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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2020
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

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
(Address of principal executive offices)
98006-1350
(Zip Code)
(425) 378-4000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, par value $0.00001 per share	TMUS	The NASDAQ Stock Market LLC

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	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 ☒

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 October 30, 2020
Common Stock, par value $0.00001 per share	1,241,186,776

T-Mobile US, Inc.
Form 10-Q
For the Quarter Ended September 30, 2020

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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)	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 6,571	$ 1,528
Accounts receivable, net of allowance for credit losses of $208 and $61	4,313	1,888
Equipment installment plan receivables, net of allowance for credit losses and imputed discount of $450 and $333	3,083	2,600
Accounts receivable from affiliates	19	20
Inventory	1,931	964
Prepaid expenses	659	333
Other current assets	2,889	1,972
Total current assets	19,465	9,305
Property and equipment, net	38,567	21,984
Operating lease right-of-use assets	27,999	10,933
Financing lease right-of-use assets	3,038	2,715
Goodwill	10,906	1,930
Spectrum licenses	82,891	36,465
Other intangible assets, net	5,660	115
Equipment installment plan receivables due after one year, net of allowance for credit losses and imputed discount of $87 and $66	1,398	1,583
Other assets	2,519	1,891
Total assets	$ 192,443	$ 86,921
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 8,389	$ 6,746
Payables to affiliates	135	187
Short-term debt	3,713	25
Deferred revenue	1,078	631
Short-term operating lease liabilities	3,658	2,287
Short-term financing lease liabilities	1,050	957
Other current liabilities	1,817	1,673
Total current liabilities	19,840	12,506
Long-term debt	58,345	10,958
Long-term debt to affiliates	4,711	13,986
Tower obligations	3,079	2,236
Deferred tax liabilities	10,373	5,607
Operating lease liabilities	26,658	10,539
Financing lease liabilities	1,373	1,346
Other long-term liabilities	3,577	954
Total long-term liabilities	108,116	45,626
Commitments and contingencies (Note 17)		
Stockholders' equity		
Common Stock, par value $0.00001 per share, 2,000,000,000 shares authorized; 1,242,003,310 and 858,418,615 shares issued, 1,240,458,618 and 856,905,400 shares outstanding	—	—
Additional paid-in capital	72,705	38,498
Treasury stock, at cost, 1,544,692 and 1,513,215 shares issued	(11)	(8)
Accumulated other comprehensive loss	(1,621)	(868)
Accumulated deficit	(6,586)	(8,833)
Total stockholders' equity	64,487	28,789
Total liabilities and stockholders' equity	$ 192,443	$ 86,921

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

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

(in millions, except share and per share amounts)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenues				
Postpaid revenues	$ 10,209	$ 5,746	$ 26,055	$ 16,852
Prepaid revenues	2,383	2,385	7,067	7,150
Wholesale revenues	930	321	1,663	938
Roaming and other service revenues	617	261	1,430	710
Total service revenues	14,139	8,713	36,215	25,650
Equipment revenues	4,953	2,186	11,339	6,965
Other revenues	180	162	502	505
Total revenues	19,272	11,061	48,056	33,120
Operating expenses				
Cost of services, exclusive of depreciation and amortization shown separately below	3,314	1,733	8,051	4,928
Cost of equipment sales, exclusive of depreciation and amortization shown separately below	4,367	2,704	10,563	8,381
Selling, general and administrative	4,876	3,498	14,168	10,483
Impairment expense	—	—	418	—
Depreciation and amortization	4,150	1,655	9,932	4,840
Total operating expenses	16,707	9,590	43,132	28,632
Operating income	2,565	1,471	4,924	4,488
Other income (expense)				
Interest expense	(765)	(184)	(1,726)	(545)
Interest expense to affiliates	(44)	(100)	(206)	(310)
Interest income	3	5	21	17
Other (expense) income, net	(99)	3	(304)	(12)
Total other expense, net	(905)	(276)	(2,215)	(850)
Income from continuing operations before income taxes	1,660	1,195	2,709	3,638
Income tax expense	(407)	(325)	(715)	(921)
Income from continuing operations	1,253	870	1,994	2,717
Income from discontinued operations, net of tax	—	—	320	—
Net income	$ 1,253	$ 870	$ 2,314	$ 2,717
Net income	$ 1,253	$ 870	$ 2,314	$ 2,717
Other comprehensive loss, net of tax				
Unrealized gain (loss) on cash flow hedges, net of tax effect of $12, $(88) , $(261) and $(256)	33	(257)	(757)	(738)
Unrealized gain on foreign currency translation adjustment, net of tax effect of $1, $0, $1, and $0	4	—	4	—
Other comprehensive income (loss)	37	(257)	(753)	(738)
Total comprehensive income	$ 1,290	$ 613	$ 1,561	$ 1,979
Earnings per share				
Basic earnings per share:				
Continuing operations	$ 1.01	$ 1.02	$ 1.79	$ 3.18
Discontinued operations	—	—	0.29	—
Basic	$ 1.01	$ 1.02	$ 2.08	$ 3.18
Diluted earnings per share:				
Continuing operations	$ 1.00	$ 1.01	$ 1.78	$ 3.15
Discontinued operations	—	—	0.28	—
Diluted	$ 1.00	$ 1.01	$ 2.06	$ 3.15
Weighted average shares outstanding				
Basic	1,238,450,665	854,578,241	1,111,511,964	853,391,370
Diluted	1,249,798,740	862,690,751	1,122,040,528	862,854,654

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Operating activities				
Net income	$ 1,253	$ 870	$ 2,314	$ 2,717
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	4,150	1,655	9,932	4,840
Stock-based compensation expense	161	126	558	366
Deferred income tax expense	335	294	743	849
Bad debt expense	143	74	489	218
(Gains) losses from sales of receivables	(18)	28	37	91
Losses on redemption of debt	108	—	271	19
Impairment expense	—	—	418	—
Changes in operating assets and liabilities				
Accounts receivable	(1,538)	(745)	(2,784)	(2,693)
Equipment installment plan receivables	(306)	(78)	(110)	(478)
Inventories	(549)	(36)	(1,613)	(139)
Operating lease right-of-use assets	1,062	491	2,526	1,395
Other current and long-term assets	(8)	(118)	(106)	(288)
Accounts payable and accrued liabilities	(964)	(395)	(2,630)	(339)
Short and long-term operating lease liabilities	(1,145)	(549)	(2,947)	(1,592)
Other current and long-term liabilities	(51)	42	(2,162)	136
Other, net	139	89	230	185
Net cash provided by operating activities	2,772	1,748	5,166	5,287
Investing activities				
Purchases of property and equipment, including capitalized interest of $108, $118, $339 and $361	(3,217)	(1,514)	(7,227)	(5,234)
Refunds (purchases) of spectrum licenses and other intangible assets, including deposits	17	(13)	(827)	(863)
Proceeds related to beneficial interests in securitization transactions	855	900	2,325	2,896
Net cash related to derivative contracts under collateral exchange arrangements	—	—	632	—
Acquisition of companies, net of cash and restricted cash acquired	—	(31)	(5,000)	(31)
Proceeds from the divestiture of prepaid business	1,238	—	1,238	—
Other, net	(25)	1	(209)	(6)
Net cash used in investing activities	(1,132)	(657)	(9,068)	(3,238)
Financing activities				
Proceeds from issuance of long-term debt	—	—	26,694	—
Payments of consent fees related to long-term debt	—	—	(109)	—
Proceeds from borrowing on revolving credit facility	—	575	—	2,340
Repayments of revolving credit facility	—	(575)	—	(2,340)
Repayments of financing lease obligations	(246)	(235)	(764)	(550)
Repayments of short-term debt for purchases of inventory, property and equipment and other financial liabilities	(231)	(300)	(407)	(300)
Repayments of long-term debt	(5,678)	—	(16,207)	(600)
Issuance of common stock	2,550	—	19,840	—
Repurchases of common stock	(2,546)	—	(19,536)	—
Proceeds from issuance of short-term debt	—	—	18,743	—
Repayments of short-term debt	—	—	(18,929)	—
Tax withholdings on share-based awards	(72)	(4)	(351)	(108)
Cash payments for debt prepayment or debt extinguishment costs	(58)	—	(82)	(28)
Other, net	137	(4)	139	(13)
Net cash (used in) provided by financing activities	(6,144)	(543)	9,031	(1,599)
Change in cash and cash equivalents, including restricted cash	(4,504)	548	5,129	450
Cash and cash equivalents, including restricted cash				
Beginning of period	11,161	1,105	1,528	1,203
End of period	$ 6,657	$ 1,653	$ 6,657	$ 1,653

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

T-Mobile US, Inc.
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

(in millions, except shares)	Common Stock Outstanding	Treasury Shares at Cost	Par Value and Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of June 30, 2020	1,237,338,994	$ (12)	$ 72,505	$ (1,658)	$ (7,839)	$ 62,996
Net income	—	—	—	—	1,253	1,253
Other comprehensive income	—	—	—	37	—	37
Stock-based compensation	—	—	177	—	—	177
Exercise of stock options	483,266	—	27	—	—	27
Stock issued for employee stock purchase plan	897,732	—	65	—	—	65
Issuance of vested restricted stock units	2,383,098	—	—	—	—	—
Shares withheld related to net share settlement of stock awards and stock options	(648,872)	—	(72)	—	—	(72)
Distribution from NQDC plan	4,400	1	(1)	—	—	—
Shares issued in secondary offering (1)	24,750,000	—	2,550	—	—	2,550
Shares repurchased from SoftBank	(24,750,000)	—	(2,546)	—	—	(2,546)
Balance as of September 30, 2020	1,240,458,618	$ (11)	$ 72,705	$ (1,621)	$ (6,586)	$ 64,487
Balance as of December 31, 2019	856,905,400	$ (8)	$ 38,498	$ (868)	$ (8,833)	$ 28,789
Net income	—	—	—	—	2,314	2,314
Other comprehensive loss	—	—	—	(753)	—	(753)
Executive put option	(342,000)	—	1	—	—	1
Stock-based compensation	—	—	601	—	—	601
Exercise of stock options	794,853	—	42	—	—	42
Stock issued for employee stock purchase plan	2,144,036	—	148	—	—	148
Issuance of vested restricted stock units	11,295,402	—	—	—	—	—
Shares withheld related to net share settlement of stock awards and stock options	(3,703,906)	—	(351)	—	—	(351)
Distribution from NQDC plan	(31,477)	(3)	3	—	—	—
Shares issued in secondary offering (1)	198,314,426	—	19,766	—	—	19,766
Shares repurchased from SoftBank (2)	(198,314,426)	—	(19,536)	—	—	(19,536)
Merger consideration	373,396,310	—	33,533	—	—	33,533
Prior year Retained Earnings	—	—	—	—	(67)	(67)
Balance as of September 30, 2020	1,240,458,618	$ (11)	$ 72,705	$ (1,621)	$ (6,586)	$ 64,487

(1) Shares issued includes 5.0 million shares purchased by Marcelo Claure.
(2) In connection with the SoftBank Monetization (as defined below) we received a payment of $304 million from SoftBank (as defined below). This amount, net of tax, was treated as a reduction of the purchase price of the shares acquired from SoftBank and was recorded as Additional paid-in capital.

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

T-Mobile US, Inc.
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

(in millions, except shares)	Common Stock Outstanding	Treasury Shares at Cost	Par Value and Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balance as of June 30, 2019	854,452,642	$ (8)	$ 38,242	$ (813)	$ (10,454)	$ 26,967
Net income	—	—	—	—	870	870
Other comprehensive loss	—	—	—	(257)	—	(257)
Stock-based compensation	—	—	140	—	—	140
Exercise of stock options	19,619	—	—	—	—	—
Stock issued for employee stock purchase plan	955,849	—	55	—	—	55
Issuance of vested restricted stock units	179,155	—	—	—	—	—
Shares withheld related to net share settlement of stock awards and stock options	(53,349)	—	(4)	—	—	(4)
Transfer RSU from NQDC plan	3,755	—	—	—	—	—
Balance as of September 30, 2019	855,557,671	$ (8)	$ 38,433	$ (1,070)	$ (9,584)	$ 27,771
Balance as of December 31, 2018	850,180,317	$ (6)	$ 38,010	$ (332)	$ (12,954)	$ 24,718
Net income	—	—	—	—	2,717	2,717
Other comprehensive loss	—	—	—	(738)	—	(738)
Stock-based compensation	—	—	404	—	—	404
Exercise of stock options	70,754	—	1	—	—	1
Stock issued for employee stock purchase plan	2,091,650	—	124	—	—	124
Issuance of vested restricted stock units	4,729,270	—	—	—	—	—
Issuance of restricted stock awards	(20,769)	—	—	—	—	—
Shares withheld related to net share settlement of stock awards and stock options	(1,474,011)	—	(108)	—	—	(108)
Transfer RSU from NQDC plan	(19,540)	(2)	2	—	—	—
Prior year Retained Earnings	—	—	—	—	653	653
Balance as of September 30, 2019	855,557,671	$ (8)	$ 38,433	$ (1,070)	$ (9,584)	$ 27,771

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

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

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

Note 1 – Summary of Significant Accounting Policies

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, 2019.

On April 29, 2018, we entered into a Business Combination Agreement (the "Business Combination Agreement") to merge with Sprint Corporation ("Sprint") in an all-stock transaction at a fixed exchange ratio of 0.10256 shares of T-Mobile common stock for each share of Sprint common stock, or 9.75 shares of Sprint common stock for each share of T-Mobile common stock (the "Merger"). On April 1, 2020, we completed the Merger and acquired Sprint (see Note 2 - Business Combination).

On July 26, 2019, pursuant to the requirement as set forth in the U.S. Department of Justice's (the "DOJ") complaint and proposed final judgement (the "Consent Decree"), T-Mobile entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Sprint and DISH Network Corporation ("DISH"). Pursuant to the Asset Purchase Agreement and upon the terms and subject to the conditions thereof, on July 1, 2020, DISH acquired the prepaid wireless business operated under the Boost Mobile and Sprint prepaid brands (excluding the Assurance brand Lifeline customers and the prepaid wireless customers of Shenandoah Telecommunications Company and Swiftel Communications, Inc.), including customer accounts, inventory, contracts, intellectual property and certain other specified assets (the "Prepaid Business") and assumed certain related liabilities (the "Prepaid Transaction"). Upon closing of the Prepaid Transaction, we received $1.4 billion from DISH, subject to a working capital adjustment.

The revenues and expenses of the Prepaid Business are presented as discontinued operations for the nine months ended September 30, 2020.

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 ("VIEs") where we are deemed to be the primary beneficiary and VIEs which cannot be deconsolidated, such as those related to our obligations to pay for the management and operation of certain of our wireless communications tower sites. 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, including but not limited to the valuation of assets acquired and liabilities assumed through the Merger with Sprint and the potential impacts arising from the COVID-19 pandemic. These estimates are inherently subject to judgment and actual results could differ from those estimates.

Significant Accounting Policies

Upon the close of our Merger with Sprint, we have adopted or applied the significant accounting policies described below to the applicable transactions and activities of the consolidated company.

Spectrum Leases

Through the Merger, the Company acquired lease agreements (the "Agreements") with various educational and non-profit institutions that provide us with the right to use Federal Communications Commission ("FCC") spectrum licenses (Educational Broadband Services or "EBS spectrum") in the 2.5 GHz band. In addition to the Agreements with educational institutions and private owners who hold the license, the Company also acquired direct ownership of spectrum licenses previously acquired by Sprint through government auctions or other acquisitions.

The Agreements with educational and certain non-profit institutions are typically for five to ten years with automatic renewal provisions, bringing the total term of the agreement up to 30 years. A majority of the Agreements include a right of first refusal to acquire, lease or otherwise use the license at the end of the automatic renewal periods.

Leased FCC spectrum licenses are recorded as executory contracts whereby, as a result of business combination accounting, an intangible asset or liability is recorded reflecting the extent to which contractual terms are favorable or unfavorable to current market rates. These intangible assets or liabilities are amortized over the estimated remaining useful life of the lease agreements. Contractual lease payments are recognized on a straight-line basis over the remaining term of the arrangement, including renewals, and are presented in Costs of services within our Condensed Consolidated Statements of Comprehensive Income.

Owned FCC spectrum licenses are classified as indefinite-lived intangible assets which are assessed for impairment annually, or more frequently, if facts and circumstances warrant.

The Agreements enhance the value of the Company's owned spectrum licenses as the collective value is higher than the value of individual bands of spectrum within a specific geography. This value is derived from the ability to provide wireless service to customers across large geographic areas and maintain the same or similar wireless connectivity quality. This enhanced value from combining owned and leased spectrum licenses to create contiguous spectrum is referred to as an aggregation premium.
We recognized the aggregation premium as part of the FCC spectrum licenses indefinite-lived intangible assets.

Brightstar Distribution

We have arrangements with Brightstar US, Inc. ("Brightstar"), a subsidiary of SoftBank, whereby Brightstar provides supply chain and inventory management services to us in our indirect channels. T-Mobile may sell devices through Brightstar to T-Mobile indirect dealers who then sell the device to the end customer (i.e., the service subscriber).

The supply chain and inventory management arrangement includes, among other things, that Brightstar may purchase inventory from the original equipment manufacturers ("OEM") to sell directly to our indirect dealers. As compensation for these services, we remit per unit fees to Brightstar for each device sold to these indirect dealers.

Devices sold from T-Mobile to Brightstar do not meet the criteria for a sale. Devices transferred from T-Mobile to Brightstar remain in inventory until control is transferred upon the sale of the device to the end customers, and in some circumstances to the indirect dealer.

For service subscribers who choose to lease a device previously sold to the indirect dealer, T-Mobile will repurchase the device from the indirect dealer and originate a lease directly with the end customer. Repurchase activity from the indirect dealer is estimated and treated as a right of return, reducing equipment revenue at the time of sale to the indirect dealer. Upon lease to the end customer, T-Mobile recognizes lease revenue over the associated lease term within Equipment revenues in our Condensed Consolidated Statements of Comprehensive Income.

Device Leases

Through the Merger, we acquired device lease contracts in which Sprint is the lessor (the "Sprint Flex Lease Program"), substantially all of which are classified as operating leases, as well as the associated fixed assets (i.e., the leased devices). These leased devices were recorded as fixed assets at their acquisition date fair value and presented within Property and equipment, net on our Condensed Consolidated Balance Sheets.

Our leasing programs include JUMP! On Demand and the Sprint Flex Lease Program acquired through the Merger. We depreciate leased devices on a group basis using the straight-line method over the estimated useful life of the device. The estimated useful life reflects the period for which we estimate the group of leased devices will provide utility to us, which may be longer than the initial lease term based on customer options in the Sprint Flex Lease program to renew the lease on a month-to-month basis after the initial lease term concludes. In determining the estimated useful life, we consider the lease term (e.g., 18 months and month-to-month renewal options for the Sprint Flex Lease Program), trade-in activity and write-offs for lost and stolen devices. Lost and stolen devices are incorporated into the estimates of depreciation expense and recognized as an adjustment to accumulated depreciation when the loss event occurs. Our policy of using the group method of depreciation has been applied to acquired leased devices as well as leases originated subsequent to the Merger close. Acquired leased devices are grouped based on the age of the device. Revenues associated with the leased wireless devices, net of lease incentives, are generally recognized straight-line over the lease term.

Upon device upgrade or at lease end, customers in the JUMP! on Demand lease program must return or purchase their device, and customers in the Sprint Flex Lease Program have the option to return or purchase their device or to renew their lease on a month-to-month basis at the end of the lease term. Returned devices are transferred from Property and equipment, net to Inventory on our Condensed Consolidated Balance Sheets and are valued at the lower of cost or net realizable value, with any write-down recognized as Cost of equipment sales in our Condensed Consolidated Statements of Comprehensive Income.

Cost to Acquire a Contract

We capitalize postpaid sales commissions for service activation as costs to acquire a contract and amortize them over the estimated period of benefit, currently 24 months. Prepaid commissions are expensed as incurred as their estimated period of benefit does not extend beyond 12 months. Commissions paid upon device upgrade are not capitalized if a customer contract is less than one year. Commissions paid when the customer has a lease are treated as initial direct costs and recognized over the lease term.

Our policies for the capitalization and amortization of costs to acquire a contract are applied to the Sprint, Boost (up to the sale of the Boost prepaid business to Dish on July 1, 2020) and Assurance Wireless brands subsequent to the Merger close.

Device Purchases Cash Flow Presentation

We classify all device purchases, whether acquired for sale or lease, as operating cash outflows as our predominant strategy is to sell devices to customers rather than lease them. See Note 19 – Additional Financial Information for disclosures of Leased devices transferred from inventory to property and equipment and Returned leased devices transferred from property and equipment to inventory.

Imputed Interest on EIP Receivables

We record the effects of financing on all equipment installment plan (“EIP”) loans regardless of whether or not the financing is considered to be significant. The imputation of interest results in a discount of the EIP receivable, thereby adjusting the transaction price of the contract with the customer, which is then allocated to the performance obligations of the arrangement.

For indirect channel loans to the end service customer in which the sale of the device was to the dealer (sell-in basis), the effect of imputing interest is recognized as a reduction to service revenue over the service contract period, the only performance obligation with the service customer as the device sale was recognized when transferred to the dealer.

Our policies for imputed interest on EIP receivables are applied to loans originated for Sprint and Boost (up to the sale of the Boost prepaid business to DISH on July 1, 2020) customers subsequent to Merger close.

Cell Tower Lease-Out and Leaseback Arrangement

Prior to the Merger, Sprint entered into a lease-out and leaseback agreement with Global Signal, Inc. a third party that was subsequently acquired by Crown Castle International Corp. (“CCI”). CCI was granted exclusive rights to lease 6,600 communications towers (lease-out) for 32 years, which were originally constructed by Sprint on land that Sprint leased from individual landowners. Sprint received upfront proceeds in 2005 of $1.2 billion and obtained the right to use a portion of the space on the towers with a stipulated monthly payment (leaseback), generally with a ten-year initial term with five-year renewal options.

The arrangement is accounted for as a financing, with the cell towers owned by Sprint included in Property and equipment and a financing obligation for the amounts contractually due to CCI included in Tower obligations in our Condensed Consolidated Balance Sheets. The tower assets are depreciated to their estimated residual value and payments to CCI are recognized as interest expense and a reduction to the financing obligation. See Note 9 – Tower Obligations for further information on this arrangement.

Wireline revenue

Performance obligations related to our Wireline customers involve the provision of services to corporate customers. Wireline service performance obligations are typically satisfied over a period between 24 and 36 months. Amounts due for services are invoiced and collected periodically over the relevant service period. Wireline contracts are not subject to significant amounts of variable consideration, other than charges intended to partially recover taxes imposed on the Company, including fees related to the Universal Service Fund. Such fees are based on the customer's monthly usage and are therefore included in the corresponding distinct months of Wireline services. Our Wireline contracts do provide the customer with monthly options to purchase goods or services at prices commensurate with the standalone selling prices for those goods or services, as determined at contract inception. Wireline revenues are included within Roaming and other service revenues in our Condensed Consolidated Statements of Comprehensive Income.

Sprint Retirement Pension Plan

Through the Merger, we acquired the assets and assumed the liabilities associated with the Sprint Retirement Pension Plan (the "Pension Plan"), which is a defined benefit pension plan providing postretirement benefits to certain employees. As of December 31, 2005, the Pension Plan was amended to freeze benefit plan accruals for participants.

The investments in the Pension Plan are measured at fair value on a recurring basis each quarter using quoted market prices or the net asset value per share as a practical expedient. The projected benefit obligations associated with the Pension Plan are determined based on actuarial models utilizing mortality tables and discount rates applied to the expected benefit term.

Restricted Cash

Certain provisions of our debt agreements require us to maintain specified cash collateral balances. Amounts associated with these balances are considered to be restricted cash and are included within Other assets in our Condensed Consolidated Balance Sheets.

Advertising and Search Revenues

Effective April 1, 2020, certain of our advertising and search revenues are now presented within Roaming and other service revenues, resulting in a reclassification of $130 million and $364 million for the three and nine months ended September 30, 2019, respectively. These revenues were previously presented within Other revenues in our Condensed Consolidated Statements of Comprehensive Income. Prior periods have been reclassified to conform to current period presentation.

Accounting Pronouncements Adopted During the Current Year

Receivables and Expected Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," and has since modified the standard with several ASUs (collectively, the "new credit loss standard"). The new credit loss 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 new credit loss standard became effective for us, and we adopted the standard, on January 1, 2020. The new credit loss standard required a cumulative-effect adjustment to Accumulated deficit at the date of initial application, and as a result, we did not restate prior periods presented in the condensed consolidated financial statements.

Under the new credit loss standard, we recognize lifetime expected credit losses at the inception of our credit risk exposures whereas we previously recognized credit losses only when it was probable that they had been incurred. We also recognize expected credit losses on our EIP receivables, which are inclusive of all installment receivables acquired in the Merger or issued thereafter, separately from, and in addition to, any unamortized discount on those receivables. Prior to the adoption of the new credit loss standard, we had offset our estimate of probable losses on our EIP receivables by the amount of the related unamortized discounts on those receivables. We have developed an expected credit loss model incorporating forward-looking loss indicators. The cumulative effect of initially applying the new credit loss standard on our receivables portfolio on January 1, 2020 was an increase to our allowance for credit losses of $91 million, a decrease to our net deferred tax liabilities of $24 million and an increase to our Accumulated deficit of $67 million.

For EIP receivables acquired in the Merger, we also recognize expected credit losses separately from, and in addition to, the acquisition date fair value of the acquired EIP receivables.

Accounts Receivable Portfolio Segment

Accounts receivable consists primarily of amounts currently due from customers (e.g., for wireless services and monthly device lease payments), handset insurance administrators, wholesale partners, other carriers and third-party retail channels. Accounts receivable are presented in our Condensed Consolidated Balance Sheets at the amortized cost basis (i.e., the receivables' outstanding principal balance adjusted for any write-offs), net of the allowance for expected credit losses. We have an arrangement to sell certain of our customer service accounts receivable on a revolving basis, which are treated as sales of financial assets.

