25.03 for the three months ended September 30, 1999 and 1998, respectively, and $18.69 and $31.74 for the nine months ended September 30, 1999 and 1998, respectively. This decrease is largely the result of efficiencies gained from a larger subscriber base. While general and administrative expenses are expected to continue to grow in 1999 due to the growth in subscribers and operating markets, VoiceStream expects the costs per average subscriber to decline as greater economies of scale are realized; however, we expect it will decline at a lower rate.

Sales and marketing costs increased as a result of the increase in net subscriber additions and the effort to promote VoiceStream's brand name in a greater number of markets. Sales and marketing cost per net subscriber added, including the loss on equipment sales, decreased to $520 from $612 for the three months ended September 30, 1999 and 1998, respectively, and to $510 from $586 for the nine months ended September 30, 1999 and 1998, respectively. This decrease is largely the result of cost efficiencies from a larger subscriber base.

The increase in depreciation and amortization expense is attributable to the continued expansion of VoiceStream's wireless systems. Federal Communications Commission ("FCC") licenses are not amortized until the related market is operational. These expenses will increase as new markets become operational.

A non-cash charge for stock based compensation of $6.6 million and $53.9 million was recognized during the three months and nine months ended September 30, 1999, respectively, largely as a result of a restructuring of stock options in connection with the Spin-off. The remaining $24.5 million of deferred compensation as of September 30, 1999, will be recognized as expense over the future periods the remaining unvested options vest.

OTHER INCOME (EXPENSE)

Interest and financing expense increased to $26.9 million from $7.5 million for the three months ended September 30, 1999 and 1998, respectively, and to $58.8 from $25.0 for the nine months ended September 30, 1999 and 1998, respectively, due to the increase in long-term debt. Long-term debt was incurred primarily to fund VoiceStream's capital expenditures associated with the build-out of Voice&ream's systems. Interest expense will continue to increase in 1999 as a result of increased borrowings VoiceStream has incurred, and will continue to incur, to fund this expansion. The weighted average interest rate, before the effect of capitalized interest, was 10.6% and 9.5% for the three months ended September 30, 1999 and 1998, respectively, and 9.7% and 8.7% for the nine months ended September 30, 1999 and 1998, respectively.

Also included in other income (expense) is loss in unconsolidated affiliates of $12.4 million and $7.1 million for the three months ended September 30, 1999 and September 30, 1998, respectively, and $34.1 million and $16.5 million for the nine months ended September 30, 1999 and September 30, 1998, respectively. The increase m losses for these periods is due to an increase in costs associated with the launch of operations in the Spokane market for its Cook Inlet Western Wireless PV/SS PCS, LP ("Cook Inlet PCS") investment in the first quarter of 1999.

NET LOSS

The increase in net loss is primarily attributable to the increase in marketing costs associated with the launch of operations in the Seattle market in the first quarter of 1999, offset by increased revenues and operating efficiencies gained from the growing subscriber base. Additionally, VoiceStream's portion of the loss in its unconsolidated affiliates is greater due to an increase in costs associated with the launch of operations in the Spokane market for its Cook Inlet PCS investment in the first quarter of 1999. VoiceStream expects net loss to improve in 1999 for its operational markets; however, the commencement of operations in new markets will slow and could reverse this trend. Additionally, the non-cash charge related to the restructuring of stock options in connection with the Spin-off increased the net loss for the first nine months of 1999 by $53.9 million and will have a continued negative impact as the remaining unvested options vest and the related expense is recognized.

EBITDA

EBITDA represents operating loss before stock based compensation, depreciation and amortization. Management believes EBITDA provides meaningful additional information on VoiceStream's operating results and on its ability to service its long-term debt and other fixed obligations, and to fund VoiceStream's continued growth. EBITDA is considered by many financial analysts to be a meaningful indicator of an entity's ability to meet its future financial obligations, and growth in EBITDA is considered to be an indicator of future profitability, especially in a capital-intensive industry such as wireless telecommunications. EBITDA should not be construed as an alternative to operating income (loss) as determined in accordance with United States generally accepted accounting principles ("GAAP"), as an alternate to cash flows from operating activities (as determined in accordance with GAAP), or as a measure of liquidity. Because EBITDA is not calculated in the same manner by all companies, VoiceStream's presentation may not be comparable to other similarly titled measures of other companies.