Equipment Installment Plan Receivables Portfolio Segment

We offer certain retail customers the option to pay for their devices and other purchases in installments, generally over a period of 24 months using an EIP. EIP receivables are presented in our Condensed Consolidated Balance Sheets at the amortized cost basis (i.e., the receivables' unpaid principal balance adjusted for any write-offs and unamortized discounts), net of the allowance for expected credit losses. At the time of an installment sale, we impute a discount for interest if the term exceeds 12 months as there is no stated rate of interest on the receivables. The receivables are recorded at their present value, which is determined by discounting expected future cash payments at the imputed interest rate. This adjustment results in a discount which is allocated to the performance obligations of the arrangement and recorded as a reduction in transaction price in Total service revenues and Equipment revenues in our Condensed Consolidated Statements of Comprehensive Income. The imputed discount rate is the current market interest rate and is predominately comprised of the estimated credit risk underlying the EIP receivable, reflecting the estimated credit worthiness of the customer. The imputed discount on receivables is amortized over the financed installment term using the effective interest method and recognized as Other revenues in our Condensed Consolidated Statements of Comprehensive Income.

At the time that we originate EIP loans to customers, we recognize an allowance for credit losses that we expect to incur over the lifetime of such assets. This allowance represents the portion of the amortized cost basis of EIP receivables that we do not expect to collect.

The current portion of the EIP receivables is included in Equipment installment plan receivables, net and the long-term portion of the EIP receivables is included in Equipment installment plan receivables due after one year, net in our Condensed Consolidated Balance Sheets. We have an arrangement to sell certain EIP receivables on a revolving basis, which are treated as sales of financial assets.

Allowance for Credit Losses

We maintain an allowance for expected credit losses and determine its appropriateness through an established process that assesses the lifetime credit losses that we expect to incur related to our receivable portfolio. Each period, management assesses the appropriateness of the level of allowance for credit losses by considering credit risk inherent within the portfolio of receivables, as of period end. We develop and document our allowance methodology for each of our accounts receivable and EIP receivable portfolio segments. While we attribute portions of the allowance to our respective accounts receivable and EIP portfolio segments, the entire allowance is available to absorb expected credit losses related to the total receivable portfolio.

Determining the appropriate level of allowance for credit losses requires significant judgment. Our process involves procedures to appropriately consider the unique risk characteristics of our accounts receivable and EIP receivable portfolio segments. For each portfolio segment, losses are estimated collectively for groups of receivables with similar characteristics. Our allowance levels are influenced by receivable volumes, receivable delinquency status, historical loss experience and other conditions influencing loss expectations, such as changes in credit and collections policies and forecasts of macro-economic conditions.

Total imputed discount and allowances, which includes all accounts receivable and EIP receivables acquired in the Merger or issued thereafter, were approximately 7.8% and 7.0% of the total amount of gross accounts receivable, including EIP receivables, at September 30, 2020 and December 31, 2019, respectively.

We consider a receivable past due when a customer has not paid us by the contractually specified payment due date. Account balances are written off against the allowance for credit losses if collection efforts are unsuccessful and the receivable balance is deemed uncollectible, based on factors such as customer credit ratings as well as the length of time the amounts are past due.

If there is a deterioration of our customers' financial condition or if future actual default rates on receivables in general differ from those currently anticipated, we will adjust our allowance for credit losses accordingly, which may materially affect our financial results in the period the adjustments are made.

Cloud Computing Arrangements

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Topic 350): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard also requires the presentation of the amortization of the capitalized implementation costs in the same line item in the Condensed Consolidated Statements of Comprehensive Income as the fees associated with the hosting arrangement. The standard became effective for us, and we adopted the standard, on January 1, 2020. We adopted the standard on a prospective basis applying it to implementation costs incurred subsequent to January 1, 2020 and as a result did not restate the prior periods presented in the condensed consolidated financial statements. The adoption of the standard did not have a material impact on our condensed consolidated financial statements for the nine months ended September 30, 2020.

Income Taxes

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The standard removes certain exceptions to the general principles in Topic 740. We early adopted the standard on January 1, 2020 and have applied the standard retrospectively to all periods presented. The adoption of this standard did not have a material impact on our condensed consolidated financial statements for the nine months ended September 30, 2020.

Guarantor Financial Information

On March 2, 2020, the Securities and Exchange Commission (the "SEC") adopted amendments to the financial disclosure requirements for guarantors and issuers of guaranteed securities, as well as for affiliates whose securities collateralize a registrant's securities. The amendments revise Rules 3-10 and 3-16 of Regulation S-X, and relocate part of Rule 3-10 and all of Rule 3-16 to the new Article 13 in Regulation S-X, which is comprised of new Rules 13-01 and 13-02. We early adopted the requirements of the amendments on January 1, 2020, which included replacing guarantor condensed consolidating financial information with summarized financial information for the consolidated obligor group (Parent, Issuer, and Guarantor Subsidiaries) as well as no longer requiring guarantor cash flow information, financial information for non-guarantor subsidiaries, and a reconciliation to the consolidated results.

Accounting Pronouncements Not Yet Adopted

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not have, or are not expected to have, a significant impact on our present or future condensed consolidated financial statements.

Note 2 – Business Combination

Business Combination Agreement and Amendments

On April 29, 2018, we entered into a Business Combination Agreement for the Merger. The Business Combination Agreement was subsequently amended to provide that, following the closing of the Merger and the other transactions contemplated by the Business Combination Agreement (collectively, the "Transactions"), SoftBank Group Corp. ("SoftBank") would indemnify us against certain specified matters and the loss of value arising out of or resulting from cessation of access to spectrum under certain circumstances and subject to certain limitations and qualifications.

On February 20, 2020, T-Mobile, SoftBank and Deutsche Telekom AG ("DT") entered into a letter agreement (the "Letter Agreement"). Pursuant to the Letter Agreement, SoftBank agreed to cause its applicable affiliates to surrender to T-Mobile, for no additional consideration, an aggregate of 48,751,557 shares of T-Mobile common stock (such number of shares, the "SoftBank Specified Shares Amount"), effective immediately following the Effective Time (as defined in the Business Combination Agreement), making SoftBank's exchange ratio 11.31 shares of Sprint common stock for each share of T-Mobile common stock. This resulted in an effective exchange ratio of approximately 11.00 shares of Sprint common stock for each share of T-Mobile common stock immediately following the closing of the Merger, an increase from the originally agreed 9.75 shares. Sprint stockholders other than SoftBank received the original fixed exchange ratio of 0.10256 shares of T-Mobile common stock for each share of Sprint common stock, or the equivalent of approximately 9.75 shares of Sprint common stock for each share of T-Mobile common stock.

The Letter Agreement requires T-Mobile to issue to SoftBank 48,751,557 shares of T-Mobile common stock, subject to the terms and conditions set forth in the Letter Agreement, for no additional consideration, if certain conditions are met. The issuance of these shares is contingent on the trailing 45-day volume-weighted average price per share of T-Mobile common stock on the NASDAQ Global Select Market being equal to or greater than $150.00, at any time during the period commencing on April 1, 2022 and ending on December 31, 2025. If the threshold price is not met, then none of the SoftBank Specified Shares Amount will be issued.

Closing of Sprint Merger

On April 1, 2020, we completed the Merger, and as a result, Sprint and its subsidiaries became wholly owned consolidated subsidiaries of T-Mobile. Sprint was the fourth-largest telecommunications company in the U.S. offering a comprehensive range of wireless and wireline communication products and services. As a combined company, we expect to be able to rapidly launch a broad and deep nationwide 5G network, accelerate innovation, increase competition in the U.S. wireless, video and broadband industries and achieve significant synergies and cost reductions by eliminating redundancies within the combined network as well as other business processes and operations. We combined the Sprint and T-Mobile operations under the T-Mobile brand nationwide on August 2, 2020.

Upon completion of the Merger, each share of Sprint common stock was exchanged for 0.10256 shares of T-Mobile common stock, or 9.75 shares of Sprint common stock for each share of T-Mobile common stock. After adjustments, including the holdback of the SoftBank Specified Shares Amount and fractional shares, we issued 373,396,310 shares of T-Mobile common stock to Sprint stockholders. The fair value of the T-Mobile common stock provided in exchange for Sprint common stock was approximately $31.3 billion.

Additional components of consideration included the repayment of certain of Sprint's debt, replacement equity awards attributable to pre-combination services, contingent consideration and a cash payment received for certain reimbursed Merger expenses.

Immediately following the closing of the Merger and the surrender of the SoftBank Specified Shares Amount, pursuant to the Letter Agreement described above, DT and SoftBank held, directly or indirectly, approximately 43.6% and 24.7%, respectively, of the outstanding T-Mobile common stock, with the remaining approximately 31.7% of the outstanding T-Mobile common stock held by other stockholders.

Consideration Transferred

The acquisition-date fair value of consideration transferred in the Merger totaled $40.8 billion, comprised of the following:

(in millions)		**April 1, 2020**
Fair value of T-Mobile common stock issued to Sprint stockholders[(1)]	$	31,328
Fair value of T-Mobile replacement equity awards attributable to pre-combination service[(2)]		323
Repayment of Sprint's debt (including accrued interest and prepayment penalties)[(3)]		7,396
Value of contingent consideration[(4)]		1,882
Payment received from selling stockholder[(5)]		(102)
Total consideration exchanged	$	40,827

(1) Represents the fair value of T-Mobile common stock issued to Sprint stockholders pursuant to the Business Combination Agreement, less shares surrendered by SoftBank pursuant to the Letter Agreement. The fair value is based on 373,396,310 shares of Sprint common stock issued and outstanding as of March 31, 2020, an exchange ratio of 0.10256 shares of T-Mobile common stock per share of Sprint common stock, less 48,751,557 T-Mobile shares surrendered by SoftBank which are treated as contingent consideration, and the closing price per share of T-Mobile common stock on NASDAQ on March 31, 2020, of $83.90, as shares were transferred to Sprint stockholders prior to the opening of markets on April 1, 2020.
(2) Equity-based awards held by Sprint employees prior to the acquisition date have been replaced with T-Mobile equity-based awards. The portion of the equity-based awards that relates to services performed by the employee prior to the acquisition date is included within consideration transferred, and includes stock options, restricted stock units and performance-based restricted stock units.
(3) Represents the cash consideration paid concurrent with the close of the Merger to retire certain Sprint debt, as required by change in control provisions of the debt, plus interest and prepayment penalties.
(4) Represents the fair value of the SoftBank Specified Shares Amount contingent consideration that may be issued as set forth in the Letter Agreement.
(5) Represents receipt of a cash payment from SoftBank for certain expenses associated with the Merger and is presented in Cash paid for acquisition of companies, net of cash acquired within our Condensed Consolidated Statements of Cash Flows.

The SoftBank Specified Shares Amount was determined to be contingent consideration with an acquisition-date fair value of $1.9 billion. We estimated the fair value using the income approach, a probability-weighted discounted cash flow model, whereby a Monte Carlo simulation method estimated the probability of different outcomes as the likelihood of achieving the 45-day volume-weighted average price threshold is not easily predicted. This fair value measurement is based on significant inputs not observable in the market and, therefore, represents a Level 3 measurement as defined in ASC 820. The key assumptions in applying the income approach include estimated future share-price volatility, which was based on historical market trends and estimated future performance of T-Mobile.

The maximum amount of contingent consideration that could be issued to SoftBank has an estimated value of $7.3 billion, based on SoftBank Specified Shares Amount of 48,751,557 multiplied by the defined volume-weighted average price per share of $150.00. The contingent consideration that could be delivered to SoftBank is classified within equity and is not subject to remeasurement.

Fair Value of Assets Acquired and Liabilities Assumed

We accounted for the Merger as a business combination. The identifiable assets acquired and liabilities assumed of Sprint were recorded at their preliminary fair values as of the acquisition date and consolidated with those of T-Mobile. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires the use of significant judgment regarding estimates and assumptions. For the preliminary fair values of the assets acquired and liabilities assumed, we used the cost, income and market approaches, including market participant assumptions.

The following table summarizes the preliminary fair values for each major class of assets acquired and liabilities assumed at the acquisition date. We retained the services of certified valuation specialists to assist with assigning estimated values to certain acquired assets and assumed liabilities. We are in the process of finalizing the valuation of the assets acquired and liabilities assumed including income tax related amounts. Therefore, the preliminary fair values set forth below are subject to further adjustment as additional information is obtained and the valuations are completed.

(in millions)	April 1, 2020
Cash and cash equivalents	$ 2,214
Accounts receivable	1,650
Equipment installment plan receivables	1,024
Inventory	658
Prepaid expenses	140
Assets held for sale	1,908
Other current assets	642
Property and equipment	17,230
Operating lease right-of-use assets	6,583
Financing lease right-of-use assets	291
Goodwill	9,194
Spectrum licenses	45,400
Other intangible assets	6,325
Equipment installment plan receivables due after one year, net	247
Other assets [(1)]	541
Total assets acquired	94,047
Accounts payable and accrued liabilities	4,907
Short-term debt	2,760
Deferred revenue	508
Short-term operating lease liabilities	1,818
Short-term financing lease liabilities	8
Liabilities held for sale	475
Other current liabilities	650
Long-term debt	29,037
Tower obligations	950
Deferred tax liabilities	3,866
Operating lease liabilities	5,615
Financing lease liabilities	12
Other long-term liabilities	2,614
Total liabilities assumed	53,220
Total consideration transferred	$ 40,827

(1) Included in Other assets acquired is $80 million in restricted cash.

Amounts previously disclosed for the estimated values of certain acquired assets and liabilities assumed have been revised based on additional information arising subsequent to the initial valuation. These revisions to the estimated values did not have a significant impact on our Condensed Consolidated Statements of Comprehensive Income.

Intangible Assets and Liabilities

Goodwill with a provisionally assigned value of $9.2 billion represents the excess of the consideration transferred over the estimated fair values of assets acquired and liabilities assumed. The preliminary goodwill recognized includes synergies expected to be achieved from the operations of the combined company, the assembled workforce of Sprint and intangible assets that do not qualify for separate recognition. Expected synergies include the cost savings from the planned integration of network infrastructure, facilities, personnel and systems. None of the goodwill resulting from the Merger is deductible for tax purposes. All of the goodwill acquired is allocated to the Wireless reporting unit.

Other intangible assets include $4.9 billion of subscriber relationships with a weighted-average useful life of eight years and tradenames of $207 million with a useful life of two years. Leased spectrum arrangements that have favorable (asset) and unfavorable (liability) terms compared to current market rates were provisionally assigned fair values of $790 million and $197 million, respectively, with 18 year and 19 year weighted average useful lives, respectively.

The preliminary fair value of Spectrum licenses of $45.4 billion was estimated using the income approach and the Greenfield Method. This fair value measurement is based on significant inputs not observable in the market and, therefore, represents a Level 3 measurement as defined in ASC 820. The key assumptions in applying the income approach include the discount rate, market share, estimated capital and operating expenditures and forecasted long-term growth rates and service revenue over an estimated period of time for a hypothetical market participant that enters the wireless industry and builds a nationwide wireless network.

Acquired Receivables

The fair value of the assets acquired include Accounts receivable of $1.7 billion and EIP receivables of $1.3 billion. The unpaid principal balance under these contracts as of the Merger date was $1.7 billion and $1.6 billion, respectively. The difference between the fair value and the unpaid principal balance primarily represents amounts expected to be uncollectible.

Indemnification Assets and Contingent Liabilities

Pursuant to Amendment No 2. to the Business Combination Agreement, SoftBank agreed to indemnify us against certain specified matters and losses. As of September 30, 2020, we have recorded contingent liabilities and an offsetting indemnification asset for the expected reimbursement by SoftBank. The liabilities are presented in Accounts payable and accrued liabilities, and the indemnification asset is presented in Other current assets within our Condensed Consolidated Balance Sheets. Subsequent to September 30, 2020, we reached an agreement on certain matters, which will result in a payment of $200 million to resolve the FCC’s investigation. SoftBank has agreed to indemnify us for the settlement amount. We expect that any additional liabilities related to these indemnified matters would be indemnified and reimbursed by SoftBank.

Transaction Costs

We recognized transaction costs of $8 million and $30 million for the three months ended September 30, 2020 and 2019, respectively, and $192 million and $81 million for the nine months ended September 30, 2020 and 2019, respectively. These costs were associated with legal and professional services and were recognized as Selling, general and administrative expenses in our Condensed Consolidated Statements of Comprehensive Income.

Pro Forma Information

The following unaudited pro forma financial information gives effect to the Transactions as if they had been completed on January 1, 2019. The unaudited pro forma information was prepared in accordance with the requirements of ASC 805, which is a different basis than pro forma information prepared under Article 11 of Regulation S-X (“Article 11”). As such, they are not directly comparable with historical results for stand-alone T-Mobile prior to April 1, 2020, historical results for T-Mobile from April 1, 2020 that reflect the Transactions and are inclusive of the results and operations of Sprint, nor our previously provided pro forma financials prepared in accordance with Article 11. The pro forma results for the three and nine months ended September 30, 2020 and 2019, include the impact of several adjustments to previously reported operating results. The pro forma adjustments are based on historically reported transactions by the respective companies. The pro forma results do not include any anticipated synergies or other expected benefits of the acquisition.

(in millions, except per share amounts)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Total revenues	$ 19,269	$ 17,243	$ 54,342	$ 52,322
Income (loss) from continuing operations	1,359	451	2,455	(628)
Income from discontinued operations, net of tax	—	393	677	1,239
Net income	1,359	849	3,132	623

Significant nonrecurring pro forma adjustments include:

- Transaction costs of $550 million are assumed to have occurred on January 1, 2019, and are recognized as if incurred in the first quarter of 2019;
- The Prepaid Business divested on July 1, 2020, is assumed to have been classified as discontinued operations as of January 1, 2019, and the related activities are presented in Income from discontinued operations, net of tax;
- Permanent financing issued and debt redemptions occurring in connection with the closing of the Merger are assumed to have occurred on January 1, 2019, and historical interest expense associated with repaid borrowings is removed;
- Tangible and intangible assets are assumed to be recorded at their preliminary assigned fair values as of the pro forma close date of January 1, 2019 and are depreciated or amortized over their estimated useful lives; and
- Accounting policies of Sprint are conformed to those of T-Mobile including depreciation for leased devices, Brightstar distribution, amortization of costs to acquire a contract and certain lessee transactions as described in Note 1 - Summary of Significant Accounting Policies and Note 9 - Tower Obligations.

The selected unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations would have been had the Transactions actually occurred on January 1, 2019, nor do they purport to project the future consolidated results of operations.

For the periods subsequent to the Merger close date, the acquired Sprint subsidiaries contributed total revenues of $7.2 billion and $13.5 billion to the three and nine months ended September 30, 2020, respectively, and operating income of $897 million and $912 million to the three and nine months ended September 30, 2020, respectively, that were included in our Condensed Consolidated Statements of Comprehensive Income.

Financing

In connection with the entry into the Business Combination Agreement, T-Mobile USA, Inc. ("T-Mobile USA") entered into a commitment letter, dated as of April 29, 2018 (as amended and restated on May 15, 2018 and on September 6, 2019, the "Commitment Letter"). On April 1, 2020, in connection with the closing of the Merger, we drew down on our $19.0 billion New Secured Bridge Loan Facility and our $4.0 billion New Secured Term Loan Facility (each as defined below). We used the net proceeds from the draw-down of the secured facilities to refinance certain existing debt of us, Sprint and our and Sprint's respective subsidiaries and for post-closing general corporate purposes of the combined company. See Note 8 – Debt for further information.

In connection with the financing provided for in the Commitment Letter, we incurred certain fees payable to the financial institutions. On April 1, 2020, in connection with the closing of the Merger, we paid $355 million in Commitment Letter fees to certain financial institutions. See Note 8 – Debt for further information.

In connection with the entry into the Business Combination Agreement, DT and T-Mobile USA entered into a Financing Matters Agreement, dated as of April 29, 2018 (the "Financing Matters Agreement"), pursuant to which DT agreed, among other things, to consent to, subject to certain conditions, amendments to certain existing debt owed to DT, in connection with the Merger. On April 1, 2020, in connection with the closing of the Merger, we made a payment for requisite consents to DT of $13 million. See Note 8 – Debt for further information.

On May 18, 2018, under the terms and conditions described in the Consent Solicitation Statement dated as of May 14, 2018 (the "Consent Solicitation Statement"), we obtained consents necessary to effect amendments to certain existing debt of us and our subsidiaries. On April 1, 2020, in connection with the closing of the Merger, we made payments for requisite consents to third-party note holders of $95 million. See Note 8 – Debt for further information.

Regulatory Matters

The Transactions were the subject of various legal and regulatory proceedings involving a number of state and federal agencies. In connection with those proceedings and the approval of the Transactions, we have certain commitments and other obligations to various state and federal agencies and certain nongovernmental organizations. See Note 17 - Commitments and Contingencies for further information.

Prepaid Transaction

On July 26, 2019, we entered into the Asset Purchase Agreement with Sprint and DISH, pursuant to which, following the consummation of the Merger, DISH would acquire the Prepaid Business.

On June 17, 2020, T-Mobile, Sprint and DISH entered into the First Amendment to the Asset Purchase Agreement. Pursuant to the First Amendment of the Asset Purchase Agreement, T-Mobile, Sprint and DISH agreed to proceed with the closing of the Prepaid Transaction in accordance with the Asset Purchase Agreement on July 1, 2020, subject to the terms and conditions of the Asset Purchase Agreement and the terms and conditions of the Consent Decree.

On July 1, 2020, pursuant to the Asset Purchase Agreement, we completed the Prepaid Transaction. Upon closing of the Prepaid Transaction, we received $1.4 billion from DISH for the Prepaid Business, subject to a working capital adjustment. See Note 12 - Discontinued Operations for further information.

Shenandoah Personal Communications Company Affiliate Relationship

Sprint PCS (specifically Sprint Spectrum L.P.) is party to a variety of publicly filed agreements with Shenandoah Personal Communications Company (“Shentel”), pursuant to which Shentel is the exclusive provider of Sprint PCS’s wireless mobility communications network products in certain parts of Virginia, West Virginia, Kentucky, Ohio, and Pennsylvania that are home to approximately 1.1 million subscribers, as reported by Shentel as of June 30, 2020. Pursuant to one such agreement, the Sprint PCS Management Agreement, dated November 5, 1999 (as amended, supplemented and modified from time to time, the “Management Agreement”), Sprint PCS was granted an option to purchase Shentel’s wireless telecommunications assets. On August 26, 2020, Sprint, on behalf of and as the direct or indirect owner of Sprint PCS, exercised its option by delivering a binding notice of exercise to Shentel.

The purchase price for the Shentel wireless telecommunications assets to be purchased by Sprint will be determined through the appraisal process prescribed in the Management Agreement. We expect the appraisal process to be completed in the first quarter of 2021.

Note 3 – Receivables and Expected Credit Losses

Our portfolio of receivables is comprised of two portfolio segments: accounts receivable and EIP receivables.

Accounts Receivable Portfolio Segment

Our accounts receivable segment primarily consists of amounts currently due from customers, including service and leased device receivables, handset insurance administrators, wholesale partners, third-party retail channels and other carriers.

We estimate expected credit losses associated with our accounts receivable portfolio using an aging schedule methodology that utilizes historical information and current conditions to develop expected credit losses by aging bucket, including for receivables that are not past due.

To determine the appropriate credit loss percentages by aging bucket, we consider a number of factors, including our overall historical credit losses, net of recoveries and timely payment experience as well as current collection trends such as write-off frequency and severity, credit quality of the customer base, and other qualitative factors such as macro-economic conditions, including the expected economic impacts of the COVID-19 pandemic.

We consider the need to adjust our estimate of expected credit losses for reasonable and supportable forecasts of future economic conditions. To do so, we monitor professional forecasts of changes in real U.S. gross domestic product and forecasts of consumer credit behavior for comparable credit exposures. We also periodically evaluate other economic indicators such as unemployment rates to assess their level of correlation with our historical credit loss statistics.

EIP Receivables Portfolio Segment

Based upon customer credit profiles at the time of customer origination, we classify the EIP receivables segment into two customer classes of "Prime" and "Subprime." Prime customer receivables are those with lower credit risk and Subprime customer receivables are those with higher credit risk. 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.

To determine a customer's credit profile, we use a proprietary credit scoring model that measures the credit quality of a customer using several factors, such as credit bureau information, consumer credit risk scores and service and device plan characteristics.

Installment loans acquired in the Merger are included in EIP receivables. We applied our proprietary credit scoring model to the customers acquired in the Merger with an outstanding EIP receivable balance. Based on tenure, consumer credit risk score and credit profile, these acquired customers were classified into our customer classes of Prime or Subprime. Our proprietary credit scoring model is applied to all EIP arrangements originated after the Merger close date.

The following table summarizes the EIP receivables, including imputed discounts and related allowance for credit losses:

(in millions)	September 30, 2020	December 31, 2019
EIP receivables, gross [(1)]	$ 5,018	$ 4,582
Unamortized imputed discount	(248)	(299)
EIP receivables, net of unamortized imputed discount	4,770	4,283
Allowance for credit losses [(2)]	(289)	(100)
EIP receivables, net of allowance for credit losses and imputed discount	$ 4,481	$ 4,183
Classified on the balance sheet as:		
Equipment installment plan receivables, net of allowance for credit losses and imputed discount	$ 3,083	$ 2,600
Equipment installment plan receivables due after one year, net of allowance for credit losses and imputed discount	1,398	1,583
EIP receivables, net of allowance for credit losses and imputed discount	$ 4,481	$ 4,183

(1) Through the Merger, we acquired EIP receivables with a fair value of $1.3 billion as of April 1, 2020. As they were recorded at fair value, an imputed discount was not recognized on the acquired receivables.
(2) Allowance for credit losses as of September 30, 2020 was impacted by the cumulative effect of initially applying the new credit loss standard on our receivables portfolio on January 1, 2020, which resulted in an increase to our allowance for credit losses of $91 million.

We manage our EIP receivables portfolio using delinquency and customer credit class as key credit quality indicators. As a part of the adoption of the new credit loss standard, we now disclose our EIP receivables portfolio disaggregated by origination year. EIP receivables acquired through the Merger are also presented by origination year. The following table presents the amortized cost of our EIP receivables by delinquency status, customer credit class, and year of origination as of September 30, 2020.