EBITDA for VoiceStream improved to negative $14.2 million from negative $27.8 million for the three months ended September 30, 1999 and September 30, 1998, respectively, and to negative $74.9 million from negative $86.2 million for the nine months ended September 30, 1999 and September 30, 1998, respectively. This improvement is primarily due to the increased revenues and efficiencies gained as a result of the increased subscriber base. VoiceStream expects EBITDA to improve during the remainder of 1999 for its operational markets; however, the commencement of operations in new markets will slow and could reverse this improvement.

LIQUIDITY AND CAPITAL RESOURCES

Financing and Merger Activities

VoiceStream, through a wholly-owned subsidiary, has a credit facility with a consortium of lenders (the "Credit Facility") consisting of $500 million in revolving credit and $250 million in a delayed draw term loan (collectively, the "Revolver") and a term loan for $250 million (the "Term Loan"). As of September 30, 1999, $765 million was outstanding under the Credit Facility. The amount which VoiceStream can borrow under the Credit Facility is reduced beginning in 2001, the same year in which repayment of the Credit Facility begins. Debt under the Credit Facility matures on December 3 1, 2006, for the revolver and the delayed draw term loan, and June 30, 2007, for the other $250 million term loan. The borrowings under the Credit Facility bear interest at variable rates. Substantially all the assets of VoiceStream, other than certain licenses acquired in the FCC's D and E Block auctions, the Cook Inlet PCS and Cook Inlet/VoiceStream PCS LLC ("CIVS") investment interests and certain other assets and investments, are pledged as security for such debt. The terms of the Credit Facility restrict, among other things, the sale of assets, distribution of dividends or other distributions and loans. As of October 1, 1999, the amount available to borrow under the Credit Facility, which is restricted by certain financial covenants, was $235 million.

In May 1999, one of VoiceStream's infrastructure equipment vendors purchased $400 million of VoiceStream's newly issued 12% Senior Debentures (the "Senior Debentures").

In November, 1999, VoiceStream, through a private offering circular, offered a combination of 10 3/8% Senior Notes and 11 7/8% Senior Discount Notes for aggregate net proceeds of approximately $1.46 billion. VoiceStream used $400 million of the proceeds from the Senior Notes to repay the Senior Debentures and an additional $125 million to repay outstanding borrowings under the revolver portion of the Credit Facility.

The Senior Notes were issued at $1 .1 billion principle and gross proceeds and the Senior Discount Notes were

issued at a discount for $403.6 million gross proceeds, which will accrete over five years to its full principle value of $720 million. The Senior Notes and the Senior Discount Notes mature on November 15, 2009, and are redeemable after five years at VoiceStream's option, in whole or in part, at varying redemption prices. Interest on the Senior Notes will accrue at the rate of 10 3/8% per annum and will be payable semiannually beginning May 15, 2000. Interest on the Senior Discount Notes will accrue at a rate of 11 7/8% per annum and will be payable semiammally commencing on May 15, 2005.

On June 23, 1999, VoiceStream announced Board approval of a definitive merger agreement with Omnipoint. Pursuant to the agreement, VoiceStream will exchange 0.825 shares of VoiceStream common stock plus $8.00 in cash for every share of Omnipoint common stock. There will be a cash or share election option available to shareholders of Omnipoint subject to proration. This merger is subject to shareholder approval of both companies as well as federal, state, and other regulatory approvals including those of the FCC and the Department of Justice ("DOJ"). Major shareholders have agreed irrevocably to vote for the merger. In conjunction with the merger agreement, VoiceStream committed to invest a total of $150 million in Omnipoint, of which $102.5 million was invested in Omnipoint preferred stock upon signing of the merger agreement. The remaining $47.5 million was invested in Omnipoint preferred stock on October 1, 1999. The merger is expected to be completed no later than the first quarter of 2000.