	Originated in 2020		Originated in 2019		Originated prior to 2019		Total EIP Receivables, net of unamortized imputed discounts		
(in millions)	Prime	Subprime	Prime	Subprime	Prime	Subprime	Prime	Subprime	Grand total
Current - 30 days past due	$ 1,540	$ 1,453	$ 766	$ 654	$ 193	$ 66	$ 2,499	$ 2,173	$ 4,672
31 - 60 days past due	9	19	8	13	1	1	18	33	51
61 - 90 days past due	2	7	2	5	1	1	5	13	18
More than 90 days past due	3	8	4	10	1	3	8	21	29
EIP receivables, net of unamortized imputed discount	$ 1,554	$ 1,487	$ 780	$ 682	$ 196	$ 71	$ 2,530	$ 2,240	$ 4,770

We estimate expected credit losses on our EIP receivables by using historical data adjusted for current conditions to calculate default probabilities for our outstanding EIP loans. We consider various risk characteristics when calculating default probabilities, such as how long such loans have been outstanding, customer credit ratings, customer tenure, delinquency status and other correlated variables identified through statistical analyses. We multiply these estimated default probabilities by our estimated loss given default, which considers recoveries.

As we do for our accounts receivable portfolio segment, we consider the need to adjust our estimate of expected losses on EIP receivables for reasonable and supportable forecasts of economic conditions through monitoring of external professional forecasts and periodic internal statistical analyses, including the expected economic impacts of the COVID-19 pandemic.

For EIP receivables acquired in the Merger, the difference between the fair value and unpaid principal balance of the loan at the acquisition date is accreted to interest income over the contractual life of the loan using the effective interest method. EIP receivables had a combined weighted average effective interest rate of 7.6% and 8.8% as of September 30, 2020 and December 31, 2019, respectively.

Activity for the nine months ended September 30, 2020 and 2019, in the allowance for credit losses and unamortized imputed discount balances for the accounts receivable and EIP receivables segments were as follows:

	September 30, 2020			September 30, 2019		
(in millions)	Accounts Receivable Allowance	EIP Receivables Allowance	Total	Accounts Receivable Allowance	EIP Receivables Allowance	Total
Allowance for credit losses and imputed discount, beginning of period	$ 61	$ 399	$ 460	$ 67	$ 449	$ 516
Beginning balance adjustment due to implementation of the new credit loss standard	—	91	91	—	—	—
Bad debt expense	261	228	489	51	167	218
Write-offs, net of recoveries	(114)	(130)	(244)	(57)	(185)	(242)
Change in imputed discount on short-term and long-term EIP receivables	N/A	60	60	N/A	91	91
Impact on the imputed discount from sales of EIP receivables	N/A	(111)	(111)	N/A	(127)	(127)
Allowance for credit losses and imputed discount, end of period	$ 208	$ 537	$ 745	$ 61	$ 395	$ 456

Off-Balance-Sheet Credit Exposures

We do not have material, unmitigated off-balance-sheet credit exposures as of September 30, 2020. In connection with the sales of certain service and EIP accounts receivable pursuant to the sale arrangements, we have deferred purchase price assets included in our Condensed Consolidated Balance Sheets measured at fair value that are based on a discounted cash flow model using unobservable Level 3 inputs, including customer default rates and credit worthiness, dilutions and recoveries. See Note 4 – Sales of Certain Receivables for further information.

Note 4 – Sales of Certain Receivables

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

In conjunction with the Merger, the total principal amount outstanding under Sprint’s accounts receivable facility of $2.3 billion was repaid on April 1, 2020, and the facility was terminated.

Sales of Service Accounts Receivable

Overview of the Transaction

In 2014, we entered into an arrangement to sell certain service accounts receivable on a revolving basis (the “service receivable sale arrangement”). The maximum funding commitment of the service receivable sale arrangement is $950 million, and the facility expires in March 2021. As of September 30, 2020 and December 31, 2019, the service receivable sale arrangement provided funding of $828 million and $924 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 receivable (the “Service BRE”). The Service BRE does not qualify as a VIE, and due to the significant level of control we exercise over the entity, it is consolidated. Pursuant to the service receivable sale 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 entity 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 balances and results of the Service VIE are not included in our condensed consolidated financial statements.

The following table summarizes the carrying amounts and classification of assets, which consist 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)	September 30, 2020	December 31, 2019
Other current assets	$ 386	$ 350
Accounts payable and accrued liabilities	65	25
Other current liabilities	371	342

Sales of EIP Receivables

Overview of the Transaction

In 2015, we entered into an arrangement to sell certain EIP accounts receivable on a revolving basis (the “EIP sale arrangement”). The maximum funding commitment of the sale arrangement is $1.3 billion. In February 2020, we amended the sale arrangement to provide for an alternative advance rate methodology for the EIP accounts receivables sold in the sale arrangement and to make certain other administrative changes.

On April 30, 2020, we agreed with the purchaser banks to update our collection policies to temporarily allow for flexibility for modifications to the accounts receivable sold that are impacted by COVID-19 and exclusion of such accounts receivable from all pool performance triggers.

Subsequent to September 30, 2020, on November 2, 2020, we extended the scheduled expiration date of the EIP sale arrangement to November 18, 2021.

As of both September 30, 2020 and December 31, 2019, the EIP sale arrangement provided funding of $1.3 billion. Sales of EIP receivables occur daily and are settled on a monthly basis.

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 over which we do not exercise any level of control, nor does the third-party 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 have 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 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 consist primarily of the deferred purchase price, and liabilities included in our Condensed Consolidated Balance Sheets that relate to the EIP BRE:

(in millions)	September 30, 2020	December 31, 2019
Other current assets	$ 353	$ 344
Other assets	109	89
Other long-term liabilities	8	18

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 cash proceeds received upon sale in Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows. We recognize proceeds 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 used in investing activities in our Condensed Consolidated Statements of Cash Flows as Proceeds related to beneficial interests in securitization transactions.

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 September 30, 2020 and December 31, 2019, our deferred purchase price related to the sales of service receivables and EIP receivables was $846 million and $781 million, respectively.

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

(in millions)	September 30, 2020	December 31, 2019
Derecognized net service receivables and EIP receivables	$ 2,535	$ 2,584
Other current assets	739	694
of which, deferred purchase price	*737*	*692*
Other long-term assets	109	89
of which, deferred purchase price	*109*	*89*
Accounts payable and accrued liabilities	65	25
Other current liabilities	371	342
Other long-term liabilities	8	18
Net cash proceeds since inception	1,845	1,944
Of which:		
Change in net cash proceeds during the year-to-date period	(99)	65
Net cash proceeds funded by reinvested collections	1,944	1,879

We recognized a gain from sales of receivables, including adjustments to the receivables' fair values and changes in fair value of the deferred purchase price, of $18 million and a loss from sales of receivables of $28 million for the three months ended September 30, 2020 and 2019, respectively, and losses of $37 million and $91 million for the nine months ended September 30, 2020 and 2019, respectively, in Selling, general and administrative expense in our Condensed Consolidated Statements of Comprehensive Income.

Continuing Involvement

Pursuant to the sale arrangements described above, we have continuing involvement with the service receivables and EIP receivables we sell as we service the receivables and are required to repurchase certain receivables, including ineligible receivables, aged receivables and receivables where write-off is imminent. We continue to service the customers and their related receivables, including facilitating customer payment collection, in exchange for a monthly servicing fee. As the receivables are sold on a revolving basis, the customer payment collections on sold receivables may be reinvested in new receivable sales. At the direction of the purchasers of the sold receivables, we apply the same policies and procedures while servicing the sold receivables as we apply to our owned receivables, and we continue to maintain normal relationships with our customers. Pursuant to the EIP sale arrangement, under certain circumstances, we are required to deposit cash or replacement EIP receivables primarily for contracts terminated by customers under our JUMP! On Demand program.

In addition, we have continuing involvement with the sold receivables as we may be responsible for absorbing additional credit losses pursuant to the sale arrangements. Our maximum exposure to loss related to the involvement with the service receivables and EIP receivables sold under the sale arrangements was $1.1 billion as of September 30, 2020. The maximum exposure to loss, which is a required disclosure under U.S. GAAP, represents an estimated loss that would be incurred under severe, hypothetical circumstances whereby we would not receive the deferred purchase price portion of the contractual proceeds withheld by the purchasers and would also be required to repurchase the maximum amount of receivables pursuant to the sale arrangements without consideration for any recovery. We believe the probability of these circumstances occurring is remote and the maximum exposure to loss is not an indication of our expected loss.

Note 5 – Property and Equipment

The components of property and equipment were as follows:

(in millions)	Useful Lives	September 30, 2020	December 31, 2019
Land		$ 236	$ —
Buildings and equipment	Up to 40 years	3,872	2,587
Wireless communications systems	Up to 20 years	45,666	34,353
Leasehold improvements	Up to 12 years	1,750	1,345
Capitalized software	Up to 10 years	15,703	12,705
Leased wireless devices	Up to 19 months	7,436	1,139
Construction in progress		4,180	2,973
Accumulated depreciation and amortization		(40,276)	(33,118)
Property and equipment, net		$ 38,567	$ 21,984

Total depreciation expense relating to property and equipment and financing lease right-of-use assets was $3.8 billion and $1.7 billion for the three months ended September 30, 2020 and 2019, respectively, and $9.2 billion and $4.8 billion for the nine months ended September 30, 2020 and 2019, respectively. These amounts include depreciation expense related to leased wireless devices of $1.0 billion and $108 million for the three months ended September 30, 2020 and 2019 respectively, and $2.1 billion and $417 million for the nine months ended September 30, 2020 and 2019, respectively.

We capitalize interest associated with the acquisition or construction of certain property and equipment and spectrum intangible assets. We recognized capitalized interest of $108 million and $118 million for the three months ended September 30, 2020 and 2019, respectively, and $339 million and $361 million for the nine months ended September 30, 2020 and 2019, respectively.

Asset retirement obligations are primarily for certain legal obligations to remediate leased property on which our network infrastructure and administrative assets are located.
Activity in our asset retirement obligations was as follows:

(in millions)	Nine Months Ended September 30, 2020	Twelve Months Ended December 31, 2019
Asset retirement obligations, beginning of year	$ 659	$ 609
Fair value of liabilities acquired through Merger	1,062	—
Liabilities incurred	9	35
Liabilities settled	(16)	(2)
Accretion expense	37	32
Changes in estimated cash flows	—	(15)
Asset retirement obligations, end of period	$ 1,751	$ 659
Classified on the balance sheet as:		
Other long-term liabilities	$ 1,751	$ 659

The corresponding assets, net of accumulated depreciation, related to asset retirement obligations were $965 million and $159 million as of September 30, 2020 and December 31, 2019, respectively.

Postpaid Billing System Impairment

In connection with the continuing integration of the businesses following the Merger, we evaluated the long-term billing system architecture strategy for our postpaid customers. In order to facilitate customer migration from the Sprint legacy billing platform, our postpaid billing system replacement plan and associated development will no longer serve our future needs. As a result, we recorded a non-cash impairment of $200 million related to capitalized software development costs for the nine months ended September 30, 2020, all of which relates to the impairment recognized during the three months ended June 30, 2020. The expense is included within Impairment expense in our Condensed Consolidated Statements of Comprehensive Income. There were no impairments recognized for the three and nine months ended September 30, 2019.

Note 6 – Goodwill, Spectrum License Transactions and Other Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2020 and year ended December 31, 2019, are as follows:

(in millions)		Goodwill
Historical goodwill, net of accumulated impairment losses of $10,766	$	1,901
Goodwill from acquisition in 2019		29
Balance as of December 31, 2019		1,930
Goodwill from acquisition of Sprint		9,194
Layer3 goodwill impairment		(218)
Balance as of September 30, 2020	$	10,906
Accumulated impairment losses at September 30, 2020	$	(10,985)

On April 1, 2020, we completed our Merger with Sprint, which was accounted for as a business combination resulting in $9.2 billion in goodwill. The acquired goodwill was allocated to the Wireless reporting unit and will be tested for impairment at this level. See Note 2 - Business Combination for further information.

Goodwill Impairment Assessment

Certain non-financial assets, including goodwill and indefinite-lived intangible assets, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, these assets are required to be assessed for impairment when events or circumstances indicate that carrying value may not be recoverable, and at least annually for goodwill and indefinite-lived intangible assets. Accordingly, the nonrecurring measurement of the fair value of these assets are classified within Level 3 of the fair value hierarchy. In the event an impairment is required, the asset is adjusted to fair value, using market-based assumptions.

Our enhanced in-home broadband opportunity following the Merger, along with the acquisition of certain content rights, has created a strategic shift in our TVision™ Home service offering, allowing us the ability to develop a video product that will be complementary to the in-home broadband offering. As a result of the change in the stand-alone product offering plans and timing, we completed an interim goodwill impairment analysis for the Layer3 reporting unit and recognized a goodwill impairment of $218 million for the nine months ended September 30, 2020, all of which relates to the impairment recognized during the three months ended June 30, 2020. The expense is included within Impairment expense in our Condensed Consolidated Statements of Comprehensive Income. There were no goodwill impairments recognized for the three and nine months ended September 30, 2019.

Application of the goodwill impairment test requires judgment including the determination of the fair value of the reporting unit. We employed an income approach to assess the fair value of the Layer3 reporting unit based on the present value of estimated future cash flows. Inherent in our preparation of cash flow projections are assumptions and estimates derived from a review of our business plans, expected growth rates, cost of capital and tax rates. We also made certain forecasts about future business strategies and economic conditions, market data, and other assumptions, such as estimates of subscribers for TVision services, average revenue and content cost per subscriber. The discount rate used was based on the weighted average cost of capital adjusted for the risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows.

Intangible Assets

Identifiable Intangible Assets Acquired

The following table summarizes the fair value of the intangible assets acquired in the Merger:

	Weighted Average Useful Life (in years)	Fair Value as of April 1, 2020 (in millions)
Spectrum licenses	Indefinite-lived	$ 45,400
Tradenames[1]	2 years	207
Customer relationships	8 years	4,900
Favorable spectrum leases	18 years	790
Patent rights	7 years	51
Other intangible assets	7 years	377
Total intangible assets acquired		$ 51,725

(1) Tradenames include the Sprint brand

Spectrum licenses are issued for a fixed period of time, typically up to 15 years; however, the FCC has granted license renewals routinely and at a nominal cost. The spectrum licenses acquired expire at various dates and we believe we will be able to meet all requirements necessary to secure renewal of our spectrum licenses at a nominal cost. Moreover, we determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of our spectrum licenses. Therefore, we determined the spectrum licenses should be treated as indefinite-lived intangible assets. The fair value of spectrum licenses includes the value associated with aggregating a nationwide portfolio of owned and leased spectrum.

Favorable spectrum leases represent a lease contract where the market rate is higher than the future contractual lease payments. We lease this spectrum from third parties who hold the spectrum licenses. As these contracts pertain to intangible assets, they are excluded from the lease accounting guidance (ASC 842) and are accounted for as service contracts in which the expense is recognized on a straight-line basis over the lease team. Favorable spectrum leases of $790 million were recorded as an intangible asset as a result of purchase accounting and will be amortized on a straight-line basis over the associated remaining lease term. Additionally, we recognized unfavorable spectrum lease liabilities of $197 million, which are also amortized over their respective remaining lease terms and are included in Other liabilities in our Condensed Consolidated Balance Sheets.
The customer relationships intangible assets represent the value associated with the acquired Sprint customers. The customer relationship intangible assets are amortized using the sum-of-the-years digits method over periods of up to eight years.

Other intangible assets are amortized over the remaining period that the asset is expected to provide benefit to us.

Spectrum Licenses

The following table summarizes our spectrum license activity for the nine months ended September 30, 2020:

(in millions)	Nine Months Ended September 30, 2020
Spectrum licenses, beginning of year	$ 36,465
Spectrum license acquisitions	1,006
Spectrum licenses acquired in Merger	45,400
Costs to clear spectrum	20
Spectrum licenses, end of period	$ 82,891

Spectrum Transactions

In March 2020, the FCC announced that we were the winning bidder of 2,384 licenses in Auction 103 (37/39 GHz and 47 GHz spectrum bands) for an aggregate price of $873 million, net of an incentive payment of $59 million. At the inception of Auction 103 in October 2019, we deposited $82 million with the FCC. Upon conclusion of Auction 103 in March 2020, we made a down payment of $93 million for the purchase price of the licenses won in the auction. On April 8, 2020, we paid the FCC the remaining $698 million of the purchase price for the licenses won in the auction. Prior to the Merger, the FCC announced that Sprint was the winning bidder of 127 licenses in Auction 103 (37/39 GHz and 47 GHz spectrum bands). All payments related to the licenses won were made by Sprint prior to the Merger.

The licenses are included in Spectrum licenses in our Condensed Consolidated Balance Sheets as of September 30, 2020. Cash payments to acquire spectrum licenses and payments for costs to clear spectrum are included in Refunds (purchases) of spectrum licenses and other intangible assets, including deposits in our Condensed Consolidated Statements of Cash Flows for the three and nine months ended September 30, 2020.

In April 2020, we acquired FCC licenses in the 800 MHz, 1.9 GHz, and 2.5 GHz bands as part of the Merger with Sprint at an estimated fair value of approximately $45.4 billion. See Note 2 - Business Combination for further information.

Other Intangible Assets

The components of Other intangible assets were as follows:

		September 30, 2020			December 31, 2019		
(in millions)	Useful Lives	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer relationships	Up to 8 years	$ 6,004	$ (1,681)	$ 4,323	$ 1,104	$ (1,104)	$ —
Tradenames and patents	Up to 19 years	595	(364)	231	323	(258)	65
Favorable spectrum leases	Up to 27 years	790	(23)	767	—	—	—
Other	Up to 10 years	477	(138)	339	100	(50)	50
Other intangible assets		$ 7,866	$ (2,206)	$ 5,660	$ 1,527	$ (1,412)	$ 115

Amortization expense for intangible assets subject to amortization was $383 million and $18 million for the three months ended September 30, 2020 and 2019, respectively, and $794 million and $53 million for the nine months ended September 30, 2020 and 2019, respectively.

The estimated aggregate future amortization expense for intangible assets subject to amortization are summarized below:

(in millions)	Estimated Future Amortization
Twelve Months Ending September 30,	
2021	$ 1,318
2022	1,040
2023	866
2024	709
2025	551
Thereafter	1,176
Total	$ 5,660

Substantially all of the estimated future amortization expense is associated with intangible assets acquired in the Merger.

Note 7 – Fair Value Measurements

The carrying values of Cash and cash equivalents, Accounts receivable, Accounts receivable from affiliates, Accounts payable and accrued liabilities and borrowings under vendor financing arrangements with our primary network equipment suppliers approximate fair value due to the short-term maturities of these instruments.

Derivative Financial Instruments

Periodically, we use derivatives to manage exposure to market risk, such as interest rate risk. We designate certain derivatives as hedging instruments in a qualifying hedge accounting relationship (cash flow hedge) to help minimize significant, unplanned fluctuations in cash flows caused by interest rate volatility. We do not use derivatives for trading or speculative purposes.

Interest Rate Lock Derivatives

In October 2018, we entered into interest rate lock derivatives with notional amounts of $9.6 billion. In November 2019, we extended the mandatory termination date on our interest rate lock derivatives to June 3, 2020. For the three months ended March 31, 2020, we made net collateral transfers to certain of our derivative counterparties totaling $580 million, which included variation margin transfers to (or from) such derivative counterparties based on daily market movements. No amounts were transferred in the three months ended June 30, 2020, or in the three months ended September 30, 2020. These collateral transfers are included in Net cash related to derivative contracts under collateral exchange arrangements within Net cash used in investing activities in our Condensed Consolidated Statements of Cash Flows. The net collateral transfers to certain of our derivative counterparties totaled $632 million for the three months ended December 31, 2019, and was presented in Other current assets in our Condensed Consolidated Balance Sheets. There was no collateral receivable balance as of September 30, 2020.

We record interest rate lock derivatives on our Condensed Consolidated Balance Sheets at fair value that is derived primarily from observable market data, including yield curves. Interest rate lock derivatives were classified as Level 2 in the fair value hierarchy. Cash flows associated with qualifying hedge derivative instruments are presented in the same category on the Condensed Consolidated Statements of Cash Flows as the item being hedged.

The fair value of interest rate lock derivatives was a liability of $1.2 billion as of December 31, 2019, and was included in Other current liabilities in our Condensed Consolidated Balance Sheets. Aggregate changes in fair value, net of tax, of $1.6 billion and $868 million are presented in Accumulated other comprehensive loss as of September 30, 2020 and December 31, 2019, respectively.

Between April 2 to April 6, 2020, in connection with the issuance of an aggregate of $19.0 billion in Senior Secured Notes bearing interest rates ranging from 3.500% to 4.500% and maturing in 2025 through 2050, we terminated our interest rate lock derivatives. See Note 8 - Debt for further information regarding the issuance of Senior Secured Notes. At the time of termination, the interest rate lock derivatives were a liability of $2.3 billion, of which $1.2 billion was cash-collateralized. The cash flows associated with the settlement of interest rate lock derivatives are presented on a gross basis in our Condensed Consolidated Statements of Cash Flows, with the total cash payments to settle the swaps of $2.3 billion presented in changes in Other current and long-term liabilities within Net cash provided by operating activities and the return of cash collateral of $1.2 billion presented as an inflow in Net cash related to derivative contracts under collateral exchange arrangements within Net cash used in investing activities.

Upon the issuance of debt to which the hedged interest rate risk related, we began amortizing the Accumulated other comprehensive loss with the derivatives into Interest expense in a manner consistent with how the hedged interest payments affect earnings. For the three and nine months ended September 30, 2020, $44 million and $83 million, respectively, was amortized from Accumulated other comprehensive loss into Interest expense in the Condensed Consolidated Statements of Comprehensive Income. We expect to amortize $185 million of the Accumulated other comprehensive loss associated with the derivatives into interest expense over the next 12 months.

Deferred Purchase Price Assets

In connection with the sales of certain service and EIP accounts receivable pursuant to the sale arrangements, we have deferred purchase price assets measured at fair value that are based on a discounted cash flow model using unobservable Level 3 inputs, including customer default rates. See Note 4 – Sales of Certain Receivables for further information.

The carrying amounts of our deferred purchase price assets, which are measured at fair value on a recurring basis and included in our Condensed Consolidated Balance Sheets, were $846 million and $781 million at September 30, 2020, and December 31, 2019, respectively. Fair value was equal to carrying amount at September 30, 2020, and December 31, 2019.

Debt

The fair value of our Senior Unsecured Notes, Senior Secured Notes, and Secured Term Loan Facility to third parties was determined based on quoted market prices in active markets, and therefore were classified as Level 1 within the fair value hierarchy. The fair values of our Senior Notes to affiliates and Incremental Term Loan Facility to affiliates were determined based on a discounted cash flow approach using market interest rates of instruments with similar terms and maturities and an estimate for our standalone credit risk. Accordingly, our Senior Notes to affiliates and Incremental Term Loan Facility to affiliates were classified as Level 2 within the fair value hierarchy.

Although we have determined the estimated fair values using available market information and commonly accepted valuation methodologies, considerable judgment was required in interpreting market data to develop fair value estimates for the Senior Notes to affiliates and Incremental Term Loan Facility to affiliates. The fair value estimates were based on information available as of September 30, 2020 and December 31, 2019. As such, our estimates are not necessarily indicative of the amount we could realize in a current market exchange.

The carrying amounts and fair values of our short-term and long-term debt included in our Condensed Consolidated Balance Sheets were as follows:

(in millions)	Level within the Fair Value Hierarchy	September 30, 2020		December 31, 2019	
		Carrying Amount (1)	Fair Value (1)	Carrying Amount (1)	Fair Value (1)
Liabilities:					
Senior Unsecured Notes to third parties	1	$ 30,078	$ 31,906	$ 10,958	$ 11,479
Senior Notes to affiliates	2	4,711	4,981	9,986	10,366
Senior Secured Notes to third parties	1	27,778	31,105	—	—
Incremental Term Loan Facility to affiliates	2	—	—	4,000	4,000
Secured Term Loan Facility to third parties	1	3,890	3,990	—	—

(1) Excludes $312 million and $25 million as of September 30, 2020 and December 31, 2019, respectively, in vendor financing arrangements and other debt as the carrying values approximate fair value primarily due to the short-term maturities of these instruments.

Guarantee Liabilities

We offer device trade-in programs that provide eligible customers a specified-price trade-in right to upgrade their device. For customers who enroll in these programs, we recognize a liability and reduce revenue for the portion of revenue which represents the estimated fair value of the specified-price trade-in right guarantee, incorporating the expected probability and timing of handset upgrade and the estimated fair value of the handset which is returned. Accordingly, our guarantee liabilities were classified as Level 3 within the fair value hierarchy. When customers upgrade their device, the difference between the EIP balance credit to the customer and the fair value of the returned device is recorded against the guarantee liabilities. Guarantee liabilities are included in Other current liabilities in our Condensed Consolidated Balance Sheets.

The carrying amounts of our guarantee liabilities measured at fair value on a non-recurring basis included in our Condensed Consolidated Balance Sheets were $45 million and $62 million as of September 30, 2020 and December 31, 2019, respectively.

The total estimated remaining gross EIP receivable balances of all enrolled handset upgrade program customers, which are the remaining EIP amounts underlying the trade-in right guarantee, including EIP receivables that have been sold, was $2.9 billion as of September 30, 2020. This is not an indication of our expected loss exposure as it does not consider the expected fair value of the used handset or the probability and timing of the trade-in.

Note 8 - Debt

The following table sets forth the debt balances and activity as of, and for the nine months ended, September 30, 2020**:**

(in millions)	December 31, 2019	Proceeds from Issuances and Borrowings (1)	Assumed Debt (2)	Note Redemptions (1)	Repayments (3)	Reclassifications (1)	Other (4)	September 30, 2020
Short-term debt	$ 25	$ 18,943	$ 2,760	$ (21,413)	$ (2,355)	$ 5,696	$ 57	$ 3,713
Long-term debt	10,958	26,595	29,037	—	(2,310)	(5,696)	(239)	58,345
Total debt to third parties	10,983	45,538	31,797	(21,413)	(4,665)	—	(182)	62,058
Short-term debt to affiliates	—	—	—	(3,235)	—	3,231	4	—
Long-term debt to affiliates	13,986	(13)	—	(6,041)	—	(3,231)	10	4,711
Total debt	$ 24,969	$ 45,525	$ 31,797	$ (30,689)	$ (4,665)	$ —	$ (168)	$ 66,769

(1) Issuances and borrowings, note redemptions, and reclassifications are recorded net of related issuance costs, discounts and premiums. Includes the issuance of $200 million in vendor financing agreements and other debt as well as payments for requisite consents to DT and third-party note holders of $13 million and $95 million, respectively, made on April 1, 2020 in connection with the closing of the Merger, which were recognized as a reduction to Long-term debt in our Condensed Consolidated Balance Sheets.

(2) In connection with the Merger, we assumed certain of Sprint's indebtedness, as described below.

(3) In conjunction with the Merger, the total principal amount outstanding under Sprint's accounts receivable facility of $2.3 billion was repaid on April 1, 2020, and the facility was terminated.

(4) Other includes the amortization of premiums, discounts, debt issuance costs and consent fees.

Issuances and Borrowings

During the nine months ended September 30, 2020, we issued the following Senior Secured Notes and entered into the following Secured loan facilities:

(in millions)	Principal Issuances	Discounts and Issuance Costs	Net Proceeds from Issuance of Long-Term Debt	Issue Date
3.500% Senior Secured Notes due 2025	$ 3,000	$ 12	$ 2,988	April 9, 2020
3.750% Senior Secured Notes due 2027	4,000	17	3,983	April 9, 2020
3.875% Senior Secured Notes due 2030	7,000	78	6,922	April 9, 2020
4.375% Senior Secured Notes due 2040	2,000	47	1,953	April 9, 2020
4.500% Senior Secured Notes due 2050	3,000	24	2,976	April 9, 2020
1.500% Senior Secured Notes due 2026	1,000	5	995	June 24, 2020
2.050% Senior Secured Notes due 2028	1,250	8	1,242	June 24, 2020
2.550% Senior Secured Notes due 2031	1,750	12	1,738	June 24, 2020
Total of Senior Secured Notes issued	23,000	203	22,797	
Secured bridge loan facility due 2021	19,000	257	18,743	April 1, 2020
Secured term loan facility due 2027	4,000	107	3,893	April 1, 2020
Total of Secured loan facilities issued	23,000	364	22,636	
Total Issuances and Borrowings	$ 46,000	$ 567	$ 45,433	

Commitment Letters

In connection with the entry into the Business Combination Agreement, T-Mobile USA entered into the Commitment Letter, with certain financial institutions named therein that committed to provide up to $27.0 billion in secured debt financing through May 1, 2020, including a $4.0 billion secured revolving credit facility, a $4.0 billion secured term loan facility, and a $19.0 billion secured bridge loan facility. The funding of the debt facilities provided for in the Commitment Letter was subject to the satisfaction of the conditions set forth therein, including consummation of the Merger.

On April 1, 2020, in connection with the closing of the Merger, T-Mobile USA and certain of its affiliates, as guarantors, entered into a Bridge Loan Credit Agreement with certain financial institutions named therein, providing for a $19.0 billion secured bridge loan facility ("New Secured Bridge Loan Facility"). The New Secured Bridge Loan Facility bears interest at a rate equal to a per annum rate of LIBOR plus a margin of 1.25% and matures on March 31, 2021.

On April 1, 2020, in connection with the closing of the Merger, T-Mobile USA and certain of its affiliates, as guarantors, entered into a Credit Agreement (the “New Credit Agreement”) with certain financial institutions named therein, providing for a $4.0 billion secured term loan facility (“New Secured Term Loan Facility”) and a $4.0 billion revolving credit facility (“New Revolving Credit Facility”). On September 16, 2020, we increased the aggregate commitment under the New Revolving Credit Facility to $5.5 billion through an amendment (the “Incremental Amendment”) to the New Credit Agreement. The New Secured Term Loan Facility bears interest at a rate equal to a per annum rate of LIBOR plus a margin of 3.00% and matures on April 1, 2027. The New Revolving Credit Facility bears interest at a rate equal to a per annum rate of LIBOR plus a margin of 1.25% with the margin subject to a reduction to 1.00% if T-Mobile’s Total First Lien Net Leverage Ratio (as defined in the New Credit Agreement) is less than or equal to 0.75 to 1.00. The commitments under the New Revolving Credit Facility mature on April 1, 2025. The New Credit Agreement contains customary representations, warranties and covenants, including a financial maintenance covenant of 3.3x with respect to T-Mobile’s Total First Lien Net Leverage Ratio commencing with the period ending September 30, 2020 and excess cash flow prepayment requirements commencing with the fiscal year ending December 31, 2021.

On April 1, 2020, in connection with the closing of the Merger, we drew down on our $19.0 billion New Secured Bridge Loan Facility and our $4.0 billion New Secured Term Loan Facility. We used the net proceeds of $22.6 billion from the draw down of the secured facilities to repay our $4.0 billion Incremental Term Loan Facility with DT and to repurchase from DT $4.0 billion of indebtedness to affiliates, consisting of $2.0 billion of 5.300% Senior Notes due 2021 and $2.0 billion of 6.000% Senior Notes due 2024, as well as to redeem certain debt of Sprint and Sprint’s subsidiaries, including the secured term loans due 2024 with a total principal amount outstanding of $5.9 billion, accounts receivable facility with a total amount outstanding of $2.3 billion, and Sprint’s 7.250% Guaranteed Notes due 2028 with a total principal amount outstanding of $1.0 billion, and for post-closing general corporate purposes of the combined company.

In connection with the financing provided for in the Commitment Letter, we incurred certain fees payable to the financial institutions, including certain financing fees on the secured term loan commitment and fees for structuring, funding, and providing the commitments. On April 1, 2020, in connection with the closing of the Merger, we paid $355 million in Commitment Letter fees to certain financial institutions.

Senior Secured Notes

On April 9, 2020, T-Mobile USA and certain of its affiliates, as guarantors, issued an aggregate of $19.0 billion in Senior Secured Notes bearing interest rates ranging from 3.500% to 4.500% and maturing in 2025 through 2050, and used the net proceeds of $18.8 billion together with cash on hand to repay all of the outstanding amounts under, and terminate, our $19.0 billion New Secured Bridge Loan Facility, as described above.

On June 24, 2020, T-Mobile USA and certain of its affiliates, as guarantors, issued an aggregate of $4.0 billion in Senior Secured Notes bearing interest rates ranging from 1.500% to 2.550% and maturing in 2026 through 2031. The Senior Secured Notes were issued for refinancing callable Senior Notes and, subsequent to the issuance, we redeemed certain Senior Notes as set forth below under “Senior Secured Notes – Redemptions and Repayments” and “Senior Notes to Affiliates.”

Subsequent to September 30, 2020, on October 6, 2020, T-Mobile USA issued $500 million of 2.050% Senior Secured Notes due 2028, $750 million of 2.550% Senior Secured Notes due 2031, $1.25 billion of 3.000% Senior Secured Notes due 2041, and $1.5 billion of 3.300% Senior Secured Notes due 2051. On October 9, 2020, we used the net proceeds of $4.0 billion to repay at par all of the outstanding amounts under, and terminate, our New Secured Term Loan Facility.

Subsequent to September 30, 2020, on October 28, 2020, T-Mobile USA issued $1.0 billion of 2.250% Senior Secured Notes due 2031, $1.25 billion of 3.000% Senior Secured Notes due 2041, $1.5 billion of 3.300% Senior Secured Notes due 2051 and $1.0 billion of 3.600% Senior Secured Notes due 2060. We intend to use the net proceeds of $4.6 billion for general corporate purposes, which may include among other things, acquisitions of additional spectrum and refinancing existing indebtedness on an ongoing basis.

Subsequent to September 30, 2020, on October 30, 2020, we entered into a $5.0 billion senior secured term loan commitment with certain financial institutions. Up to $5.0 billion of loans under the commitment may be drawn at any time (subject to customary conditions precedent) through June 30, 2021. If drawn, the facility matures in 364 days with one six-month extension exercisable at our discretion. Proceeds may be used for general corporate purposes and will accrue interest at a rate of LIBOR plus a margin of 1.25% per annum.

Debt Assumed

In connection with the Merger, we assumed the following indebtedness of Sprint:

(in millions)	Fair value as of April 1, 2020	Principal Outstanding as of September 30, 2020	Carrying Value as of September 30, 2020
7.250% Senior Notes due 2021	$ 2,324	$ 2,250	$ 2,300
7.875% Senior Notes due 2023	4,682	4,250	4,624
7.125% Senior Notes due 2024	2,746	2,500	2,720
7.625% Senior Notes due 2025	1,677	1,500	1,661
7.625% Senior Notes due 2026	1,701	1,500	1,687
3.360% Senior Secured Series 2016-1 A-1 Notes due 2021 (1)	1,310	875	874
4.738% Senior Secured Series 2018-1 A-1 Notes due 2025 (1)	2,153	2,100	2,148
5.152% Senior Secured Series 2018-1 A-2 Notes due 2028 (1)	1,960	1,838	1,953
7.000% Senior Notes due 2020	1,510	—	—
11.500% Senior Notes due 2021	1,105	1,000	1,074
6.000% Senior Notes due 2022	2,372	2,280	2,355
6.875% Senior Notes due 2028	2,834	2,475	2,817
8.750% Senior Notes due 2032	2,649	2,000	2,630
Accounts receivable facility	2,310	—	—
Other debt	464	336	312
Total Debt Assumed	$ 31,797	$ 24,904	$ 27,155

(1) In connection with the closing of the Merger, we assumed Sprint’s spectrum-backed notes which are collateralized by the acquired directly held and third-party leased Spectrum licenses. See “Spectrum Financing” section below for further information.

Redemptions and Repayments

During the nine months ended September 30, 2020, we repaid the following loan facilities and redeemed the following Senior Notes held by third parties and Senior Notes held by affiliates:

(in millions)	Principal Amount	Write-off of Premiums and Issuance Costs [(1)]	Other [(2)]	Redemption or Repayment Date	Redemption Price
Secured bridge loan facility due 2021	$ 19,000	$ 251	$ (47)	April 9, 2020	100.128 %
6.500% Senior Notes due 2024	1,000	12	22	July 4, 2020	102.167 %
6.375% Senior Notes due 2025	1,700	24	36	September 1, 2020	102.125 %
Total of Secured bridge loan facility and Senior Notes to third parties redeemed	21,700	287	11		
5.300% Senior Notes to affiliates due 2021 [(3)]	2,000	—	—	April 1, 2020	100.000 %
6.000% Senior Notes to affiliates due 2024 [(3)]	1,350	(26)	—	April 1, 2020	100.000 %
6.000% Senior Notes to affiliates due 2024 [(3)]	650	(15)	—	April 1, 2020	100.000 %
Incremental term loan facility to affiliates due 2022	2,000	—	—	April 1, 2020	100.000 %
Incremental term loan facility to affiliates due 2024	2,000	—	—	April 1, 2020	100.000 %
5.125% Senior Secured Notes to affiliates due 2021	1,250	15	—	July 4, 2020	100.000 %
Total of Senior Notes and Incremental term loan facilities to affiliates redeemed	9,250	(26)	—		
Total Redemptions	$ 30,950	$ 261	$ 11		
Accounts receivable facility	$ 2,310	$ —	$ —	April 1, 2020	100.00 %
3.360% Senior Secured Series 2016-1 A-1 Notes due 2021	438	—	—	Various	N/A
7.000% Senior Notes due 2020	1,500	—	—	August 15, 2020	N/A
Secured term loan facility due 2027	10	—	—	September 29, 2020	N/A
Other debt	407	—	—	Various	N/A
Total Repayments	$ 4,665	$ —	$ —		

(1) Write-off of premiums, discounts and issuance costs are included in Other expense, net in our Condensed Consolidated Statements of Comprehensive Income. Write-off of issuance costs are included in Loss on redemption of debt within Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows.

(2) Primarily represents a reimbursement of a portion of the commitment letter fees that were paid to financial institutions when we drew down on the Secured Bridge Loan Facility on April 1, 2020 and is included in Other expense, net in our Condensed Consolidated Statements of Comprehensive Income.

(3) Pursuant to the Financing Matters Agreement, the Senior Notes were effectively redeemed through a repurchase and were cancelled and retired in full on April 1, 2020.

On April 9, 2020, we repaid all of the outstanding amounts under, and terminated, our $19.0 billion New Secured Bridge Loan Facility. Additionally, in connection with the repayment of our New Secured Bridge Loan Facility, we received a reimbursement of $71 million, which represents a portion of the Commitment Letter fees that were paid to certain financial institutions when we drew down on the New Secured Bridge Loan Facility on April 1, 2020. The reimbursement is presented in Other (expense) income, net in our Condensed Consolidated Statements of Comprehensive Income.

On July 4, 2020, we redeemed $1.0 billion aggregate principal amount of our 6.500% Senior Notes due 2024. The notes were redeemed at a redemption price equal to 102.167% of the principal amount of the notes (plus accrued and unpaid interest thereon), and were paid on July 6, 2020. The redemption premium was approximately $22 million and the write off of issuance costs and consent fees was approximately $12 million, which were included in Other (expense) income, net in our Condensed Consolidated Statements of Comprehensive Income and Losses on redemption of debt in our Condensed Consolidated Statements of Cash Flows.

On August 15, 2020, we repaid at maturity $1.5 billion aggregate principal amount of our 7.000% Senior Notes due 2020 (plus accrued and unpaid interest thereon).

On September 1, 2020, we redeemed $1.7 billion aggregate principal amount of our 6.375% Senior Notes due 2025. The notes were redeemed at a redemption price equal to 102.125% of the principal amount of the notes (plus accrued and unpaid interest thereon), and were paid on September 1, 2020. The redemption premium was approximately $36 million and the write off of issuance costs and consent fees was approximately $24 million, which were included in Other (expense) income, net in our

Condensed Consolidated Statements of Comprehensive Income.

Subsequent to September 30, 2020, on October 9, 2020, we repaid at par all of the outstanding amounts under, and terminated, our New Secured Term Loan Facility.

On July 4, 2020, we also redeemed $1.25 billion aggregate principal amount of our 5.125% Senior Notes to affiliates due 2021, as further described below under "Senior Notes to Affiliates."

Financing Matters Agreement

Pursuant to the Financing Matters Agreement, DT agreed, among other things, to consent to the incurrence by T-Mobile USA of secured debt in connection with and after the consummation of the Merger, and to provide a lock up on sales thereby as to certain Senior Notes of T-Mobile USA held thereby. In connection with receiving the requisite consents, we made upfront payments to DT of $7 million during the second quarter of 2018. These payments were recognized as a reduction to Long-term debt to affiliates in our Condensed Consolidated Balance Sheets. On April 1, 2020, in connection with the closing of the Merger, we:

- Repaid our $4.0 billion Incremental Term Loan Facility with DT, consisting of a $2.0 billion Incremental Term Loan Facility due 2022 and a $2.0 billion Incremental Term Loan Facility due 2024;
- Terminated our revolving credit facility;
- Repurchased from DT $4.0 billion of indebtedness to affiliates, consisting of $2.0 billion of 5.300% Senior Notes due 2021 and $2.0 billion of 6.000% Senior Notes due 2024;
- Amended the $1.25 billion of 5.125% Senior Notes due 2025 and $1.25 billion of 5.375% Senior Notes due 2027, which represent indebtedness to affiliates, to change the maturity dates thereof to April 15, 2021 and April 15, 2022, respectively (the "2025 and 2027 Amendments"); and
- Made an additional payment for requisite consents to DT of $13 million. These payments were recognized as a reduction to Long-term debt to affiliates in our Condensed Consolidated Balance Sheets.

In accordance with the consents received from DT, on December 20, 2018, T-Mobile USA, the guarantors and Deutsche Bank Trust Company Americas, as trustee, executed and delivered the 38th supplemental indenture to the Indenture, pursuant to which, with respect to certain T-Mobile USA Senior Notes held by DT, the Debt Amendments (as defined below under "Consents on Debt to Third Parties") and the 2025 and 2027 Amendments became effective immediately prior to the consummation of the Merger.

Senior Notes to Affiliates

On July 4, 2020, we redeemed $1.25 billion aggregate principal amount of our 5.125% Senior Notes to affiliates due 2021. The notes were redeemed at a redemption price equal to 100.00% of the principal amount of the notes (plus accrued and unpaid interest thereon), and were paid on July 6, 2020. The write off of discounts was approximately $15 million and was included in Other (expense) income, net in our Condensed Consolidated Statements of Comprehensive Income and Losses on redemption of debt in our Condensed Consolidated Statements of Cash Flows.

Consents on Debt to Third Parties

On May 18, 2018, under the terms and conditions described in the Consent Solicitation Statement, we obtained consents necessary to effect certain amendments to our Senior Notes to third parties in connection with the Business Combination Agreement. Pursuant to the Consent Solicitation Statement, third-party note holders agreed, among other things, to consent to increasing the amount of Secured Indebtedness under Credit Facilities that can be incurred from the greater of $9.0 billion and 150% of Consolidated Cash Flow to the greater of $9.0 billion and an amount that would not cause the Secured Debt to Cash Flow Ratio (calculated net of cash and cash equivalents) to exceed 2.00x (the "Ratio Secured Debt Amendments") and in each case as such capitalized term is defined in the Indenture. In connection with receiving the requisite consents for the Ratio Secured Debt Amendments, we made upfront payments to third-party note holders of $17 million during the second quarter of 2018. These payments were recognized as a reduction to Long-term debt in our Condensed Consolidated Balance Sheets. These upfront payments increased the effective interest rate of the related debt.

In addition, note holders agreed, among other things, to allow certain entities related to Sprint's existing spectrum securitization notes program ("Existing Sprint Spectrum Program") to be non-guarantor Restricted Subsidiaries, provided that the principal amount of the spectrum notes issued and outstanding under the Existing Sprint Spectrum Program does not exceed $7.0 billion and that the principal amount of such spectrum notes reduces the amount available under the Credit Facilities ratio basket, and to revise the definition of GAAP to mean generally accepted accounting principles in effect from time to time, unless the Company elects to “freeze” GAAP as of any date, and to exclude the effect of the changes in the accounting treatment of lease obligations (the “Existing Sprint Spectrum and GAAP Amendments,” and together with the Ratio Secured Debt Amendments, the “Debt Amendments”). In connection with receiving the requisite consents for the Existing Sprint Spectrum and GAAP Amendments, we made upfront payments to third-party note holders of $14 million during the second quarter of 2018. These payments were recognized as a reduction to Long-term debt in our Condensed Consolidated Balance Sheets. These upfront payments increased the effective interest rate of the related debt.

In connection with obtaining the requisite consents, on May 20, 2018, T-Mobile USA, the guarantors and Deutsche Bank Trust Company Americas, as trustee, executed and delivered the 37th supplemental indenture to the Indenture, pursuant to which, with respect to each of the Notes, the Debt Amendments would become effective immediately prior to the consummation of the Merger.

We paid third-party bank fees associated with obtaining the requisite consents related to the Debt Amendments of $6 million during the second quarter of 2018, which we recognized as Selling, general and administrative expenses in our Condensed Consolidated Statements of Comprehensive Income. On April 1, 2020, in connection with the closing of the Merger, we made additional payments to third-party note holders for requisite consents related to the Ratio Secured Debt Amendments of $54 million and related to the Existing Sprint Spectrum and GAAP Amendments of $41 million. These payments were recognized as a reduction to Long-term debt in our Condensed Consolidated Balance Sheets. These payments increased the effective interest rate of the related debt.

Spectrum Financing

On April 1, 2020, in connection with the closing of the Merger, we assumed Sprint’s spectrum-backed notes which are collateralized by the acquired directly held and third-party leased Spectrum licenses (collectively, the “Spectrum Portfolio“) transferred to wholly owned bankruptcy-remote special purpose entities (collectively, the “Spectrum Financing SPEs”). As of September 30, 2020, the total outstanding obligations under these Notes was $4.8 billion.

In October 2016, certain subsidiaries of Sprint Communications, Inc. transferred the Spectrum Portfolio to the Spectrum Financing SPEs, which was used as collateral to raise an initial $3.5 billion in senior secured notes (the “2016 Spectrum-Backed Notes”) bearing interest at 3.360% per annum under a $7.0 billion securitization program. The 2016 Spectrum-Backed Notes are repayable over a five-year term, with interest-only payments over the first four quarters and amortizing quarterly principal payments thereafter commencing December 2017 through September 2021. During the nine months ended September 30, 2020, we made scheduled principal repayments of $438 million, resulting in a total principal amount outstanding related to the 2016 Spectrum-Backed Notes of $875 million as of September 30, 2020, which was classified as Short-term debt in the Condensed Consolidated Balance Sheets.

In March 2018, Sprint issued approximately $3.9 billion in aggregate principal amount of senior secured notes (the “2018 Spectrum-Backed Notes” and together with the 2016 Spectrum-Backed Notes, the “Spectrum-Backed Notes”) under the existing $7.0 billion securitization program, consisting of two series of senior secured notes. The first series of notes totaled $2.1 billion in aggregate principal amount, bears interest at 4.738% per annum, and has quarterly interest-only payments until June 2021, and amortizing quarterly principal amounts thereafter commencing in June 2021 through March 2025. As of September 30, 2020, $263 million of the aggregate principal amount was classified as Short-term debt in the Condensed Consolidated Balance Sheets. The second series of notes totaled approximately $1.8 billion in aggregate principal amount, bears interest at 5.152% per annum, and has quarterly interest-only payments until June 2023, and amortizing quarterly principal amounts thereafter commencing in June 2023 through March 2028. The Spectrum Portfolio, which also serves as collateral for the Spectrum-Backed Notes, remains substantially identical to the original portfolio from October 2016.

Simultaneously with the October 2016 offering, Sprint Communications, Inc. entered a long-term lease with the Spectrum Financing SPEs for the ongoing use of the Spectrum Portfolio. Sprint Communications, Inc. is required to make monthly lease payments to the Spectrum Financing SPEs in an aggregate amount that is market-based relative to the spectrum usage rights as of the closing date and equal to $165 million per month. The lease payments, which are guaranteed by T-Mobile subsidiaries, are sufficient to service all outstanding series of the 2016 Spectrum Backed Notes and the lease also constitutes collateral for the senior secured notes. Because the Spectrum Financing SPEs are wholly owned T-Mobile US subsidiaries, these entities are consolidated and all intercompany activity has been eliminated.

Each Spectrum Financing SPE is a separate legal entity with its own separate creditors who will be entitled, prior to and upon the liquidation of the respective Spectrum Financing SPE, to be satisfied out of the Spectrum Financing SPE’s assets prior to any assets of such Spectrum Financing SPE becoming available to T-Mobile. Accordingly, the assets of each Spectrum

Financing SPE are not available to satisfy the debts and other obligations owed to other creditors of T-Mobile until the obligations of such Spectrum Financing SPE under the spectrum-backed senior secured notes are paid in full. Certain provisions of the Spectrum Financing facility require us to maintain specified cash collateral balances. Amounts associated with these balances are considered to be restricted cash.

Restricted Cash

Certain provisions of our debt agreements require us to maintain specified cash collateral balances. Amounts associated with these balances are considered to be restricted cash.

Standby Letters of Credit

For the purposes of securing our obligations to provide handset insurance services and for purposes of securing our general purpose obligations, we maintain standby letters of credit with certain financial institutions. We assumed certain of Sprint's standby letters of credit in the Merger. Our outstanding standby letters of credit were $546 million and $113 million as of September 30, 2020 and December 31, 2019, respectively.

Note 9 – Tower Obligations

Existing CCI Tower Lease Arrangements

In 2012, we conveyed to CCI the exclusive right to manage and operate approximately 7,100 tower sites ("CCI Lease Sites") via a master prepaid lease with site lease terms ranging from 23 to 37 years (the "2012 Tower Transaction"). CCI has fixed-price purchase options for the CCI Lease Sites totaling approximately $2.0 billion, exercisable at the end of the lease term. We lease back space at certain tower sites for an initial term of ten years, followed by optional renewals at customary terms.

Assets and liabilities associated with the operation of the tower sites were transferred to special purpose entities ("SPEs"). Assets included ground lease agreements or deeds for the land on which the towers are situated, the towers themselves and existing subleasing agreements with other mobile network operator tenants that lease space at the tower sites. Liabilities included the obligation to pay ground lease rentals, property taxes and other executory costs. Upon closing of the 2012 Tower Transaction, CCI acquired an option to acquire the CCI Lease Sites at the end of their respective lease terms and entered into a master lease agreement under which we agreed to lease back space at certain of the tower sites.

We determined the SPEs containing the CCI Lease Sites ("Lease Site SPEs") are VIEs as they lack sufficient equity to finance their activities. We have a variable interest in the Lease Site VIE but are not the primary beneficiary as we lack the power to direct the activities that most significantly impact the Lease Site VIE's economic performance. These activities include managing tenants and underlying ground leases, performing repair and maintenance on the towers, the obligation to absorb expected losses and the right to receive the expected future residual returns from the purchase option to acquire the CCI Lease Sites. As we determined that we are not the primary beneficiary and do not have a controlling financial interest in the Lease Site SPEs, the balances and operating results of the Lease Site SPEs are not included in our condensed consolidated financial statements.

Due to our continuing involvement with the tower sites, we previously determined that we were precluded from applying sale-leaseback accounting. We recorded long-term financial obligations in the amount of the net proceeds received and recognized interest on the tower obligations at a rate of approximately 8% using the effective interest method. The tower obligations are increased by interest expense and amortized through contractual leaseback payments made by us to CCI and through net cash flows generated and retained by CCI from operation of the tower sites. The principal payments on the tower obligations are included in Other, net within Net cash (used in) provided by financing activities in our Condensed Consolidated Statements of Cash Flows. Our historical tower site asset costs are reported in Property and equipment, net in our Condensed Consolidated Balance Sheets and are depreciated.

Upon adoption of the lease accounting guidance (ASC 842), we were required to reassess the previously failed sale-leasebacks and determine whether the transfer of the assets to the tower operator under the arrangement met the transfer of control criteria in the revenue standard and whether a sale should be recognized. We concluded that a sale has not occurred for the CCI Lease Sites and these sites continue to be accounted for as a failed sale-leaseback.