In connection with the Omnipoint merger agreement, the majority of which is contingent upon closure of such, Hutchison

Telecommunications PCS (USA) Limited ("Hutchison USA") will make an investment of approximately $957 million into the combined company for common and convertible preferred securities. $102.5 million of this investment was invested directly in Omnipoint preferred stock subsequent to finalizing the merger agreement. In addition, another $47.5 million was invested in Omnipoint preferred stock in October 1999. The remaining $807 million will be invested into the combined company upon the closing of the merger. Additionally, Sonera, Ltd, ("Sonera") a Finnish telecommunications company, who holds an investment in Aerial Operating Company ("AOC"), a subsidiary of Aerial, has agreed to invest $500 million in VoiceStream at the closing of the Omnipoint merger, purchasing shares at $57 per VoiceStream share.

On September 20, 1999, VoiceStream announced Board approval of a merger agreement with Aerial. Under the terms of the agreement., VoiceStream will exchange 0.455 shares of VoiceStream common stock for each share of Aerial Series A Common Shares. Aerial public shareholders have a right to elect to receive $18 in cash in lieu of shares of VoiceStream. Telephone and Data Systems, ("TDS"), a major shareholder of Aerial, and major shareholders of VoiceStream, including Hutchison USA, have agreed irrevocably to vote in favor of the merger. The merger is subject to shareholder approval of both companies as well as federal, state, and other regulatory approvals including those of the FCC and the DOJ. The merger is expected to be completed during the first quarter of 2000.

In connection with the Aerial merger agreement, TDS will replace $420 million of Aerial debt owed to TDS with equity of Aerial at $22 per share. Sonera will invest an additional $230 million in Aerial equity, also at $22 per Aerial share. Immediately prior to the merger, Sonera will convert its interest in AOC into Aerial common stock.

Upon completion of the Omnipoint and Aerial reorganizations, VoiceStream expects to receive or have available an aggregate of $6.2 billion in new funding from the following sources: $3.0 billion under a New Credit Facility, ("New Credit Facility") for which VoiceStream has received commitments from a group of lenders and will become available upon the closing of the Omnipoint merger; $1.7 billion of new equity from Hutchison USA and Sonera, as described above, and $1.46 billion of net proceeds from the Senior Notes and Senior Discount Notes offered by VoiceStream in November 1999. While the lenders of the New Credit Facility have provided commitments to lend the entire $3.0 billion based upon an agreed upon term sheet, such commitments are subject to customary conditions, including, but not limited to, negotiation and execution of definitive documentation for the New Credit Facility, satisfactory completion of due diligence, and no matertally adverse changes. There can be no assurance that such conditions will be met and that the New Credit Facility will become available to VoiceStream on these or any other terms. The New Credit Facility will consist of a $1.5 billion revolver that will be available for a specified period and $1.5 billion of term loans that will be drawn at closing. The New Credit Facility is expected to have a term of eight to nine years with partial payments beginning after the third year. The proceeds from the New Credit Facility, along with the proceeds from the Senior Notes, and the investments from Hutchison and Sonera, will be used to repay some or all of the outstanding debt of VoiceStream, Omnipoint and Aerial. The balance of the proceeds will be used to fund planned construction of PCS networks, to launch operations and new markets, to fund operational requirements of the joint ventures in which VoiceStream holds interests, and to provide working capital and fund anticipated operating losses.

In the ordinary course of business, VoiceStream continues to evaluate acquisitions, joint ventures and other potential business transactions. Any such transactions would be financed with the borrowings under the New Credit Facility or through the issuance of additional debt or the sale of additional equity. There can be no assurance that such funds will be available to VoiceStream on acceptable or favorable terms.

Investments and Capital Expenditures

For the remainder of 1999, VoiceStream anticipates spending approximately $80 million for capacity and expansion of operating markets and $50 million for the development and expansion of new markets (amounts include anticipated spending by both VoiceStream and Cook Inlet PCS). VoiceStream will use cash on hand, proceeds from the Senior Notes and amounts available for borrowing under the Credit Facility for such purposes. In addition, further funds (which may be significant) will be required to finance the continued growth of operations, including the build-out of markets, provide for working capital and service debt. The build-out of additional systems by VoiceStream will require substantial additional funds. The capital cost of completing the project in any particular market, and overall, could vary materially from current estimates. If adequate funds are not available from its existing capital resources, VoiceStream may be required to curtail its service operations or to obtain additional funds. The terms of any additional funds may be less favorable than those contained in current arrangements. In addition to the aforementioned capital expenditures VoiceStream expects to make in 1999, VoiceStream has noncancellable lease agreements for various facilities, including cell-site locations, of approximately $8.6 million for the remainder of 1999. The sources of funding for such expenditures will come from the same sources as discussed above.