Acquired CCI Tower Lease Arrangements

Prior to the Merger, Sprint entered into a lease-out and leaseback arrangement with Global Signal Inc., a third party that was subsequently acquired by CCI, whereby the third party would lease ("Master Lease Sites") or otherwise manage ("Managed Sites") approximately 6,400 cell sites which included the towers and related assets. These agreements were assumed upon the close of the Merger, at which point the remaining term of the lease-out was approximately 17 years with no renewal options. T-Mobile leases back space on certain of these towers. CCI has a fixed-price purchase option for all (but not less than all) of the leased or subleased sites for approximately $2.3 billion, exercisable one year prior to the expiration of the agreement and ending 120 days prior to the expiration of the agreement.

As of Merger close date, we recognized Property and equipment with a preliminary fair value of $1.5 billion and tower obligations related to amounts owed to CCI under the leaseback of $1.1 billion as the transfer of control criteria in the revenue standard for the tower assets was not met. We are in the process of finalizing the valuation of the assets acquired and liabilities assumed in the Merger, including income tax related amounts. Therefore, the preliminary fair values are subject to further adjustment as additional information is obtained and the valuations are completed.

During the three months ended September 30, 2020, we recognized interest expense on the tower obligations at a rate of approximately 6% using the effective interest method. The tower obligations are increased by interest expense and amortized through contractual leaseback payments made by us to CCI. The principal payments on the tower obligations are included in Other, net within Net cash (used in) provided by financing activities in our Condensed Consolidated Statements of Cash Flows. The tower assets are reported in Property and equipment, net in our Condensed Consolidated Balance Sheets and are depreciated to their estimated residual values over the current leaseback periods, for which the weighted average remaining term was six years as of September 30, 2020.

The following table summarizes the balances associated with both of the tower arrangements in the Condensed Consolidated Balance Sheets:

(in millions)	September 30, 2020	December 31, 2019
Property and equipment, net	$ 1,544	$ 198
Tower obligations	3,079	2,236

Future minimum payments related to the tower obligations are approximately $393 million for the year ending September 30, 2021, $738 million in total for the years ending September 30, 2022 and 2023, $591 million in total for years ending September 30, 2024 and 2025, and $694 million in total for years thereafter.

We are contingently liable for future ground lease payments through the remaining term of the CCI Lease Sites and the Master Lease Sites. These contingent obligations are not included in Operating lease liabilities as any amount due is contractually owed by CCI based on the subleasing arrangement. Under the arrangement, we remain primarily liable for ground lease payments on approximately 900 Managed Sites and have included lease liabilities of $285 million in our Operating lease liabilities as of September 30, 2020.

Note 10 – Revenue from Contracts with Customers

Disaggregation of Revenue

We provide wireless communications services to three primary categories of customers:

- Postpaid customers generally include customers who are qualified to pay after receiving wireless communications services utilizing phones, wearables, DIGITS, or other connected devices which includes tablets and SyncUP products. Our postpaid customers include customers of T-Mobile and Sprint;
- Prepaid customers generally include customers who pay for wireless communications services in advance. Our prepaid customers include customers of T-Mobile and Metro by T-Mobile; and
- Wholesale customers include Machine-to-Machine and Mobile Virtual Network Operator customers that operate on our network but are managed by wholesale partners.

Postpaid service revenues, including postpaid phone revenues and postpaid other revenues, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Postpaid service revenues				
Postpaid phone revenues	$ 9,532	$ 5,400	$ 24,450	$ 15,870
Postpaid other revenues	677	346	1,605	982
Total postpaid service revenues	$ 10,209	$ 5,746	$ 26,055	$ 16,852

We operate as a single operating segment. The balances presented within each revenue line item in our Condensed Consolidated Statements of Comprehensive Income represent categories of revenue from contracts with customers disaggregated by type of product and service. Service revenues also include revenues earned for providing value added services to customers, such as handset insurance services. Revenue generated from the lease of mobile communication devices is included within Equipment revenues in our Condensed Consolidated Statements of Comprehensive Income.

We provide wireline communication services to domestic and international customers. Wireline service revenues of $213 million and $424 million for the three and nine months ended September 30, 2020, respectively, relate to the wireline operations acquired in the Merger and are presented in Roaming and other service revenues in our Condensed Consolidated Statements of Comprehensive Income.

Equipment revenues from the lease of mobile communication devices were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Equipment revenues from the lease of mobile communication devices	$ 1,350	$ 142	$ 2,936	$ 446

Contract Balances

The opening and closing balances of our contract asset and contract liability balances from contracts with customers as of December 31, 2019 and September 30, 2020, were as follows:

(in millions)	**Contract Assets**	**Contract Liabilities**
Balance as of December 31, 2019	$ 63	$ 560
Balance as of September 30, 2020	243	783
Change	$ 180	$ 223

Contract assets primarily represent revenue recognized for equipment sales with promotional bill credits offered to customers that are paid over time and are contingent on the customer maintaining a service contract. Through the Merger, we acquired contracts assets associated with promotional bill credits and subsidized devices with a value of $154 million as of April 1, 2020.

The change in the existing and acquired contract asset balance includes customer activity related to new promotions, offset by billings on existing contracts and impairment which is recognized as bad debt expense. The current portion of our Contract assets of approximately $187 million and $50 million as of September 30, 2020 and December 31, 2019, respectively, was included in Other current assets in our Condensed Consolidated Balance Sheets.

Contract liabilities are recorded when fees are collected, or we have an unconditional right to consideration (a receivable) in advance of delivery of goods or services. Through the Merger, we assumed contract liabilities with a value of $252 million as of April 1, 2020. Additional changes in contract liabilities are primarily related to the volume and rate plans of active prepaid subscribers. Contract liabilities are primarily included in Deferred revenue in our Condensed Consolidated Balance Sheets.

Revenues for the three and nine months ended September 30, 2020 and 2019, include the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Amounts included in the beginning of year contract liability balance	$ 5	$ 39	$ 543	$ 642

Remaining Performance Obligations

As of September 30, 2020, the aggregate amount of transaction price allocated to remaining service performance obligations for postpaid contracts with subsidized devices and promotional bill credits that result in an extended service contract is $1.3 billion. We expect to recognize revenue as service is provided on these postpaid contracts over an extended contract term of 24 months. Transaction price allocated to remaining service performance obligations associated with subsidized devices and promotional bill credits acquired through the Merger at April 1, 2020, was $1.0 billion.

Through the Merger, on April 1, 2020, we acquired contracts associated with lease promotional credits with aggregate amount of transaction price allocated to remaining service and lease performance obligations of $4.8 billion and $2.6 billion, respectively. As of September 30, 2020, the aggregate amount of transaction price allocated to remaining service and lease performance obligations associated with operating leases was $3.3 billion and $1.8 billion, respectively. We expect to recognize this revenue as service is provided over the lease contract term of 18 months.

Information about remaining performance obligations that are part of a contract that has an original expected duration of one year or less have been excluded from the above, which primarily consists of monthly service contracts.

Certain of our wholesale, roaming and other service contracts include variable consideration based on usage. This variable consideration has been excluded from the disclosure of remaining performance obligations. As of September 30, 2020, the aggregate amount of the contractual minimum consideration for wholesale, roaming and other service contracts is $382 million, $1.3 billion and $1.4 billion for 2020, 2021, and 2022 and beyond, respectively. These contracts have a remaining duration ranging from less than one year to nine years.

Contract Costs

The total balance of deferred incremental costs to obtain contracts was $1.0 billion and $906 million as of September 30, 2020 and December 31, 2019, respectively. Deferred contract costs incurred to obtain postpaid service contracts are amortized over a period of 24 months. The amortization period is monitored to reflect any significant change in assumptions. Amortization of deferred contract costs is included in Selling, general and administrative expenses in our Condensed Consolidated Statements of Comprehensive Income and was $221 million and $162 million for the three months ended September 30, 2020 and 2019, respectively, and $631 million and $415 million for the nine months ended September 30, 2020 and 2019, respectively.

Immediately preceding the close of the Merger, Sprint had deferred costs to obtain postpaid contracts of approximately $1.7 billion. This balance was adjusted to zero as part of our purchase price allocation. Contract costs capitalized for new postpaid contracts will accumulate in Other assets in our Condensed Consolidated Balance Sheets from the Merger close date. As a result, there will be a net benefit to Operating income in our Condensed Consolidated Statements of Comprehensive Income during the remainder of the year as capitalization of costs exceed amortization. As capitalized costs amortize into expense over time, the accretive benefit to Operating income anticipated for the remainder of the year is expected to moderate in 2021 and normalize in 2022.

The deferred contract cost asset is assessed for impairment on a periodic basis. There were no impairment losses recognized on deferred contract cost assets for the three and nine months ended September 30, 2020 and 2019.

Note 11 – Employee Compensation and Benefit Plans

Under our 2013 Omnibus Incentive Plan (the “Incentive Plan”), we are authorized to issue up to 101 million shares of our common stock. Under the Incentive Plan, we can grant stock options, stock appreciation rights, restricted stock, restricted stock units (“RSUs”), and performance awards to eligible employees, consultants, advisors and non-employee directors. As of September 30, 2020, there were approximately 25 million shares of common stock available for future grants under the Incentive Plan.

We grant RSUs to eligible employees, key executives and certain non-employee directors and performance-based restricted stock units (“PRSUs”) to eligible key executives. RSUs entitle the grantee to receive shares of our common stock upon vesting (with vesting generally occurring annually over a three-year period), subject to continued service through the applicable vesting date. PRSUs entitle the holder to receive shares of our common stock at the end of a performance period of generally up to three years if the applicable performance goals are achieved and generally subject to continued service through the applicable performance period. The number of shares ultimately received by the holder of PRSUs is dependent on our business performance against the specified performance goal(s) over a pre-established performance period. We also maintain an employee stock purchase plan (“ESPP”), under which eligible employees can purchase our common stock at a discounted price.

Stock-based compensation expense and related income tax benefits were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except shares, per share and contractual life amounts)	**2020**	**2019**	**2020**	**2019**
Stock-based compensation expense	$ 161	$ 126	$ 558	$ 366
Income tax benefit related to stock-based compensation	$ 34	$ 25	$ 105	$ 70
Weighted average fair value per stock award granted	$ 114.52	$ 77.41	$ 97.28	$ 73.18
Unrecognized compensation expense	$ 670	$ 631	$ 670	$ 631
Weighted average period to be recognized (years)	1.9	1.8	1.9	1.8
Fair value of stock awards vested	$ 264	$ 14	$ 1,079	$ 356

Stock Awards

On April 1, 2020, we closed the Merger to combine T-Mobile and Sprint pursuant to the Business Combination Agreement. Pursuant to the Business Combination Agreement, upon the completion of the Merger, T-Mobile assumed Sprint's stock compensation plans. In addition, pursuant to the Business Combination Agreement, at the Effective Time, each outstanding option to purchase Sprint common stock (other than under Sprint's Employee Stock Purchase Plan), each award of time-based RSUs in respect of shares of Sprint common stock and each award of performance-based RSUs in respect of shares of Sprint common stock, in each case, that was outstanding as of immediately prior to the Effective Time was automatically adjusted by the Exchange Ratio (as defined in the Business Combination Agreement) and converted into an equity award of the same type covering shares of T-Mobile common stock, on the same terms and conditions, (including, if applicable, any continuing vesting requirements (but excluding any performance-based vesting conditions)) under the applicable Sprint plan and award agreement in effect immediately prior to the Effective Time (the "Assumed Awards"). The applicable amount of performance-based RSUs eligible for conversion was based on formulas and approximated 100% of target. Any accrued but unpaid dividend equivalents with respect to any such award of time-based RSUs or performance-based RSUs were assumed by T-Mobile at the Effective Time and became an obligation with respect to the applicable award of RSUs in respect of shares of T-Mobile common stock.

On April 22, 2020, we filed a Form S-8 to register a total of 25,304,224 shares of common stock, representing those covered by the Sprint Corporation 1997 Long-Term Stock Incentive Program, the Sprint Corporation 2007 Omnibus Incentive Plan and the Sprint Corporation Amended and Restated 2015 Omnibus Incentive Plan that T-Mobile assumed in connection with the closing of the Merger. This included 7,043,843 shares of T-Mobile common stock issuable upon exercise or settlement of the Assumed Awards held by current directors, officers, employees and consultants of T-Mobile or its subsidiaries who were directors, officers, employees and consultants of Sprint or its subsidiaries immediately prior to the Effective Time, as well as (a) 12,420,945 shares of T-Mobile common stock that remain available for issuance under the 2015 Plan and (b) 5,839,436 additional shares of T-Mobile common stock subject to awards granted under the 2015 Plan that may become available for issuance under the 2015 Plan if any awards under the 2015 Plan are forfeited, lapse unexercised or are settled in cash.

Time-Based Restricted Stock Units and Restricted Stock Awards

(in millions, except shares, per share and contractual life amounts)	Number of Units or Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Nonvested, December 31, 2019	10,503,211	$ 67.31	0.9	$ 824
Assumed through acquisition	1,852,527	83.90		
Granted	5,598,737	95.56		
Vested	(6,151,759)	69.74		
Forfeited	(861,098)	84.14		
Nonvested, September 30, 2020	10,941,618	81.90	1.0	1,251

Performance-Based Restricted Stock Units and Restricted Stock Awards

(in millions, except shares, per share and contractual life amounts)	Number of Units or Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Nonvested, December 31, 2019	3,803,539	$ 69.78	1.0	$ 300
Assumed through acquisition	3,535,384	83.90		
Granted	1,962,547	105.49		
Vested	(5,120,598)	76.32		
Forfeited	(136,359)	83.90		
Nonvested, September 30, 2020	4,044,513	83.69	0.9	465

PRSUs included in the table above are shown at target. Share payout can range from 0% to 200% based on different performance outcomes. Weighted average grant date fair value of RSU and PRSU assumed through acquisition is based on the fair value on the date assumed.

Payment of the underlying shares in connection with the vesting of RSU awards generally triggers a tax obligation for the employee, which is required to be remitted to the relevant tax authorities. We have agreed to withhold shares of common stock otherwise issuable under the RSU awards to cover certain of these tax obligations, with the net shares issued to the employee accounted for as outstanding common stock. We withheld 648,872 and 53,349 shares of common stock to cover tax obligations associated with the payment of shares upon vesting of stock awards and remitted cash of $72 million and $4 million to the appropriate tax authorities for the three months ended September 30, 2020 and 2019, respectively. We withheld 3,703,906 and 1,474,011 shares of common stock to cover tax obligations associated with the payment of shares upon vesting of stock awards and remitted cash of $351 million and $108 million to the appropriate tax authorities for the nine months ended September 30, 2020 and 2019, respectively.

Employee Stock Purchase Plan

Our ESPP allows eligible employees to contribute up to 15% of their eligible earnings toward the semi-annual purchase of our shares of common stock at a discounted price, subject to an annual maximum dollar amount. Employees can purchase stock at a 15% discount applied to the closing stock price on the first or last day of the six-month offering period, whichever price is lower. The number of shares issued under our ESPP was 2,144,036 and 2,091,650 for the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, the number of securities remaining available for future sale and issuance under the ESPP was 4,253,858. Sprint’s ESPP was terminated prior to the Merger close and legacy Sprint employees were eligible to enroll in our ESPP on August 15, 2020.

Our ESPP provides for an annual increase in the aggregate number of shares of our common stock reserved for sale and authorized for issuance thereunder as of the first day of each fiscal year (beginning with fiscal year 2016) equal to the lesser of (i) 5,000,000 shares of our common stock, and (ii) the number of shares of T-Mobile common stock determined by the Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”). For fiscal years 2016 through 2019, the Compensation Committee determined that no such increase in shares of our common stock was necessary. However, an additional 5,000,000 shares of our common stock were automatically added to the ESPP share reserve as of January 1, 2020.

Stock Options

Stock options outstanding relate to the Metro Communications, Inc. 2010 Equity Incentive Compensation Plan, the Amended and Restated Metro Communications, Inc. 2004 Equity Incentive Compensation Plan, the Layer3 TV, Inc. 2013 Stock Plan, and the Sprint 2015 Plan (collectively, the “Stock Option Plans”). No new awards may be granted under the Stock Option Plans, and no awards were granted during the nine months ended September 30, 2020.

The following activity occurred under the Stock Option Plans:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at December 31, 2019	194,942	$ 13.80	2.9
Assumed through acquisition	1,635,518	33.37	
Exercised	(794,853)	52.27	
Expired/canceled	(4,296)	41.82	
Outstanding at September 30, 2020	1,031,311	52.51	4.1
Exercisable at September 30, 2020	1,029,731	52.55	4.1

Weighted average grant date fair value of stock options assumed through acquisition is based on the fair value on the date assumed.

Stock options exercised under the Stock Option Plans generated proceeds of approximately $27 million for the three months ended September 30, 2020 and $42 million and $1 million for the nine months ended September 30, 2020 and 2019, respectively. There were no proceeds for the three months ended September 30, 2019.

The grant-date fair value of share-based incentive compensation awards attributable to post-combination services, including restricted stock units and stock options, from our Merger with Sprint was approximately $163 million.

Pension Plan

Upon the completion of our Merger with Sprint, we assumed the Pension Plan which provides defined benefits and other postretirement benefits to participants. The Pension Plan was amended in 2005 to freeze plan accruals for participants. The plan assets acquired and obligations assumed were recognized at fair value on the Merger close date.

The components of net expense recognized for the Pension Plan were as follows:

(in millions)	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Interest on projected benefit obligations	$ 18	$ 35
Expected return on pension plan assets	(15)	(30)
Net pension expense	$ 3	$ 5

The net expense associated with the Pension Plan is included in Other (expense) income, net of our Condensed Consolidated Statements of Comprehensive Income.

The fair value of our pension plan assets and certain other postretirement benefit plan assets in aggregate was $1.2 billion and our projected benefit obligations in aggregate was $2.1 billion as of both April 1, 2020 and September 30, 2020. As a result, the plans were underfunded by approximately $900 million as of both April 1, 2020 and September 30, 2020, and were recorded in Other long-term liabilities in our Condensed Consolidated Balance Sheets.

During the three and nine months ended September 30, 2020, we made contributions of $26 million and $42 million, respectively, to the benefit plan. No contributions were made in fiscal periods prior to April 1, 2020. We expect to make contributions to the Plan of $16 million through the year ended December 31, 2020.

Employee Retirement Savings Plan

We sponsor retirement savings plans for the majority of our employees under Section 401(k) of the Internal Revenue Code and similar plans. The plans allow employees to contribute a portion of their pretax and post-tax income in accordance with specified guidelines. The plans provide that we match a percentage of employee contributions up to certain limits. Employer matching contributions were $49 million and $24 million for the three months ended September 30, 2020 and 2019, respectively, and $128 million and $88 million for the nine months ended September 30, 2020 and 2019, respectively.

Note 12 - Discontinued Operations

On July 26, 2019, we entered into an Asset Purchase Agreement with Sprint and DISH. On June 17, 2020, T-Mobile, Sprint and DISH entered into the First Amendment. Pursuant to the First Amendment to the Asset Purchase Agreement, T-Mobile, Sprint and DISH agreed to proceed with the closing of the Prepaid Transaction in accordance with the Asset Purchase Agreement on July 1, 2020, subject to the terms and conditions of the Asset Purchase Agreement and the terms and conditions of the Consent Decree.

On July 1, 2020, pursuant to the Asset Purchase Agreement, upon the terms and subject to the conditions thereof, we completed the Prepaid Transaction. Upon closing of the Prepaid Transaction, we received $1.4 billion from DISH for the Prepaid Business, subject to a working capital adjustment. The close of the Prepaid Transaction did not have a significant impact on our Condensed Consolidated Statements of Comprehensive Income.

The assets of the Prepaid Business included EIP receivables originated pursuant to financed equipment purchases by customers of the Prepaid Business. At the time of the Prepaid Transaction, DISH did not hold certain licenses required to purchase or originate such contracts. In order to transfer the economics of the contracts to DISH without transferring ownership of them, the parties entered into a Participation Agreement under which we agreed to transfer a 100% participation interest in the contracts to DISH. Under the terms of the agreement, DISH retains all cash flows collected on these assets, and there is no recourse against us for any credit losses on such loans. The proceeds received from DISH in exchange for this participation interest was a component of total consideration received for the Prepaid Transaction. We will temporarily continue to originate equipment installment contracts on DISH’s behalf under the same terms in exchange for an amount equal to the initial outstanding principal balance of the originated contracts, again without recourse against us for any credit losses.

Of the total $1.4 billion of proceeds received under the Prepaid Transaction, approximately $162 million was allocated to the EIP receivables to which we transferred DISH a 100% participation interest. We accounted for this portion of the proceeds as a secured borrowing and present it in Other, net, within Net cash (used in) provided by financing activities in our Condensed Consolidated Statements of Cash Flows accordingly. The remaining $1.2 billion was allocated to the divested net assets of the Prepaid Business. The net cash received for the Prepaid Business is presented in Proceeds from the divestiture of prepaid business within Net cash used in investing activities in our Condensed Consolidated Statements of Cash Flows.

The results of the Prepaid Business include revenues and expenses directly attributable to the operations disposed. Corporate and administrative expenses not directly attributable to the operations were not allocated to the Prepaid Business. The results of the Prepaid Business from April 1, 2020, through September 30, 2020, are presented in Income from discontinued operations, net of tax in our Condensed Consolidated Statements of Comprehensive Income.

The components of discontinued operations from the Merger close date of April 1, 2020, through September 30, 2020, were as follows:

(in millions)	Nine Months Ended September 30, 2020
Major classes of line items constituting pretax income from discontinued operations	
Prepaid revenues	$ 973
Roaming and other service revenues	27
Total service revenues	1,000
Equipment revenues	270
Total revenues	1,270
Cost of services	25
Cost of equipment sales	499
Selling, general and administrative	314
Total operating expenses	838
Pretax income from discontinued operations	432
Income tax expense	(112)
Income from discontinued operations	$ 320

Net cash provided by operating activities from the Prepaid Business included in the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2020, were $611 million, all of which relates to the operations of the

Prepaid Business during the three months ended June 30, 2020. There were no cash flows from investing or financing related to the Prepaid Business for the three and nine months ended September 30, 2020.

Continuing Involvement

Upon the closing of the Prepaid Transaction, we and DISH entered into (i) a License Purchase Agreement pursuant to which (a) DISH has the option to purchase certain 800 MHz spectrum licenses for a total of approximately $3.6 billion in a transaction to be completed, subject to certain additional closing conditions, following an application for FCC approval to be filed three years following the closing of the Merger and (b) we will have the option to lease back from DISH, as needed, a portion of the spectrum sold for an additional two years following the closing of the spectrum sale transaction, (ii) a Transition Services Agreement providing for our provisioning of transition services to DISH in connection with the Prepaid Business for a period of up to three years following the closing of the Prepaid Transaction, (iii) a Master Network Services Agreement providing for the provisioning of network services to customers of the Prepaid Business for a period of up to seven years following the closing of the Prepaid Transaction, and (iv) an Option to Acquire Tower and Retail Assets offering DISH the option to acquire certain decommissioned towers and retail locations from us, subject to obtaining all necessary third-party consents, for a period of up to five years following the closing of the Prepaid Transaction.

In the event DISH breaches the License Purchase Agreement or fails to deliver the purchase price following the satisfaction or waiver of all closing conditions, DISH's sole liability is to pay us a fee of approximately $72 million. Additionally, if DISH does not exercise the option to purchase the 800 MHz spectrum licenses, we have an obligation to offer the licenses for sale through an auction. If the specified minimum price of $3.6 billion was not met in the auction, we would retain the licenses. As the sale of 800 MHz spectrum licenses is not expected to close within one year, the criteria for presentation as an asset held for sale is not met.

Cash flows associated with the Master Network Services Agreement and Transition Services Agreement are included within Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows.

Note 13 – Income Taxes

Within our Condensed Consolidated Statements of Comprehensive Income, we recorded Income tax expense on continuing operations of $407 million and $325 million for the three months ended September 30, 2020 and 2019, respectively, and $715 million and $921 million for the nine months ended September 30, 2020 and 2019, respectively. The change for the three months ended September 30, 2020 was primarily from higher income before income taxes. The change for the nine months ended September 30, 2020 was primarily from lower income before income taxes.

The effective tax rate from continuing operations was 24.5% and 27.1% for the three months ended September 30, 2020 and 2019, respectively, and 26.4% and 25.3% for the nine months ended September 30, 2020 and 2019, respectively.

The decrease in the effective income tax rate for the three months ended September 30, 2020 was primarily due to higher income before income taxes, an increase in excess tax benefits, and the benefit of a reduction in the valuation allowance against deferred tax assets related to federal tax credits for the three months ended September 30, 2020 compared to the three months ended September 30, 2019.

The increase in the effective income tax rate for the nine months ended September 30, 2020, was primarily due to lower income before income taxes and an increase in expenses that are not deductible for income tax purposes, including our Layer3 goodwill impairment and certain Merger-related costs.

As a result of the Merger, we acquired additional deferred tax assets for which a valuation allowance reserve is deemed to be necessary, as well as additional uncertain tax benefit reserves. The estimated amount of the valuation allowance reserve and uncertain tax benefit reserves was $1.0 billion and $540 million, respectively, as of September 30, 2020. Due to the size and complexity of the Merger, our estimate of these amounts is preliminary and is subject to finalization and adjustment, which could be material, during the measurement period of up to one year from the Merger close date. During the measurement period, we will adjust these amounts if new information is obtained about facts or circumstances that existed as of the acquisition date that, if known, would have changed these amounts. See Note 2 - Business Combination for further information.

Note 14 - SoftBank Equity Transaction

On June 22, 2020, we entered into a Master Framework Agreement (the "Master Framework Agreement"), by and among the Company, SoftBank, SoftBank Group Capital Ltd, a wholly owned subsidiary of SoftBank ("SBGC"), Delaware Project 4 L.L.C., a wholly owned subsidiary of SoftBank, Delaware Project 6 L.L.C., a wholly owned subsidiary of SoftBank, Claure Mobile LLC ("CM LLC"), DT, and T-Mobile Agent LLC, a wholly owned subsidiary of the Company.