A wholly owned subsidiary of VoiceStream holds a 49.9% interest in Cook Inlet PCS. Cook Inlet PCS is subject to the FCC's build-out requirements and will require significant additional amounts to complete the build-out of its PCS systems and to meet the government debt service requirements on C and F Block licenses. No principal payments on these licenses are due in 1999. The potential sources of such additional funding include vendor loans, loans or capital contributions by the partners of Cook Inlet PCS or other third party financing. To date, VoiceStream has funded the operations of Cook Inlet PCS through the issuance of promissory notes. VoiceStream does not have any further commitments to fund Cook Inlet PCS. At September 30, 1999, VoiceStream had advanced funds totaling $103.4 million to Cook Inlet PCS under such promissory notes.

In January 1999, certain partners of Cook Inlet PCS, including VoiceStream, formed another joint venture, CIVS (49.9% of which is owned by VoiceStream), to participate in the FCC reauction of C and F Block licenses in 1999. VoiceStream contributed a total of $23.4 million during the nine months ended September 30, 1999, to the deposit required by the FCC to participate in the reauction. This auction was completed in April 1999 and resulted in CIVS as the high bidder for 28 licenses, including both the Dallas and Chicago Basic Trading Areas ("BTAs"), for an aggregate amount of $192.3 million. These licenses were granted by the FCC in October 1999, and VoiceStream contributed a total of $100.4 million to CIVS, representing a capital contribution of $59.2 million and an advance to the partnership of $41.2 million. The Cook Inlet partners contributed $48.8 million to CIVS for the remainder due.

CIVS has reached an agreement in principle with an infrastructure equipment vendor whereby such vendor would provide CIVS with up to $825 million in a combination of senior credit and subordinated facilities, and VoiceStream would agree to acquire certain equipment, software and services from the vendor. The agreement contemplates that the net proceeds of the senior secured facility and the subordinated facility would be used to finance capital expenditures, permitted investments, and for working capital. The amount available for borrowing pursuant to the senior credit facility and the subordinated facility will be based upon the aggregate number of persons covered by licenses for BTAs acquired by CIVS, with up to $825 million in the aggregate being available. Although CIVS is working diligently with the vendor to prepare formalcontracts, there can be no assurance that formal contracts will be executed or that such funds will be available to CIVS.

Cash Flow Information

After the Spin-off, the net operating loss ("NOL") carryforwards resulting from VoiceStream's cumulative tax losses were transferred from

Western Wireless to VoiceStream. Pursuant to a tax sharing agreement entered into at the time of the Hutchison investment, VoiceStream paid Western Wireless $20 million, the amount representative of the tax benefit of NOLs generated while VoiceStream was a subsidiary of Western Wireless.

Net cash used in operating activities was $107.9 million for the nine months ended September 30, 1999. Adjustments to the $303.0 million net loss to reconcile to net cash used in operating activities included $96.3 million of depreciation and amortization, $34.1 million for equity in the net loss of unconsolidated subsidiaries, and $53.9 million for stock based compensation as a result of stock options granted to employees at the time of the Spin-off. Other adjustments included changes in operating assets and liabilities, including: (i) an increase of $51.2 million in accounts receivable due to the increase in sales; and (ii) an increase of $53.3 million in accrued liabilities due to the increase in accrued interest on long-term debt and commissions due to the increase in sales. Net cash used in operating activities was $81.9 million through the third quarter 1998.

Net cash used in investing activities was $440.3 million for the nine months ended September 30, 1999. Investing activities consisted primarily of: (i) purchases of property and equipment of $245.0 million, largely related to the build-out and expansion of the wireless network, and (ii) investments in and advances to unconsolidated affiliates of $178.4 million, primarily attributable to the purchase of Omnipoint preferred stock and advances to Cook Inlet PCS for working capital and purchases of property and equipment. Net cash used in investing activities was $128.3 million through the third quarter 1998.

Net cash provided by financing activities was $589.0 million for the nine months ended September 30, 1999. Financing activities consisted primarily of: (i) net borrowings on long-term debt of $895.0 million; (ii) repayments of long-term debt of $270.0 million; (iii) net deferred financing cost of $12.5 million; and (iv) return of capital to Western Wireless for NOLs of $20 million. Net cash provided by financing activities was $212.9 million through the third quarter 1998.

YEAR 2000 ISSUES

VoiceStream, like most businesses? will be required to modify significant portions of its information technology ("IT") and non-IT systems so that they will function properly m the year 2000. Any of VoiceStream's, or its vendor's IT and non-IT systems that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. VoiceStream's IT and non-IT systems that are being addressed include: its wireless networks; systems which interconnect its wireless networks with landline systems; systems which allow verification and billing of roaming traffic; internal communication and data processing systems; billing software and related elements; and systems of third party suppliers, including those of financial institutions, payroll/benefits processors and credit bureaus.

Much of VoiceStream's technology, including technology associated with its critical systems, is purchased from third parties. VoiceStream is dependent on those third parties to assess the impact of the year 2000 issue on the technology and services they supply and to take any necessary corrective action. VoiceStream cannot assure that these third parties will have taken the necessary corrective acnon prior to the year 2000.

VoiceStream has adopted a remediation plan to become year 2000 compliant. This plan consists of four key phases: (1) inventory of all systems, (2) research, including obtaining information from third parties to determine whether they have accurately assessed the problem

and taken corrective action, (3) implementation of and testing remediation efforts, and (4) development of contingency plans. VoiceStream has completed the first two phases of its plan and has substantially completed phases three and four. Upgrades, patches and other remediation adjustments for all systems have been completed, except for wireless switches, which are expected to be complete by November 30, 1999, when planned upgrades to increase capacity have been finalized. Development of contingency plans in phase four is underway for major, critical business processes. Specifically, VoiceStream is focusing on 1) customer activations and additions to existing customers, 2) customer calls and customer service at the call centers, 3) billing and 4) application of customer payments. VoiceStream is also developing communication and contingency plans for employee and facility issues, corporate headquarters, sales offices, call centers, and engineering offices. Additional areas under consideration include payroll processing and the distribution center operations. These plans are scheduled to be complete on November 30, 1999. VoiceStream expects to incur internal staff costs as well as consulting and other expenses related to infrastructure and facilities enhancements necessary to complete the remediation of the systems for the year 2000. Although management believes its critical systems will be year 2000 compliant, VoiceStream cannot assure that the remediation of its critical systems will be complete by the year 2000.

VoiceStream has incurred incremental capitalized costs that represent ongoing investment in new systems and system upgrades, the timing of which may have been accelerated to facilitate year 2000 compliance and has not had a material impact on VoiceStream's financial position or results of operations. VoiceStream does not expect costs associated with the remainder of the year 2000 testing and remediation efforts to be significant. This expectation assumes that third party suppliers have accurately assessed the compliance of their products and that they will successfully correct the issue in non-compliant products.

Based on its current assessments and its remediation plan, which are based in part upon certain representations of third parties, VoiceStream expects that it will not experience a disruption of its operations as a result of the change to the year 2000. However, there can be no assurance that either VoiceStream or the third parties who have supplied technology used in VoiceStream's critical systems will be successful in taking corrective action in a timely manner. As part of its plan, VoiceStream has developed, and is continuing to develop, contingency plans for its critical systems which include, among other things, identifying a core system of cell sites that are being designed to

operate for extended periods for mobile to mobile service independent of external power supplies and landline telephone services. VoiceStream believes that these contingency plans will mitigate service disruption; however, VoiceStream cannot guarantee this. VoiceStream will continuously test and update these plans and systems as long as necessary.

[redacted]ay 1999 (Qtrly Rpt) | **Aug 1999 (Qtrly Rpt)** | Nov 1999 (Qtrly Rpt)
More filings for VSTR available from EDGAR Online
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