The Master Framework Agreement and related transactions were entered into to facilitate SoftBank's monetization of a portion of our common stock held by SoftBank (the "SoftBank Monetization"). In connection with the Master Framework Agreement, DT waived the restriction on the transfer under its Proxy, Lock-Up and ROFR Agreement, dated April 1, 2020, with SoftBank (the "SoftBank Proxy Agreement") with respect to approximately 198 million shares of our common stock held by SoftBank (the "Released Shares"). Upon the close of the Public Equity Offering (as defined below), we received a payment from SoftBank for $304 million for our role in facilitating the SoftBank Monetization. The payment received from SoftBank, net of tax, of $230 million was recorded as Additional paid-in capital in our Condensed Consolidated Balance Sheets and is presented as a reduction of Repurchases of common stock within Net cash (used in) provided by financing activities within our Condensed Consolidated Statements of Cash Flows.

Under the terms of the Master Framework Agreement and the agreements contemplated thereby, SBGC sold the Released Shares to us, and we participated in the following transactions:

Public Equity Offering

On June 26, 2020, we completed a registered public offering of approximately 154.1 million shares of our common stock (the "Public Equity Offering") at a price of $103.00 per share. The net proceeds of the Public Equity Offering were used to repurchase an equal number of issued and outstanding shares of our common stock from SBGC, pursuant to a Share Repurchase Agreement, dated as of June 22, 2020 (the "Share Repurchase Agreement"), between us and SBGC.

Mandatory Exchangeable Offering

Concurrent with the Public Equity Offering, we sold approximately 19.4 million shares of our common stock to a third-party trust. The net proceeds from the sale of shares to the trust were used to repurchase an equal number of issued and outstanding shares of our common stock from SBGC.

The trust issued mandatory exchangeable trust securities, which entitle holders to receive quarterly distributions from the trust and a final mandatory exchange price to be settled on June 1, 2023 ("Mandatory Exchangeable Offering").

The trust was required to use a portion of the net proceeds from the Mandatory Exchangeable Offering to purchase U.S. Treasury securities, to fund quarterly distributions on the mandatory exchangeable trust securities, and the holders of the mandatory exchangeable trust securities will be entitled to a final mandatory exchange amount on June 1, 2023 that will depend on the daily volume-weighted average price of shares of our common stock.

The sale of shares through the Public Equity Offering and to the trust occurred simultaneously with the purchase of shares from SBGC. These simultaneous transactions did not result in a net change to our treasury shares or shares of common stock outstanding.

As these transactions occurred with separate counterparties, the exchange of shares and cash are presented on a gross basis in our Condensed Consolidated Statement of Stockholders' Equity and Condensed Consolidated Statements of Cash Flows, respectively. The shares sold are presented in Shares issued in secondary offering and the shares purchased from SBGC are presented in Shares repurchased from SoftBank within our Condensed Consolidated Statement of Stockholders' Equity. The cash received from the sale of shares is presented in Issuance of common stock and the cash paid to purchase shares from SoftBank are presented in Repurchases of common stock within Net cash (used in) provided by financing activities within our Condensed Consolidated Statements of Cash Flows.

The Company is not affiliated with the trust, will not retain any proceeds from the offering of the trust securities, and will have no ongoing interest, economic or otherwise, in the trust securities.

Rights Offering

The Master Framework Agreement provides for the issuance of registered, transferable subscription rights (the "Rights Offering") resulting in the sale of 19,750,000 shares of our common stock to our stockholders (other than SoftBank, DT and Marcelo Claure and their respective affiliates, who agreed to waive their ability to exercise or transfer such rights). The subscription rights provided the stockholders the option to purchase one share of common stock for every 20 shares of common stock owned, at the same price per share as the common stock sold in the Public Equity Offering of $103.00 per share.

The Rights Offering exercise period expired on July 27, 2020. On August 3, 2020, the Rights Offering closed, resulting in the sale of 19,750,000 shares of our common stock. The net proceeds from the Rights Offering were used to purchase an equal number of shares from SBGC pursuant to the Share Repurchase Agreement.

Marcelo Claure

The Master Framework Agreement provided for the purchase of 5.0 million shares of our common stock by Marcelo Claure, a member of our board of directors, from us at the same price per share as the common stock sold in the Public Equity Offering of $103.00 per share.

Following receipt of the necessary regulatory approvals on July 16, 2020, the sale of shares to Marcelo Claure occurred simultaneously with our purchase of an equivalent number of shares from SBGC at the same price per share pursuant to the Share Repurchase Agreement.

Ownership Following the SoftBank Monetization

As of September 30, 2020, DT and SoftBank held, directly or indirectly, approximately 43.4%, and 8.6%, respectively, of the outstanding T-Mobile common stock, with the remaining approximately 48.0% of the outstanding T-Mobile common stock held by other stockholders.

The SoftBank Proxy Agreement remains in effect with respect to the remaining shares of our common stock held by SoftBank. In addition, on June 22, 2020, DT, CM LLC, and Marcelo Claure entered into a Proxy, Lock-Up and ROFR Agreement (the "Claure Proxy Agreement," together with the SoftBank Proxy Agreement, the "Proxy Agreements"), pursuant to which any shares of our common stock acquired after June 22, 2020 by Mr. Claure or CM LLC, an entity controlled by Mr. Claure, other than shares acquired as a result of Mr. Claure's role as a director or officer of the Company, will be voted in the manner as directed by DT.

Accordingly, as a result of the Proxy Agreements, DT has voting control as of September 30, 2020 over approximately 52.4% of the outstanding T-Mobile common stock. In addition, as provided for in the Master Framework Agreement, DT also holds certain call options over approximately 101.5 million shares of our common stock held by SBGC.

DT Call Option

In exchange for DT consenting to the transfer of the Released Shares and as provided for in the Master Framework Agreement, DT received direct and indirect call options over up to approximately 101.5 million shares of our common stock held by SBGC. The arrangement provides DT with a fixed-price call option to purchase up to approximately 44.9 million shares at a price of $101.46 per share indirectly from SBGC through a back-to-back arrangement where (i) DT can purchase such shares from us (the "DT Fixed-Price Call Option") and (ii) we will fulfill our obligations under the DT Fixed-Price Call Option by simultaneously purchasing the same number of shares on the same economic terms from SBGC (the "T-Mobile Fixed-Price Call Option"). In addition, DT has a floating-price call option to purchase up to approximately 56.6 million shares from SBGC directly (the "DT Floating Option").

The call options expire on June 22, 2024 (the "Expiration Time"). The back-to-back arrangement can be initiated by DT at any time prior to the Expiration Time. The DT Floating Option cannot be exercised until the earlier of (i) 30 days prior to the Expiration Time and (ii) the later of (x) the date the DT Fixed-Price Call Option and the T-Mobile Fixed-Price Call Option are exercised in full and (y) October 2, 2020.

Our obligations to DT under the DT Fixed-Price Call Option are secured solely by our rights under the T-Mobile Fixed-Price Call Option and DT has no recourse against us other than enforcement of this security arrangement.

The DT Fixed-Price Call Option and the T-Mobile Fixed-Price Call Option represent free-standing derivatives and are recorded at fair value and marked-to-market each period. The fair value of each call option was estimated at $1.0 billion as of September 30, 2020 using the income approach. The fair value measurements are based on significant inputs not observable in the market and, therefore, represent a Level 3 measurement as defined in ASC 820. The key assumptions in applying the income approach include estimated share-price volatility, which was based on historical market trends and expected future performance of T-Mobile, as well as the assessment of counterparty credit risk.

The asset associated with the T-Mobile Fixed-Price Call Option is recorded within Other current assets in the Condensed Consolidated Balance Sheets, and the liability associated with the DT Fixed-Price Call Option is recorded within Other current liabilities in the Condensed Consolidated Balance Sheets. As the mark-to-market valuations of the T-Mobile Fixed-Price Call Option and the DT Fixed-Price Call Option move in equal and offsetting directions, there is no net impact on our Condensed Consolidated Statements of Comprehensive Income.

Subsequent to September 30, 2020, on October 6, 2020, we assigned our rights under the T-Mobile Fixed-Price Call Option to DT and DT terminated its right to purchase shares from us under the DT Fixed-Price Call Option, resulting in derecognition of the related derivative asset and liability in equal and offsetting amounts such that there was no net impact to our Condensed Consolidated Statements of Comprehensive Income.

Note 15 – Earnings Per Share

The computation of basic and diluted earnings per share was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except shares and per share amounts)	2020	2019	2020	2019
Income from continuing operations	$ 1,253	$ 870	$ 1,994	$ 2,717
Income from discontinued operations, net of tax	—	—	320	—
Net income	$ 1,253	$ 870	$ 2,314	$ 2,717
Weighted average shares outstanding - basic	1,238,450,665	854,578,241	1,111,511,964	853,391,370
Effect of dilutive securities:				
Outstanding stock options and unvested stock awards	11,348,075	8,112,510	10,528,564	9,463,284
Weighted average shares outstanding - diluted	1,249,798,740	862,690,751	1,122,040,528	862,854,654
Basic earnings per share:				
Continuing operations	$ 1.01	$ 1.02	$ 1.79	$ 3.18
Discontinued operations	—	—	0.29	—
Earnings per share - basic	$ 1.01	$ 1.02	$ 2.08	$ 3.18
Diluted earnings per share:				
Continuing operations	$ 1.00	$ 1.01	$ 1.78	$ 3.15
Discontinued operations	—	—	0.28	—
Earnings per share - diluted	$ 1.00	$ 1.01	$ 2.06	$ 3.15
Potentially dilutive securities:				
Outstanding stock options and unvested stock awards	54,485	241	30,469	30,314
SoftBank contingent consideration	48,751,557	—	32,738,272	—

On April 1, 2020, in connection with the closing of the Merger, we amended and restated the Company’s certificate of incorporation in the form of the Fifth Amended and Restated Certificate of Incorporation (the “Restated Certificate”). Pursuant to the Restated Certificate, the authorized capital stock of T-Mobile consists of 2,000,000,000 shares of T-Mobile common stock and 100,000,000 shares of preferred stock, par value $0.00001 per share.

As of September 30, 2020, we had authorized 100 million shares of preferred stock, with a par value of $0.00001 per share. There was no preferred stock outstanding as of September 30, 2020 and 2019. Potentially dilutive securities were not included in the computation of diluted earnings per share if to do so would have been anti-dilutive or if there was a loss from continuing operations for the period.

The SoftBank Specified Shares Amount of 48,751,557 was determined to be contingent consideration for the Merger and is not dilutive until the defined volume-weighted average price per share is reached.

Note 16 - Leases

Lessee

We are a lessee for non-cancelable operating and financing leases for cell sites, switch sites, retail stores, network equipment and office facilities with contractual terms that generally extend through 2035. Additionally, we lease dark fiber through non-cancelable operating leases with contractual terms that generally extend through 2041. The majority of cell site leases have an initial non-cancelable term of five to 10 years with several renewal options that can extend the lease term from five to 35 years. In addition, we have financing leases for network equipment that generally have a non-cancelable lease term of two to five years; the financing leases do not have renewal options and contain a bargain purchase option at the end of the lease.

Through the Merger, we acquired leases of real property, including cell sites, switch sites, dark fiber, retail stores and office facilities and recorded lease liabilities and associated right-of-use assets based on the discounted lease payments. Lease terms that are favorable or unfavorable to market terms were recorded as an adjustment to lease right-of-use assets on our Condensed Consolidated Balance Sheets. Favorable and unfavorable leases are amortized on a straight-line basis over the associated remaining lease term.

On September 14, 2020, T-Mobile and American Tower Corporation ("American Tower") entered into a lease agreement (the "American Tower Lease Agreement") that will enable us to lease American Tower towers through April 2035. The American Tower Lease Agreement extended the term and modified the rental payments for approximately 20,729 American Tower towers currently leased by us. As a result of this modification, we remeasured the associated right-of-use assets and lease liabilities resulting in an increase of $11.0 billion to each on the effective date of the modification.

The components of lease expense were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Operating lease expense	$ 1,259	$ 657	$ 3,082	$ 1,893
Financing lease expense:				
Amortization of right-of-use assets	183	146	508	376
Interest on lease liabilities	20	21	60	61
Total financing lease expense	203	167	568	437
Variable lease expense	106	62	239	185
Total lease expense	$ 1,568	$ 886	$ 3,889	$ 2,515

Information relating to the lease term and discount rate is as follows:

	September 30, 2020
Weighted Average Remaining Lease Term (Years)	
Operating leases	10
Financing leases	3
Weighted Average Discount Rate	
Operating leases	4.0 %
Financing leases	3.5 %

Maturities of lease liabilities as of September 30, 2020, were as follows:

(in millions)	Operating Leases	Finance Leases
Twelve Months Ending September 30,		
2021	$ 4,717	$ 1,100
2022	4,361	792
2023	3,754	426
2024	3,301	89
2025	2,785	61
Thereafter	19,184	72
Total lease payments	38,102	2,540
Less: imputed interest	7,786	117
Total	$ 30,316	$ 2,423

Interest payments for financing leases were $19 million and $20 million for the three months ended September 30, 2020 and 2019, respectively, and $59 million and $61 million for the nine months ended September 30, 2020 and 2019, respectively.

As of September 30, 2020, we have additional operating leases for cell sites and commercial properties that have not yet commenced with future lease payments of approximately $283 million.

As of September 30, 2020, we were contingently liable for future ground lease payments related to certain tower obligations. These contingent obligations are not included in the above table as the amounts owed are contractually owed by Crown Castle International Corp. based on the subleasing arrangement. See Note 9 - Tower Obligations for further information.

Lessor

Our leasing programs ("Leasing Programs"), which include JUMP! On Demand and the Sprint Flex Lease program acquired through the Merger, allow customers to lease a device (handset or tablet) over a period of, generally, 18 months and upgrade it for a new device when eligibility requirements are met. At the end of the initial term, customers are given the opportunity to return the device, purchase the device or extend the lease on a month-to-month basis. Upon device upgrade or at lease end, customers must return or purchase their device. The purchase price of the device is established at lease commencement and is based on the type of device leased and any down payment made. The Leasing Programs do not contain any residual value guarantees or variable lease payments, and there are no restrictions or covenants imposed by these leases. Leased wireless devices are included in Property and equipment, net in our Condensed Consolidated Balance Sheets.

Through the Merger, we acquired leased wireless devices with a fair value of $5.8 billion as of April 1, 2020.

The components of leased wireless devices under our Leasing Programs were as follows:

(in millions)	Average Remaining Useful Life	September 30, 2020	December 31, 2019
Leased wireless devices, gross	10 months	$ 7,436	$ 1,139
Accumulated depreciation		(1,648)	(407)
Leased wireless devices, net		$ 5,788	$ 732

For equipment revenues from the lease of mobile communication devices, see Note 10 - Revenue from Contracts with Customers.

Future minimum payments expected to be received over the lease term related to leased wireless devices, which exclude optional residual buy-out amounts at the end of the lease term, are summarized below:

(in millions)	Expected Payments
Twelve Months Ending September 30,	
2021	$ 2,315
2022	156
Total	$ 2,471

Note 17 – Commitments and Contingencies

Purchase Commitments

We have commitments for non-dedicated transportation lines with varying expiration terms that generally extend through 2029. In addition, we have commitments to purchase wireless devices, network services, equipment, software, marketing sponsorship agreements and other items in the ordinary course of business, with various terms through 2050.

Our purchase commitments, including purchase commitments assumed through the Merger, are approximately $4.2 billion for the year ending September 30, 2021, $3.4 billion in total for the years ending September 30, 2022 and 2023, $1.6 billion in total for the years ending September 30, 2024 and 2025 and $1.5 billion in total for the years thereafter. These amounts are not reflective of our entire anticipated purchases under the related agreements but are determined based on the non-cancelable quantities or termination amounts to which we are contractually obligated.

Spectrum Leases

In connection with the Merger, we assumed certain spectrum lease contracts from Sprint that include service obligations to the lessors. Certain of the spectrum leases provide for minimum lease payments, additional charges, renewal options and escalation clauses. Leased spectrum agreements have varying expiration terms that generally extend through 2050. We expect that all renewal periods in our spectrum leases will be exercised by us.

Our spectrum lease and service credit commitments, including renewal periods, are approximately $328 million for the year ending September 30, 2021, $698 million in total for the years ending September 30, 2022 and 2023, $609 million in total for the years ending September 30, 2024 and 2025 and $5.1 billion in total for the years thereafter.

We accrue a monthly obligation for the services and equipment based on the total estimated available service credits divided by the term of the lease. The obligation is reduced by services provided and as actual invoices are presented and paid to the lessors. The maximum remaining commitment on September 30, 2020 was $92 million and is expected to be incurred over the term of the related lease agreements, which generally range from 15 to 30 years.

Merger Commitments

In connection with the regulatory proceedings and approvals of the Transactions, we have commitments and other obligations to various state and federal agencies and certain nongovernmental organizations, including pursuant to the Consent Decree agreed to by us, DT, Sprint, SoftBank and DISH and entered by the U.S. District Court for the District of Columbia, and the FCC’s memorandum opinion and order approving our applications for approval of the Merger. These commitments and obligations include, among other things, extensive 5G network build-out commitments, obligations to deliver high-speed wireless services to the vast majority of Americans, including Americans residing in rural areas, and the marketing of an in-home broadband product where spectrum capacity is available. Other commitments relate to national security, pricing, service, employment and support of diversity initiatives. Many of the commitments specify time frames for compliance. Failure to fulfill our obligations and commitments in a timely manner could result in substantial fines, penalties, or other legal and administrative actions.

Our monetary commitments associated with these matters are approximately $24 million for the year ended September 30, 2021, $36 million in total for the years ended September 30, 2022 and 2023 and $13 million in total for the years ended September 30, 2024 and 2025. These amounts do not represent our entire anticipated costs to achieve specified network coverage and performance requirements, employment targets or commitments to provide access to affordable rate plans, but represent only those amounts for which we are required to make a specified payment in connection with our commitments or settlements.

Contingencies and Litigation

Litigation Matters

On February 28, 2020, we received a Notice of Apparent Liability for Forfeiture and Admonishment from the FCC ("FCC NAL"), which proposed a penalty against us for allegedly violating section 222 of the Communications Act and the FCC's regulations governing the privacy of customer information. We recorded an accrual for an estimated payment amount as of September 30, 2020, which was included in Accounts payable and accrued liabilities in our Condensed Consolidated Balance Sheets.

On April 1, 2020, in connection with the closing of the Merger, we assumed the contingencies and litigation matters of Sprint.
Those matters include a wide variety of disputes, claims, government agency investigations and enforcement actions, and other proceedings, including, among other things, certain ongoing FCC and state government agency investigations into Sprint's Lifeline program. In September 2019, Sprint notified the FCC that it had claimed monthly subsidies for serving subscribers even though these subscribers may not have met usage requirements under Sprint's usage policy for the Lifeline program, due to an inadvertent coding issue in the system used to identify qualifying subscriber usage that occurred in July 2017 while the system was being updated. Sprint has made a number of payments to reimburse the federal government and certain states for excess subsidy payments. Resolution of these matters could require making additional reimbursements and paying additional fines and penalties.

We note that pursuant to Amendment No 2. to the Business Combination Agreement, SoftBank agreed to indemnify us against certain specified matters and losses. As of September 30, 2020, we have recorded contingent liabilities and an offsetting indemnification asset for the expected reimbursement by SoftBank (including the Lifeline matter noted above). Subsequent to September 30, 2020, we reached an agreement on certain matters, which will result in a payment of $200 million to resolve the FCC's investigation. SoftBank has agreed to indemnify us for the settlement amount. We expect that any additional liabilities related to these indemnified matters would be indemnified and reimbursed by SoftBank. See Note 2 - Business Combination for further information.

We are involved in various lawsuits and disputes, claims, government agency investigations and enforcement actions, and other proceedings ("Litigation Matters") that arise in the ordinary course of business, which include claims of patent infringement (most of which are asserted by non-practicing entities primarily seeking monetary damages), class actions, and proceedings to enforce FCC rules and regulations. The Litigation Matters described above have progressed to various stages and some of them may proceed to trial, arbitration, hearing or other adjudication that could result in fines, penalties, or awards of monetary or injunctive relief in the coming 12 months if they are not otherwise resolved. We have established an accrual with respect to certain of these matters, where appropriate, which is reflected in the condensed consolidated financial statements but that is not considered to be, individually or in the aggregate, material. An accrual is established when we believe it is both probable that a loss has been incurred and an amount can be reasonably estimated. For other matters, where we have not determined that a loss is probable or because the amount of loss cannot be reasonably estimated, we have not recorded an accrual due to various factors typical in contested proceedings, including but not limited to uncertainty concerning legal theories and their resolution by courts or regulators, uncertain damage theories and demands, and a less than fully developed factual record. While we do not expect that the ultimate resolution of these proceedings, individually or in the aggregate, will have a material adverse effect on our financial position, an unfavorable outcome of some or all of these proceedings could have a material adverse impact on results of operations or cash flows for a particular period. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future.

Note 18 - Restructuring Costs

Upon close of the Merger, we began implementing restructuring initiatives to realize cost efficiencies and reduce redundancies. The major activities associated with the restructuring initiatives to date, include contract termination costs associated with the rationalization of retail stores, distribution channels, duplicative backhaul services and other agreements, severance costs associated with the integration of redundant processes and functions and the decommissioning of network infrastructure including cell sites and equipment to achieve synergies in network costs.

The following table summarizes the expenses incurred in connection with our restructuring initiatives:

	Restructuring Expenses Incurred	
(in millions)	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Contract termination costs	$ 56	$ 169
Severance costs	21	370
Network decommissioning	21	41
Total restructuring plan expenses	$ 98	$ 580

The expenses associated with the restructuring initiatives are included in Costs of services and Selling, general and administrative in our Condensed Consolidated Statements of Comprehensive Income. No expenses were incurred related to our restructuring initiatives for the three and nine months ended September 30, 2019.

Our restructuring initiatives also include the acceleration or termination of certain of our operating and financing leases for cell sites, switch sites, retail stores, network equipment and office facilities. Incremental expenses associated with accelerating amortization of the right-of-use assets on lease contracts were $80 million for both the three and nine months ended September 30, 2020 and are included within Costs of services and Selling, general and administrative in our Condensed Consolidated Statements of Comprehensive Income.

The changes in the liabilities associated with our restructuring initiatives, including expenses incurred and cash payments, are as follows:

(in millions)	April 1, 2020	Expenses Incurred	Cash Payments	Adjustments for Non-Cash Items [(1)]	September 30, 2020
Contract termination costs	$ —	$ 169	$ (74)	$ (1)	$ 94
Severance costs	—	370	(174)	(94)	102
Network decommissioning	—	41	(20)	(21)	—
Total	$ —	$ 580	$ (268)	$ (116)	$ 196

(1) Non-cash items consists of non-cash stock-based compensation included within Severance costs and the write-off of assets within Network decommissioning.

The liabilities accrued in connection with our restructuring initiatives are presented in Accounts payable and accrued liabilities in our Condensed Consolidated Balance Sheets.

Our restructuring activities are expected to occur over the next three years with substantially all costs incurred by fiscal year 2023. We are evaluating additional restructuring initiatives which are dependent on consultations and negotiation with certain counterparties and the expected impact on our business operations, which could affect the amount or timing of the restructuring costs and related payments.

Note 19 – Additional Financial Information

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are summarized as follows:

(in millions)	September 30, 2020	December 31, 2019
Accounts payable	$ 3,862	$ 4,322
Payroll and related benefits	1,151	802
Property and other taxes, including payroll	1,386	682
Interest	760	227
Commissions	321	251
Toll and interconnect	179	156
Advertising	107	127
Other	623	179
Accounts payable and accrued liabilities	$ 8,389	$ 6,746

Book overdrafts included in accounts payable and accrued liabilities were $240 million and $463 million as of September 30, 2020 and December 31, 2019, respectively.

Related Party Transactions

Deutsche Telekom

We have related party transactions associated with DT or its affiliates in the ordinary course of business, which are included in the condensed consolidated financial statements.

On April 1, 2020, in connection with the closing of the Merger, we:

- Repaid our $4.0 billion Incremental Term Loan Facility with DT, consisting of a $2.0 billion Incremental Term Loan Facility due 2022 and a $2.0 billion Incremental Term Loan Facility due 2024;
- Terminated our revolving credit facility with DT;
- Repurchased from DT $4.0 billion of indebtedness to affiliates, consisting of $2.0 billion of 5.300% Senior Notes due 2021 and $2.0 billion of 6.000% Senior Notes due 2024;
- Amended the $1.25 billion of 5.125% Senior Notes due 2025 and $1.25 billion of 5.375% Senior Notes due 2027, which represent indebtedness to affiliates, to change the maturity dates thereof to April 15, 2021 and April 15, 2022, respectively (the “2025 and 2027 Amendments”); and
- Made an additional payment for requisite consents to DT of $13 million. These payments were recognized as a reduction to Long-term debt to affiliates in our Condensed Consolidated Balance Sheets.

On July 4, 2020, we redeemed $1.25 billion aggregate principal amount of our 5.125% Senior Notes to affiliates due 2021.

Amounts associated with the debt owed to DT are reflected as “Short-term debt to affiliates” and “Long-term debt to affiliates” in our Condensed Consolidated Balance Sheets. Interest related to this debt is reflected as “Interest expense to affiliates” in our Condensed Consolidated Statements of Comprehensive Income.

The following table summarizes the impact of significant transactions with DT or its affiliates included in Operating expenses in the Condensed Consolidated Statements of Comprehensive Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Discount related to roaming expenses	$ —	$ (1)	$ (5)	$ (3)
Fees incurred for use of the T-Mobile brand	20	21	63	65
International long distance agreement	13	9	35	29

We have an agreement with DT in which we receive reimbursement of certain administrative expenses, which were $2 million and $3 million for the three months ended September 30, 2020 and 2019, respectively, and $5 million and $8 million for the nine months ended September 30, 2020 and 2019, respectively. Amounts due from and to DT related to these agreements are included in the Condensed Consolidated Balance Sheets as “Accounts Receivables from affiliates” and “Payables to affiliates,” respectively.

SoftBank

On June 22, 2020, we entered into a Master Framework Agreement and related transactions with SoftBank related to the SoftBank Monetization as described in Note 14 - SoftBank Equity Transaction. On July 27, 2020, in connection with the SoftBank Monetization, the Rights Offering exercise period closed, and on August 3, 2020, the Rights Offering closed, resulting in the sale of 19,750,000 shares of our common stock. On August 3, 2020, upon completion of the SoftBank Monetization, DT and SoftBank held, directly or indirectly, approximately 43.4% and 8.6%, respectively, of the outstanding T-Mobile common stock, with the remaining approximately 48.0% of the outstanding T-Mobile common stock held by other stockholders. As a result of the Proxy Agreements, DT has voting control as of August 3, 2020 over approximately 52.4% of the outstanding T-Mobile common stock. In addition, as provided for in the Master Framework Agreement, DT also holds certain call options over approximately 101.5 million shares of our common stock held by SBGC.

Subsequent to September 30, 2020, on October 6, 2020, we assigned our rights under the T-Mobile Fixed-Price Call Option to DT and DT terminated its right to purchase shares from us under the DT Fixed-Price Call Option, resulting in derecognition of the related derivative asset and liability in equal and offsetting amounts such that there was no net impact to our Condensed Consolidated Statements of Comprehensive Income.

Brightstar

We have arrangements with Brightstar, a subsidiary of SoftBank, whereby Brightstar provides supply chain and inventory management services to us in our indirect channels. We are currently in the process of terminating and restructuring most of our arrangements with Brightstar, except for reverse logistics and trade-in services. Amounts included in our consolidated financial statements associated with these supply chain and inventory management arrangements with Brightstar were not material.

For more information regarding our related party transactions with SoftBank, see Note 2 - Business Combination and Note 14 - SoftBank Equity Transaction of the Notes to the Condensed Consolidated Financial Statements.

Supplemental Consolidated Statements of Cash Flows Information

The following table summarizes T-Mobile’s supplemental cash flow information:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Interest payments, net of amounts capitalized	$ 940	$ 327	$ 1,889	$ 912
Operating lease payments	1,349	703	3,493	2,094
Income tax payments	63	5	118	77
Non-cash investing and financing activities				
Non-cash beneficial interest obtained in exchange for securitized receivables	1,535	1,734	4,634	4,862
Non-cash consideration for the acquisition of Sprint	—	—	33,533	—
Decrease in accounts payable and accrued liabilities for purchases of property and equipment	(216)	(460)	(555)	(906)
Leased devices transferred from inventory to property and equipment	599	298	2,352	612
Returned leased devices transferred from property and equipment to inventory	(433)	(65)	(1,030)	(189)
Short-term debt assumed for financing of property and equipment	—	475	38	775
Operating lease right-of-use assets obtained in exchange for lease obligations	11,833	989	13,046	3,083
Financing lease right-of-use assets obtained in exchange for lease obligations	219	395	912	943

Note 20 – Subsequent Events

Subsequent to September 30, 2020, on October 6, 2020, we assigned our rights under the T-Mobile Fixed-Price Call Option to DT and DT terminated its right to purchase shares from us under the DT Fixed-Price Call Option, resulting in derecognition of the related derivative asset and liability in equal and offsetting amounts such that there was no net impact to our Condensed Consolidated Statements of Comprehensive Income.

Subsequent to September 30, 2020, on October 6, 2020, T-Mobile USA issued $500 million of 2.050% Senior Secured Notes due 2028, $750 million of 2.550% Senior Secured Notes due 2031, $1.25 billion of 3.000% Senior Secured Notes due 2041, and $1.5 billion of 3.300% Senior Secured Notes due 2051. On October 9, 2020, we used the net proceeds of $4.0 billion to repay at par all of the outstanding amounts under, and terminate, the New Secured Term Loan Facility.

Subsequent to September 30, 2020, on October 28, 2020, T-Mobile USA issued $1.0 billion of 2.250% Senior Secured Notes due 2031, $1.25 billion of 3.000% Senior Secured Notes due 2041, $1.5 billion of 3.300% Senior Secured Notes due 2051 and $1.0 billion of 3.600% Senior Secured Notes due 2060. We intend to use the net proceeds for general corporate purposes, which may include among other things, acquisitions of additional spectrum and refinancing existing indebtedness on an ongoing basis.

Subsequent to September 30, 2020, on October 30, 2020, we entered into a $5.0 billion senior secured term loan commitment with certain financial institutions. Up to $5.0 billion of loans under the commitment may be drawn at any time (subject to customary conditions precedent) through June 30, 2021. If drawn, the facility matures in 364 days with one six-month extension exercisable at our discretion. Proceeds may be used for general corporate purposes and will accrue interest at a rate of LIBOR plus a margin of 1.25% per annum.

Subsequent to September 30, 2020, on November 2, 2020, we extended the scheduled expiration date of our EIP sales arrangement to November 18, 2021.

Subsequent to September 30, 2020, we reached an agreement on certain matters, which will result in a payment of $200 million to resolve the FCC's investigation. SoftBank has agreed to indemnify us for the settlement amount.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including information concerning our future results of operations, are forward-looking statements. These forward-looking statements are generally identified by the words "anticipate," "believe," "estimate," "expect," "intend," "may," "could" or similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. The following important factors, along with the Risk Factors included in Part II, Item 1A below and the risk factors previously disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, which amended and restated the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, as further amended by the risk factors previously disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, could affect future results and cause those results to differ materially from those expressed in the forward-looking statements:

- failure to realize the expected benefits and synergies of the merger (the "Merger") with Sprint Corporation ("Sprint"), pursuant to the Business Combination Agreement with Sprint and the other parties named therein (as amended, the "Business Combination Agreement") and the other transactions contemplated by the Business Combination Agreement (collectively, the "Transactions") in the expected timeframes, in part or at all;
- adverse economic, political or market conditions in the U.S. and international markets, including those caused by the COVID-19 pandemic, and the impact that any of the foregoing may have on us and our customers and other stakeholders;
- costs of or difficulties in integrating Sprint's network and operations into our network and operations, including intellectual property and communications systems, administrative and information technology infrastructure and accounting, financial reporting and internal control systems;
- changes in key customers, suppliers, employees or other business relationships as a result of the consummation of the Transactions;
- the risk that our business, investor confidence in our financial results and stock price may be adversely affected if our internal controls are not effective;
- the risk of future material weaknesses resulting from the differences between T-Mobile's and Sprint's internal controls environments as we work to integrate and align policies and practices;
- the impacts of the actions we have taken and conditions we have agreed to in connection with the regulatory proceedings and approvals of the Transactions including the Prepaid Transaction (as defined in Note 2 - Business Combination of the Notes to the Condensed Consolidated Financial Statements) the complaint and proposed final judgment (the "Consent Decree") agreed to by us, Deutsche Telekom AG ("DT"), Sprint, SoftBank Group Corp. ("SoftBank") and DISH Network Corporation ("DISH") with the U.S. District Court for the District of Columbia, which was approved by the Court on April 1, 2020, the proposed commitments filed with the Secretary of the FCC, which we announced on May 20, 2019, certain national security commitments and undertakings, and any other commitments or undertakings entered into, including but not limited to those we have made to certain states and nongovernmental organizations (collectively, the "Government Commitments");
- the ongoing commercial and transition services arrangements that we entered into with DISH in connection with such Prepaid Transaction, which we completed on July 1, 2020 (collectively, the "Divestiture Transaction");
- the assumption of significant liabilities, including the liabilities of Sprint in connection with, and significant costs, including financing costs, related to the Transactions;
- our ability to make payments on debt or to repay existing or future indebtedness when due or to comply with the covenants contained therein;
- adverse changes in the ratings of our debt securities or adverse conditions in the credit markets;
- natural disasters, public health crises, including the COVID-19 pandemic, terrorist attacks or similar incidents;
- competition, industry consolidation and changes in the market for wireless services, which could negatively affect our ability to attract and retain customers;
- the effects of any future merger, investment, or acquisition involving us, as well as the effects of mergers, investments or acquisitions in the technology, media and telecommunications industry;
- breaches of our and/or our third-party vendors' networks, information technology and data security, resulting in unauthorized access to customer confidential information;

- inability to implement and maintain effective cybersecurity measures over critical business systems;
- challenges in implementing our business strategies or funding our operations, including payment for additional spectrum or network upgrades;
- the impact on our networks and business from major system and network failures;
- difficulties in managing growth in wireless data services, including network quality;
- material changes in available technology and the effects of such changes, including product substitutions and deployment costs and performance;
- the timing, scope and financial impact of our deployment of advanced network and business technologies;
- the occurrence of high fraud rates related to device financing, customer credit cards, dealers, subscriptions, or account take over fraud;
- our inability to retain and hire key personnel;
- any changes in the regulatory environments in which we operate, including any increase in restrictions on the ability to operate our networks and changes in data privacy laws;
- unfavorable outcomes of existing or future litigation or regulatory actions, including litigation or regulatory actions related to the Transactions;
- the possibility that we may be unable to adequately protect our intellectual property rights or be accused of infringing the intellectual property rights of others;
- changes in tax laws, regulations and existing standards and the resolution of disputes with any taxing jurisdictions;
- the possibility that we may be unable to renew our spectrum leases on attractive terms or acquire new spectrum licenses or leases at reasonable costs and terms;
- any disruption or failure of third parties (including key suppliers) to provide products or services;
- material adverse changes in labor matters, including labor campaigns, negotiations or additional organizing activity, and any resulting financial, operational and/or reputational impact;
- changes in accounting assumptions that regulatory agencies, including the U.S. Securities and Exchange Commission (the “SEC”), may require, which could result in an impact on earnings; and
- interests of our significant stockholders that may differ from the interests of other stockholders.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. In this Form 10-Q, unless the context indicates otherwise, references to “T-Mobile,” “our Company,” “the Company,” “we,” “our,” and “us” refer to T-Mobile US, Inc. as a standalone company prior to April 1, 2020, the date we completed the Merger with Sprint, and on and after April 1, 2020, refer to the combined company as a result of the Merger.

Investors and others should note that we announce material financial and operational information to our investors using our investor relations website, press releases, SEC filings and public conference calls and webcasts. We intend to also use certain social media accounts as means of disclosing information about us and our services and for complying with our disclosure obligations under Regulation FD (the @TMobileIR Twitter account (https://twitter.com/TMobileIR) and the @MikeSievert Twitter (https://twitter.com/MikeSievert) account, which Mr. Sievert also uses as a means for personal communications and observations). The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these social media channels in addition to following our press releases, SEC filings and public conference calls and webcasts. The social media channels that we intend to use as a means of disclosing the information described above may be updated from time to time as listed on our investor relations website.

Overview

The objectives of our Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) are to provide users of our condensed consolidated financial statements with the following:

- A narrative explanation from the perspective of management of our financial condition, results of operations, cash flows, liquidity and certain other factors that may affect future results;
- Context to the financial statements; and
- Information that allows assessment of the likelihood that past performance is indicative of future performance.

Our MD&A is performed on a consolidated basis and is inclusive of the results and operations of Sprint prospectively from the close of our Merger on April 1, 2020. The Merger enhanced our spectrum portfolio, increased our customer base, altered our product mix by increasing the portion of customers who finance their devices with leasing programs and created opportunity for synergies in our operations. We anticipate an initial increase in our combined operating costs which we expect to decrease as we realize synergies. We expect the trends and results of operations of the combined company to be materially different than those of the standalone entities.

Our MD&A is provided as a supplement to, and should be read together with, our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2020, included in Part I, Item 1 of this Form 10-Q and audited consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019. Except as expressly stated, the financial condition and results of operations discussed throughout our MD&A are those of T-Mobile US, Inc. and its consolidated subsidiaries.

Beginning with the second quarter of 2020, we have discontinued the use of “Branded” to describe the results and metrics associated with our flagship brands including T-Mobile and Metro by T-Mobile.

Sprint Merger

Transaction Overview

On April 1, 2020, we completed our Merger with Sprint, a communications company offering a comprehensive range of wireless and wireline communications products and services. As a result, Sprint and its subsidiaries became wholly owned consolidated subsidiaries of T-Mobile.

The Merger has altered the size and scope of our operations, impacting our assets, liabilities, obligations, capital requirements and performance measures. We expect the trends and results of operations of the combined company to be materially different than those of the standalone entities. As a combined company, we expect to be able to enhance the breadth and depth of our nationwide 5G network, accelerate innovation, increase competition in the U.S. wireless, video and broadband industries and achieve significant synergies and cost reductions by eliminating redundancies within the combined network as well as other business processes and operations

For more information regarding the Merger, see Note 2 – Business Combinations of the Notes to the Condensed Consolidated Financial Statements.

On June 22, 2020, we entered into a Master Framework Agreement and related transactions with SoftBank to facilitate the SoftBank Monetization as described in Note 14 - SoftBank Equity Transaction of the Notes to the Condensed Consolidated Financial Statements.

Brand and Retail Unification

On August, 2, 2020, we combined the Sprint and T-Mobile operations under the T-Mobile brand nationwide. We combined our retail operations and rebranded thousands of Sprint stores to T-Mobile stores while implementing the tools and systems across our distribution footprint to serve all customers in all stores.

Sale of Boost Mobile and Sprint Prepaid Brands

In connection with obtaining regulatory approval for the Merger, on July 1, 2020, DISH acquired the prepaid wireless business operated under the Boost Mobile and Sprint prepaid brands (excluding the Assurance brand Lifeline customers and the prepaid wireless customers of Shentel and Swiftel Communications, Inc.), including customer accounts, inventory, contracts, intellectual property and certain other specified assets (the “Prepaid Business”), and assumed certain related liabilities (the “Prepaid Transaction”). For more information, see Note 12 - Discontinued Operations of the Notes to the Condensed Consolidated Financial Statements.

Upon the closing of the Prepaid Transaction, we entered into a Master Network Services Agreement (the “MVNO Agreement”) providing for the provisioning of network services to customers of the Prepaid Business for a period of up to seven years following the closing of the Prepaid Transaction. The revenue generated through this agreement is presented within Wholesale revenues in our Condensed Consolidated Statements of Comprehensive Income as of the close of the Prepaid Transaction on July 1, 2020.

We included the pre-tax results of our discontinued operations in our determination of Adjusted EBITDA, a Non-GAAP measure, to reflect contributions of the Prepaid Business that was replaced by the MVNO Agreement beginning on July 1, 2020. See "Adjusted EBITDA" in the "Performance Measures" section of this MD&A.

Merger-Related Costs

Merger-related costs generally include:

- Transaction costs, including legal and professional services related to the completion of the Merger;
- Restructuring costs, including severance, store rationalization and network decommissioning; and
- Integration costs to achieve efficiencies in network, retail, information technology and back office operations.

Transaction and restructuring costs are disclosed in Note 2 – Business Combination and Note 18 - Restructuring Costs, respectively. Merger-related costs have been excluded from our calculation of Adjusted EBITDA, a non-GAAP financial measure, as we do not consider these costs to be reflective of our ongoing operating performance. See "Adjusted EBITDA" in the "Performance Measures" section of this MD&A. Cash payments for Merger-related costs, including payments related to our restructuring plan, are included in Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows.

Merger-related costs during the three and nine months ended September 30, 2020 and 2019 are presented below:

(in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change $	Change %	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change $	Change %
Merger-related costs								
Cost of services, exclusive of depreciation and amortization	$ 79	$ —	$ 79	NM	$ 119	$ —	$ 119	NM
Selling, general and administrative	209	159	50	31 %	1,110	494	616	125 %
Total Merger-related costs	$ 288	$ 159	$ 129	81 %	$ 1,229	$ 494	$ 735	149 %
Cash payments for Merger-related costs	$ 379	$ 124	$ 255	206 %	$ 910	$ 309	$ 601	194 %

NM - Not Meaningful

Merger-related costs will be impacted by restructuring and integration activities expected to occur over the next three years as we implement initiatives to realize cost efficiencies from the Merger. Transaction costs including legal and professional service fees related to the completion of the Merger are expected to decrease in periods subsequent to the close of the Merger.

Restructuring

Upon the close of the Merger, we began implementing restructuring initiatives to realize cost efficiencies from the Merger. The major activities associated with the restructuring initiatives to date include:

- Contract termination costs associated with rationalization of retail stores, distribution channels, duplicative backhaul services and other agreements;
- Severance costs associated with the reduction of redundant processes and functions; and
- The decommissioning of certain small cell sites and distributed antenna systems to achieve synergies in network costs.

Anticipated Impacts

Our restructuring activities are expected to occur over the next three years with substantially all costs incurred by fiscal year 2023. We are evaluating additional restructuring initiatives which are dependent on consultations and negotiation with certain counterparties and the expected impact on our business operations, which could affect the amount or timing of the restructuring costs and related payments. We expect our principal sources of funding to be sufficient to meet our liquidity requirements and anticipated payments associated with the restructuring initiatives.

As a result of our ongoing restructuring activities, we expect to realize cost efficiencies by eliminating redundancies within our combined network as well as other business processes and operations. We expect these activities to result in a reduction of expenses within Cost of services and Selling, general and administrative in our Condensed Consolidated Statements of Comprehensive Income.

COVID-19 Pandemic

The COVID-19 Pandemic (the "Pandemic") has resulted in a widespread health crisis that has adversely affected businesses, economies, and financial markets worldwide, and has caused significant volatility in the U.S. and international debt and equity markets. The impact of the Pandemic has been wide-ranging, including, but not limited to, the temporary closures of many businesses and schools, "shelter in place" orders, travel restrictions, social distancing guidelines and other governmental, business and individual actions taken in response to the Pandemic. These restrictions have impacted, and will continue to impact, our business, including the demand for our products and services and the ways in which our customers purchase and use them. In addition, the Pandemic has resulted in economic uncertainty and a significant increase in unemployment in the United States, which could affect our customers' purchasing decisions and ability to make timely payments. Throughout the year, the Pandemic has peaked, subsided and seen a resurgence, leading to phased re-openings, as well as, continuing or renewed containment measures.

As a critical communications infrastructure provider as designated by the government, our focus has been on providing crucial connectivity to our customers and impacted communities while ensuring the safety and well-being of our employees.

Our Response

We have taken a variety of steps to help mitigate the impact of the Pandemic on our customers and to protect the health and well-being of our workforce and communities:

To Protect and Support Our Employees and Communities

- Before the Merger, in mid-March, approximately 80% of T-Mobile and 70% of Sprint company-owned store locations, as well as many third-party retailer locations, that sell our T-Mobile, Metro by T-Mobile and Sprint brands, were temporarily closed. In compliance with the regulations of various states, we have since reopened substantially all our previously closed stores.
- At the onset of the Pandemic, we supplemented pay for certain of our employees and commissions for third-party dealers and provided access to incremental paid time off for employees experiencing symptoms, taking care of children who were home due to school closures or caring for individuals impacted by the Pandemic.
- We implemented remote working arrangements for many employees with a significant portion of our internal and global care employees transitioned to a work-from-home environment. We also encouraged our corporate and administrative employees to work remotely, if possible.

To Keep Our Customers Connected

- In March, we committed to the FCC's Keep Americans Connected pledge (the "Pledge"), and at the FCC's request, later extended our commitment to June 30, 2020. During this period, we pledged to:
    - Not terminate service to any residential or small business customers because of their inability to pay their bills due to disruptions caused by the Pandemic; and
    - Waive any late fees that any residential or small business customers incurred because of their economic circumstances related to the Pandemic.
- After the Pledge extension ended, we continued to work with our customers to help them maintain service and become current on their accounts, while avoiding financial hardship.
- We also took additional temporary steps in March to ensure that all current T-Mobile customers with smartphone data plans were provided connectivity to learn and work remotely through June 30, 2020, including:
    - Providing unlimited high-speed smartphone data to current customers as of March 13, 2020 who had legacy plans without unlimited high-speed data (excluding roaming);

    - Giving T-Mobile postpaid and Metro by T-Mobile customers on smartphone plans with mobile hotspot data the ability to add 10GB of Smartphone Mobile HotSpot each month (20GB total);
    - Working with our Lifeline partners to provide customers up to 5GB per month of free data;
    - Increasing the data allowance, at no extra charge, to schools and students using our EmpowerED digital learning program to ensure each participant had access to at least 20GB of data per month; and
    - Providing free international calling to landlines (and in many cases mobile numbers) to countries that were significantly impacted by the Pandemic through May 13, 2020.
- In addition:
    - We are offering our customers creative, new COVID-safe solutions such as virtual selling and curbside pickup;
    - We partnered with multiple spectrum holders and the FCC to successfully deploy additional 600 MHz spectrum on a temporary basis (through June 30, 2020), effectively doubling total 600 MHz LTE capacity across the nation to help ensure customers can stay connected during this critical time; and
    - We are working to keep our network fully operational as an essential service to first responders, 911 communications and our customers and continued to expand our 5G network, while adhering to governmental guidelines.

We continue to monitor the Pandemic and its impacts and may adjust our actions as needed to continue to provide our products and services to our communities and employees.

Impact on Results of Operations and Performance Measures for the Nine Months Ended September 30, 2020

For the nine months ended September 30, 2020, we incurred $458 million, before taxes, in supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs, which are included in Selling, general and administrative expenses in our Condensed Consolidated Statements of Comprehensive Income. These costs have been excluded from the calculation of Adjusted EBITDA, a non-GAAP financial measure, as they represent direct, incremental costs as a result of our response to the Pandemic. Subsequent to June 30, 2020, supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs were not significant. See "Adjusted EBITDA" in the "Performance Measures" section of this MD&A.

Expected Continued Impact on Results of Operations and Performance Measures

We will continue to monitor developments regarding the Pandemic and evaluate the appropriate steps needed to align with guidelines from state, local and federal government agencies and to do what is best for our employees and customers. The extent to which the Pandemic impacts our business, operations and financial results will depend on numerous future developments that we are not able to predict at this time, including the duration and scope of the Pandemic, the success of governmental, business and individual actions that have been and continue to be taken in response to the Pandemic, and the impact on economic activity from the Pandemic and actions taken in response. Such impacts may include:

- Lower net customer additions due to lower switching activity in the industry from reduced store traffic due to temporary retail store closures and reduced consumer spending caused by widespread unemployment and other adverse economic effects, partially offset by lower churn;
- Lower Equipment revenues and lower Cost of equipment sales from lower device sales due to lower switching activity in the industry from reduced store traffic due to temporary retail store closures, which may impact our ability to sell devices;
- Higher bad debt expense on our service and equipment installment plan ("EIP") receivable portfolios due to adverse macro-economic conditions. Should these adverse conditions worsen, our operating and financial results could be negatively impacted;
- Continued costs to protect and support our employees and customers; and
- Potential disruptions in our supply chains.

In addition, we have reevaluated, and continue to assess, our spending, including for marketing purposes like advertising, capital projects like build-out of our stores, travel, third-party services and certain operating expenses. We have taken actions to adjust our spending given the significant uncertainty around the magnitude and duration of any recessionary impacts arising from the Pandemic.

For additional risks to our business and industry, see Item 1A. Risk Factors.

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Results of Operations

Set forth below is a summary of our unaudited condensed consolidated financial results:

(in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change $	Change %	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change $	Change %
Revenues								
Postpaid revenues	$ 10,209	$ 5,746	$ 4,463	78 %	$ 26,055	$ 16,852	$ 9,203	55 %
Prepaid revenues	2,383	2,385	(2)	NM	7,067	7,150	(83)	(1)%
Wholesale revenues	930	321	609	190 %	1,663	938	725	77 %
Roaming and other service revenues	617	261	356	136 %	1,430	710	720	101 %
Total service revenues	14,139	8,713	5,426	62 %	36,215	25,650	10,565	41 %
Equipment revenues	4,953	2,186	2,767	127 %	11,339	6,965	4,374	63 %
Other revenues	180	162	18	11 %	502	505	(3)	(1)%
Total revenues	19,272	11,061	8,211	74 %	48,056	33,120	14,936	45 %
Operating expenses								
Cost of services, exclusive of depreciation and amortization shown separately below	3,314	1,733	1,581	91 %	8,051	4,928	3,123	63 %
Cost of equipment sales, exclusive of depreciation and amortization shown separately below	4,367	2,704	1,663	62 %	10,563	8,381	2,182	26 %
Selling, general and administrative	4,876	3,498	1,378	39 %	14,168	10,483	3,685	35 %
Impairment expense	—	—	—	NM	418	—	418	NM
Depreciation and amortization	4,150	1,655	2,495	151 %	9,932	4,840	5,092	105 %
Total operating expenses	16,707	9,590	7,117	74 %	43,132	28,632	14,500	51 %
Operating income	2,565	1,471	1,094	74 %	4,924	4,488	436	10 %
Other income (expense)								
Interest expense	(765)	(184)	(581)	316 %	(1,726)	(545)	(1,181)	217 %
Interest expense to affiliates	(44)	(100)	56	(56)%	(206)	(310)	104	(34)%
Interest income	3	5	(2)	(40)%	21	17	4	24 %
Other (expense) income, net	(99)	3	(102)	NM	(304)	(12)	(292)	NM
Total other expense, net	(905)	(276)	(629)	228 %	(2,215)	(850)	(1,365)	161 %
Income from continuing operations before income taxes	1,660	1,195	465	39 %	2,709	3,638	(929)	(26)%
Income tax expense	(407)	(325)	(82)	25 %	(715)	(921)	206	(22)%
Income from continuing operations	1,253	870	383	44 %	1,994	2,717	(723)	(27)%
Income from discontinued operations, net of tax	—	—	—	NM	320	—	320	NM
Net income	$ 1,253	$ 870	$ 383	44 %	$ 2,314	$ 2,717	$ (403)	(15)%
Statement of Cash Flows Data								
Net cash provided by operating activities	$ 2,772	$ 1,748	$ 1,024	59 %	$ 5,166	$ 5,287	$ (121)	(2)%
Net cash used in investing activities	(1,132)	(657)	(475)	72 %	(9,068)	(3,238)	(5,830)	180 %
Net cash (used in) provided by financing activities	(6,144)	(543)	(5,601)	1,031 %	9,031	(1,599)	10,630	(665)%
Non-GAAP Financial Measures								
Adjusted EBITDA	7,129	3,396	3,733	110 %	17,811	10,141	7,670	76 %
Free Cash Flow, excluding gross payments for the settlement of interest rate swaps	352	1,134	(782)	(69)%	2,525	2,921	(396)	(14)%

NM - Not Meaningful

The following discussion and analysis is for the three and nine months ended September 30, 2020, compared to the same period in 2019 unless otherwise stated.

Total revenues increased $8.2 billion, or 74%, for the three months ended and increased $14.9 billion, or 45%, for the nine months ended September 30, 2020. The components of these changes are discussed below.

Postpaid revenues increased $4.5 billion, or 78%, for the three months ended and increased $9.2 billion, or 55%, for the nine months ended September 30, 2020 primarily from:

- Higher average postpaid phone customers, primarily from customers acquired in the Merger and the success of new customer segments and rate plans as well as continued growth in existing and new markets;
- Higher average postpaid other customers, primarily from customers acquired in the Merger and growth in other connected devices, primarily due to growth in educational institution customers, as well as in wearable products; and
- Higher postpaid phone ARPU. See “Postpaid Phone ARPU” in the “Performance Measures” section of this MD&A.

Prepaid revenues were essentially flat for the three and nine months ended September 30, 2020 and were primarily impacted by:

- Lower average prepaid customers; offset by
- Higher prepaid ARPU. See “Prepaid ARPU” in the “Performance Measures” section of this MD&A.

Wholesale revenues increased $609 million, or 190%, for the three months ended and increased $725 million, or 77%, for the nine months ended September 30, 2020, primarily from:

- Our Master Network Service Agreement with DISH, which went into effect on July 1, 2020;
- Customers acquired in the Merger; and
- The continued success of our existing MVNO partnerships.

Roaming and other service revenues increased $356 million, or 136%, for the three months ended and increased $720 million, or 101%, for the nine months ended September 30, 2020, primarily from:

- Inclusion of wireline operations acquired in the Merger; and
- Higher Lifeline, advertising and affiliate revenues primarily due to operations acquired in the Merger; partially offset by
- Lower international roaming due to the impact of the Pandemic and lower domestic roaming due to revenue generated from Sprint customers roaming on the T-Mobile network in periods before the Merger.

Equipment revenues increased $2.8 billion**,** or 127%, for the three months ended and increased $4.4 billion, or 63%, for the nine months ended September 30, 2020.

The increase for the three months ended September 30, 2020, was primarily from:

- An increase of $1.2 billion in lease revenues due to a higher number of customer devices under lease, primarily from leases acquired in the Merger;
- An increase of $965 million in device sales revenue, excluding purchased leased devices and devices sold to educational institutions, primarily from:
  - A 27% increase in the number of devices sold, excluding purchased leased devices and devices sold to educational institutions, due to an increase in our customer base primarily due to the Merger; and
  - Higher average revenue per device sold due to an increase in the high-end device mix due to the Merger;
- An increase of $298 million in revenues primarily related to the liquidation of returned devices as a result of the Merger; and

- An increase of $211 million in equipment sales from leased devices, primarily due to an increase in purchased leased devices as a result of the Merger.

The increase for the nine months ended September 30, 2020, was primarily from:

- An increase of $2.5 billion in lease revenues due to a higher number of customer devices under lease, primarily from leases acquired in the Merger;
- An increase of $925 million in device sales revenue, excluding purchased leased devices and devices sold to educational institutions, primarily from:
  - A 9% increase in the number of devices sold, excluding purchased leased devices and devices sold to educational institutions; and
  - Higher average revenue per device sold due to an increase in the high-end device mix due to the Merger;
- An increase of $470 million in revenues primarily related to the liquidation of returned devices as a result of the Merger; and
- An increase of $444 million in equipment sales from leased devices, primarily due to an increase in purchased leased devices as a result of the Merger.

Operating expenses increased $7.1 billion, or 74%, for the three months ended and increased $14.5 billion, or 51%, for the nine months ended September 30, 2020. The components of these changes are discussed below.

Cost of services, exclusive of depreciation and amortization, increased $1.6 billion, or 91%, for the three months ended and increased $3.1 billion, or 63%, for the nine months ended September 30, 2020 primarily from:

- An increase in expenses associated with leases, backhaul agreements and other network expenses acquired in the Merger and the continued build-out of our nationwide 5G network;
- An increase in repair and maintenance costs, primarily due to the Merger;
- Higher employee-related and benefit-related costs primarily due to increased headcount as a result of the Merger; and
- An increase in regulatory and roaming costs primarily due to the Merger.
- An increase of $79 million and $119 million for the three and nine months ended September 30, 2020, respectively, in Merger-related costs including incremental costs associated with accelerating amortization of the right-of-use assets and the decommissioning of certain small cell sites and distributed antenna systems.

Cost of equipment sales, exclusive of depreciation and amortization, increased $1.7 billion**,** or 62%, for the three months ended and increased $2.2 billion, or 26%, for the nine months ended September 30, 2020.

The increase for the three months ended September 30, 2020, was primarily from:

- An increase of $1.0 billion in device cost of equipment sales, excluding purchased leased devices and devices sold to educational institutions, primarily from:
  - A 27% increase in the number of devices sold, excluding purchased leased devices and devices sold to educational institutions, due to an increase in our customer base primarily due to the Merger, and
  - Higher average costs per device sold due to an increase in the high-end device mix due to the Merger;
- An increase of $339 million in costs related to the liquidation of returned devices as a result of the Merger and higher cost devices used for device insurance claims fulfillment; and
- An increase of $256 million in leased device cost of equipment sales, primarily due to an increase in purchased leased devices as a result of the Merger.

The increase for the nine months ended September 30, 2020, was primarily from:

- An increase of $922 million in device cost of equipment sales, excluding purchased leased devices and devices sold to educational institutions, primarily from:
  - A 9% increase in the number of devices sold, excluding purchased leased devices and devices sold to educational institutions, due to an increase in our customer base primarily due to the Merger and
  - Higher average costs per device sold due to an increase in the high-end device mix due to the Merger;
- An increase of $665 million in costs related to the liquidation of returned devices as a result of the Merger and higher cost devices used for device insurance claims fulfillment; and
- An increase of $555 million in leased device cost of equipment sales, primarily due to an increase in purchased leased devices as a result of the Merger.

Selling, general and administrative expenses increased $1.4 billion, or 39%, for the three months ended and increased $3.7 billion, or 35%, for the nine months ended September 30, 2020.

The increase for the three months ended September 30, 2020, was primarily from:

- Higher employee-related costs due to an increase in the number of employees primarily from the Merger;
- Higher external labor and professional services, advertising and lease and rent expense primarily from the Merger;
- Higher commission expense due to higher gross customer additions primarily from the Merger; and
- $209 million of Merger-related costs primarily related to restructuring costs including severance and store rationalization, compared to $159 million of Merger-related costs in the three months ended September 30, 2019.

The increase for the nine months ended September 30, 2020, was primarily from:

- Higher employee-related costs due to an increase in the number of employees primarily from the Merger and costs associated with our restructuring plan;
- Higher external labor and professional services, lease and rent and advertising expense from the Merger;
- $1.1 billion of Merger-related costs including transaction costs associated with legal and professional services and restructuring costs including severance and store rationalization, compared to $494 million of Merger-related costs in the nine months ended September 30, 2019;
- Higher commission expense primarily due to higher gross customer additions primarily from the Merger and an increase of $69 million related to commissions expensed in excess of commissions capitalized, including the impact of a net benefit from contract costs capitalized subsequent to Merger close as these costs will amortize into expense over time, partially offset by lower commissions expense due to lower prepaid gross additions and compensation structure changes;
- Higher bad debt expense primarily due to customers acquired as a result of the Merger and the recording of estimated losses associated with the new credit loss standard, including $155 million of incremental bad debt for the estimated macro-economic impacts of the Pandemic, of which $46 million is related to our commitments to the Pledge; and
- Higher legal-related expenses from recording an estimated accrual associated with the FCC Notice of Apparent Liability and commitments associated with the Merger.
- Selling, general and administrative expenses for the nine months ended September 30, 2020 included $458 million of supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs.

Impairment expense was $418 million for the nine months ended September 30, 2020, and consisted of the following:

- A $218 million impairment on the goodwill in the Layer3 reporting unit; and
- A $200 million impairment on the capitalized software development costs related to our postpaid billing system.
- There was no impairment expense for the three months ended September 30, 2020, or the three and nine months ended September 30, 2019.

For more information regarding the impairments above, see Note 5 – Property and Equipment and Note 6 – Goodwill, Spectrum License Transactions and Other Intangible Assets of the Notes to the Condensed Consolidated Financial Statements.

Depreciation and amortization increased $2.5 billion**,** or 151%, for the three months ended and increased $5.1 billion, or 105%, for the nine months ended September 30, 2020, primarily as a result of the Merger including:

- Higher depreciation expense from assets acquired in the Merger, excluding leased devices, and network expansion from the continued build-out of our nationwide 5G network;
- Higher depreciation expense on leased devices resulting from a higher total number of customer devices under lease, primarily from customers acquired in the Merger; and
- Higher amortization from intangible assets acquired in the Merger.

Operating income, the components of which are discussed above, increased $1.1 billion, or 74%, for the three months ended and increased $436 million, or 10%, for the nine months ended September 30, 2020.

Interest expense increased $581 million, or 316%, for the three months ended and increased $1.2 billion, or 217%, for the nine months ended September 30, 2020, primarily from:

- The assumption of debt with a fair value of $31.8 billion in connection with the Merger;
- The issuance of an aggregate of $19.0 billion in Senior Secured Notes and the entry into a $4.0 billion secured term loan in April 2020 in connection with the Merger; and
- Amortization of interest rate swap derivatives beginning upon settlement in April 2020.

Interest expense to affiliates decreased $56 million, or 56%, for the three months ended and decreased $104 million, or 34%, for the nine months ended September 30, 2020, primarily from the redemption of an aggregate of $4.0 billion in Senior Notes to affiliates and the repayment of an aggregate of $4.0 billion in Incremental term loan facility to affiliates in April 2020.

Other (expense) income, net increased $102 million for the three months ended and increased $292 million for the nine months ended September 30, 2020, primarily from losses on the extinguishment of debt.

Income from continuing operations before income taxes, the components of which are discussed above, was $1.7 billion and $1.2 billion for the three months ended September 30, 2020 and 2019, respectively, and was $2.7 billion and $3.6 billion for the nine months ended September 30, 2020 and 2019, respectively.

Income tax expense increased $82 million, or 25%, for the three months ended and decreased $206 million, or 22%, for the nine months ended September 30, 2020.

The increase for the three months ended September 30, 2020, was primarily from:

- Higher income before income taxes; partially offset by
- A lower effective tax rate, primarily due to increases in income before taxes and excess tax benefits and the benefit of a reduction in the valuation allowance against deferred tax assets related to federal tax credits. The effective tax rate was 24.5% for the three months ended September 30, 2020 and 27.1% for the three months ended September 30, 2019.

The decrease for the nine months ended September 30, 2020, was primarily from:

- Lower income before income taxes; partially offset by
- A higher effective tax rate, primarily due to a reduction in income before income taxes and an increase in expenses that are not deductible for income tax purposes primarily related to our Layer 3 goodwill impairment and certain Merger-related costs. The effective tax rate was 26.4% and 25.3% for the nine months ended September 30, 2020 and 2019, respectively.

Income from continuing operations, was $1.3 billion and $870 million for the three months ended September 30, 2020 and 2019, respectively, and was $2.0 billion and $2.7 billion for the nine months ended September 30, 2020 and 2019, respectively.

The increase for the three months ended September 30, 2020, was primarily from:

- Higher operating income; partially offset by
- Higher Interest expense;
- Higher Other (expense) income, net; and
- Higher Income tax expense

The decrease for the nine months ended September 30, 2020, was primarily from:

- Higher Interest expense; and
- Higher Other (expense) income, net; partially offset by
- Higher operating income; and
- Lower Income tax expense

Income from discontinued operations, net of tax was $320 million for the nine months ended September 30, 2020, and consists of the results of the Prepaid Business that was divested on July 1, 2020. There were no discontinued operations for the three months ended September 30, 2020 and for the three and nine months ended September 30, 2019. For more information regarding the Prepaid Transaction, see Note 12 – Discontinued Operations of the Notes to the Condensed Consolidated Financial Statements.

For more information regarding the Prepaid Transaction, see Note 12 – Discontinued Operations of the Notes to the Condensed Consolidated Financial Statements.

Net income, the components of which are discussed above, increased $383 million, or 44%, for the three months ended and decreased $403 million, or 15%, for the nine months ended September 30, 2020.

Net income for the three months ended September 30, 2020 included merger-related costs, net of tax, of $208 million for the three months ended September 30, 2020, compared to $128 million for the three months ended September 30, 2019.

Net income for the nine months ended September 30, 2020, included the following:

- Merger-related costs, net of tax, of $960 million for the nine months ended September 30, 2020, compared to $396 million for the nine months ended September 30, 2019.
- The negative impact of supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs, net of tax, of $339 million for the nine months ended September 30, 2020, compared to no impact for the nine months ended September 30, 2019.
- Impairment expense of $366 million, net of tax, for the nine months ended September 30, 2020, compared to no impairment expense for the nine months ended September 30, 2019. The impairment of goodwill of $218 million in the Layer3 reporting unit is not deductible for tax purposes.

Guarantor Financial Information

On March 2, 2020, the SEC adopted amendments to the financial disclosure requirements for guarantors and issuers of guaranteed securities, as well for affiliates whose securities collateralize a registrant's securities. We early adopted the requirements of the amendments on January 1, 2020, which included replacing guarantor condensed consolidating financial information with summarized financial information for the consolidated obligor group (Parent, Issuer, and Guarantor Subsidiaries) as well as no longer requiring guarantor cash flow information, financial information for non-guarantor subsidiaries, nor a reconciliation to the consolidated results.

On April 1, 2020, in connection with the closing of the Merger, we assumed certain registered debt to third parties issued by Sprint, Sprint Communications, Inc. and Sprint Capital Corporation (collectively, the “Sprint Issuers”). Amounts previously disclosed for the estimated values of certain acquired assets and liabilities assumed have been revised based on additional information arising subsequent to the initial valuation. These revisions to the estimated values did not have a significant impact on our summarized financial information for the consolidated obligor group.

Pursuant to the applicable indentures and supplemental indentures, the long-term debt to affiliates and third parties issued by T-Mobile USA, Inc. and the Sprint Issuers (collectively, the “Issuers”) is fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by T-Mobile (“Parent”) and certain of Parent’s 100% owned subsidiaries (“Guarantor Subsidiaries”).

The guarantees of the Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. The indentures and credit facilities governing the long-term debt contain covenants that, among other things, limit the ability of the Issuers and the Guarantor Subsidiaries to incur more debt, pay dividends and make distributions, make certain investments, repurchase stock, create liens or other encumbrances, enter into transactions with affiliates, enter into transactions that restrict dividends or distributions from subsidiaries, and merge, consolidate or sell, or otherwise dispose of, substantially all of their assets. Certain provisions of each of the credit facilities, indentures and supplemental indentures relating to the long-term debt restrict the ability of the Issuers to loan funds or make payments to Parent. However, the Issuers and Guarantor Subsidiaries are allowed to make certain permitted payments to Parent under the terms of the indentures and the supplemental indentures.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” The standard simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. We early adopted the standard on January 1, 2020 and have applied the standard retrospectively to all periods presented. Upon the adoption of the standard, deferred tax assets of non-guarantor entities in aggregate of $163 million were reclassified and netted with the deferred tax liabilities of the guarantor obligor group of the debt issued by T-Mobile USA, Inc. The adoption of this standard did not have a material impact on our condensed consolidated financial statements for the nine months ended September 30, 2020.

In March 2020, certain Guarantor Subsidiaries became Non-Guarantor Subsidiaries. Certain prior period amounts have been reclassified to conform to the current period’s presentation.

The summarized balance sheet information for the consolidated obligor group of debt issued by T-Mobile USA, Inc. is presented in the table below:

(in millions)	September 30, 2020	December 31, 2019
Current assets	$ 18,035	$ 8,177
Noncurrent assets	173,466	77,684
Current liabilities	17,765	11,885
Noncurrent liabilities	109,249	45,187
Due to non-guarantors	7,183	—
Due from non-guarantors	—	346
Due to related parties	4,846	14,173
Due from related parties	19	20

The summarized results of operations information for the consolidated obligor group of debt issued by T-Mobile USA, Inc. is presented in the table below:

(in millions)	Nine Months Ended September 30, 2020	Year Ended December 31, 2019
Total revenues	$ 47,076	$ 43,431
Operating income	3,353	4,761
Net income	2,314	3,468
Revenue from non-guarantors	1,088	974

The summarized balance sheet information for the consolidated obligor group of debt issued by Sprint and Sprint Communications, Inc. is presented in the table below:

(in millions)	September 30, 2020
Current assets	$ 1,051
Noncurrent assets	128,190
Current liabilities	3,317
Noncurrent liabilities	61,437
Due from non-guarantors	25,231
Due to related parties	4,774

The summarized results of operations information for the consolidated obligor group of debt issued by Sprint and Sprint Communications, Inc. is presented in the table below:

(in millions)	Six Months Ended September 30, 2020
Total revenues	$ 4
Operating loss	(17)
Net income	1,363
Revenue from non-guarantors	4

The summarized balance sheet information for the consolidated obligor group of debt issued by Sprint Capital Corporation is presented in the table below:

(in millions)	September 30, 2020
Current assets	$ 1,051
Noncurrent assets	133,354
Current liabilities	3,388
Noncurrent liabilities	66,530
Due from non-guarantors	34,259
Due to related parties	4,774

The summarized results of operations information for the consolidated obligor group of debt issued by Sprint Capital Corporation is presented in the table below:

(in millions)	Six Months Ended September 30, 2020
Total revenues	$ 4
Operating loss	(17)
Net income	1,363
Revenue from non-guarantors	4

Performance Measures

In managing our business and assessing financial performance, we supplement the information provided by our financial statements with other operating or statistical data and non-GAAP financial measures. These operating and financial measures are utilized by our management to evaluate our operating performance and, in certain cases, our ability to meet liquidity requirements. Although companies in the wireless industry may not define each of these measures in precisely the same way, we believe that these measures facilitate comparisons with other companies in the wireless industry on key operating and financial measures.

The performance measures presented below include the impact of the Merger on a prospective basis from the close date of April 1, 2020. Historical results were not restated.

Customers

A customer is generally defined as a SIM number with a unique T-Mobile identifier which is associated with an account that generates revenue. Customers are qualified either for postpaid service utilizing phones, wearables, DIGITS or other connected devices which includes tablets and SyncUp products, where they generally pay after receiving service, or prepaid service, where they generally pay in advance. Our postpaid customers include customers of T-Mobile. Our prepaid customers include customers of T-Mobile and Metro by T-Mobile.

The following table sets forth the number of ending customers:

	As of September 30, 2020		Change	
(in thousands)	**2020**	**2019**	**#**	**%**
Customers, end of period				
Postpaid phone customers [(1)]	65,794	39,344	26,450	67 %
Postpaid other customers [(1)]	13,938	6,376	7,562	119 %
Total postpaid customers	79,732	45,720	34,012	74 %
Prepaid customers [(1)]	20,630	20,783	(153)	(1)%
Total customers	100,362	66,503	33,859	51 %

(1) Includes customers acquired in connection with the Merger and certain customer base adjustments. See Customer Base Adjustments and Net Customer Additions tables below.

Total customers increased 33,859,000, or 51%, primarily from:

- Higher postpaid phone customers primarily due to customers acquired in the Merger and the success of new customer segments and rate plans and continued growth in existing and new markets, along with promotional activities; and
- Higher postpaid other customers primarily due to customers acquired in the Merger and growth in other connected devices primarily related to educational institution customers and wearable products; partially offset by
- Lower prepaid customers primarily due to the customer base adjustments made to align the customer reporting policies of T-Mobile and Sprint, partially offset by the continued success of our prepaid business due to promotional activities and rate plan offers.

Customer Base Adjustments

Certain adjustments were made to align the customer reporting policies of T-Mobile and Sprint.

The adjustments made to the reported T-Mobile and Sprint ending customer base as of March 31, 2020 are presented below:

(in thousands)	**Postpaid phone customers**	**Postpaid other customers**	**Total postpaid customers**	**Prepaid customers**	**Total customers**
Reconciliation to beginning customers					
T-Mobile customers as reported, end of period March 31, 2020	40,797	7,014	47,811	20,732	68,543
Sprint customers as reported, end of period March 31, 2020	25,916	8,428	34,344	8,256	42,600
Total combined customers, end of period March 31, 2020	66,713	15,442	82,155	28,988	111,143
Adjustments					
Reseller reclassification to wholesale customers [(1)]	(199)	(2,872)	(3,071)	—	(3,071)
EIP reclassification from postpaid to prepaid [(2)]	(963)	—	(963)	963	—
Divested prepaid customers [(3)]	—	—	—	(9,207)	(9,207)
Rate plan threshold [(4)]	(182)	(918)	(1,100)	—	(1,100)
Customers with non-phone devices [(5)]	(226)	226	—	—	—
Collection policy alignment [(6)]	(150)	(46)	(196)	—	(196)
Miscellaneous adjustments [(7)]	(141)	(43)	(184)	(302)	(486)
Total Adjustments	(1,861)	(3,653)	(5,514)	(8,546)	(14,060)
Adjusted beginning customers as of April 1, 2020	64,852	11,789	76,641	20,442	97,083

(1) In connection with the closing of the Merger, we refined our definition of wholesale customers resulting in the reclassification of certain postpaid and prepaid reseller customers to wholesale customers. Starting with the three months ended March 31, 2020, we discontinued reporting wholesale customers to focus on postpaid and prepaid customers and wholesale revenues, which we consider more relevant than the number of wholesale customers given the expansion of M2M and IoT products.
(2) Prepaid customers with a device installment billing plan historically included as Sprint postpaid customers have been reclassified to prepaid customers to align with T-Mobile policy.
(3) Customers associated with the Sprint wireless prepaid and Boost Mobile brands that were divested on July 1, 2020, have been excluded from our reported customers.
(4) Customers who have rate plans with monthly recurring charges which are considered insignificant have been excluded from our reported customers.
(5) Customers with postpaid phone rate plans without a phone (e.g., non-phone devices) have been reclassified from postpaid phone to postpaid other customers to align with T-Mobile policy.
(6) Certain Sprint customers subject to collection activity for an extended period of time have been excluded from our reported customers to align with T-Mobile policy.
(7) Miscellaneous insignificant adjustments to align with T-Mobile policy.

Net Customer Additions

The following table sets forth the number of net customer additions:

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(in thousands)	**2020**	**2019**	**#**	**%**	**2020**	**2019**	**#**	**%**
Net customer additions								
Postpaid phone customers	689	754	(65)	(9)%	1,394	2,120	(726)	(34)%
Postpaid other customers	1,290	320	970	303 %	2,474	1,081	1,393	129 %
Total postpaid customers	1,979	1,074	905	84 %	3,868	3,201	667	21 %
Prepaid customers	56	62	(6)	(10)%	61	262	(201)	(77)%
Total customers	2,035	1,136	899	79 %	3,929	3,463	466	13 %
Acquired customers, net of base adjustments	—	—	—	NM	29,228	—	29,228	NM

NM - Not Meaningful

Total net customer additions increased 899,000, or 79%, for the three months ended and increased 466,000, or 13%, for the nine months ended September 30, 2020.

The increase for the three months ended September 30, 2020, was primarily from:

- Higher postpaid other net customer additions primarily due to higher gross additions from connected devices primarily due to educational institution additions, partially offset by lower switching activity in the industry from reduced store traffic arising from the Pandemic; partially offset by
- Lower postpaid phone net customer additions primarily due to higher churn from customer acquired in the merger, partially offset by lower switching activity in the industry from reduced store traffic arising from the Pandemic; and
- Lower prepaid net customer additions primarily due to lower switching activity in the industry from reduced store traffic arising from the Pandemic, partially offset by lower churn.

The increase for the nine months ended September 30, 2020, was primarily from:

- Higher postpaid other net customer additions primarily due to higher gross additions from connected devices primarily due to educational institution additions and lower churn, partially offset by lower switching activity in the industry from reduced store traffic due to retail store closures arising from the Pandemic; partially offset by
- Lower postpaid phone net customer additions primarily due to higher churn from customer acquired in the merger, partially offset by lower switching activity in the industry from reduced store traffic due to retail store closures arising from the Pandemic; and
- Lower prepaid net customers additions primarily due to lower switching activity in the industry from reduced store traffic due to retail store closures arising from the Pandemic, partially offset by lower churn.

Churn

Churn represents the number of customers whose service was disconnected as a percentage of the average number of customers during the specified period. The number of customers whose service was disconnected is presented net of customers that subsequently have their service restored within a certain period of time. We believe that churn provides management, investors and analysts with useful information to evaluate customer retention and loyalty.

The following table sets forth the churn:

	Three Months Ended September 30,		Bps Change	Nine Months Ended September 30,		Bps Change
	2020	2019		2020	2019	
Postpaid phone churn	0.90 %	0.89 %	1 bps	0.85 %	0.85 %	— bps
Prepaid churn	2.86 %	3.98 %	-112 bps	3.07 %	3.77 %	-70 bps

Postpaid phone churn was essentially flat for the three and nine months ended September 30, 2020, primarily due to the inclusion of the customer base acquired in the Merger, offset by lower switching activity in the industry due to reduced store traffic due to temporary retail store closures arising from the Pandemic.

Prepaid churn decreased 112 basis points for the three months ended and decreased 70 basis points for the nine months ended September 30, 2020, primarily due to lower switching activity in the industry due to reduced store traffic due to temporary retail store closures arising from the Pandemic and the continued success of our prepaid products due to promotional activities and rate plan offers.

During the nine months ended September 30, 2020, we have seen lower churn due to reduced store traffic due to temporary retail store closures arising from the Pandemic.

Total Postpaid Accounts

A postpaid account is generally defined as a billing account number that generates revenue. Postpaid accounts are generally comprised of customers that are qualified for postpaid service utilizing phones, wearables, DIGITS or other connected devices which includes tablets and SyncUp products, where they generally pay after receiving service.

	As of September 30, 2020		Change	
(in thousands)	2020	2019	#	%
Accounts, end of period				
Total postpaid customer accounts[(1)]	25,623	14,734	10,889	74 %

(1) Includes accounts acquired in connection with the Merger and certain account base adjustments. See Account Base Adjustments table below.

Total postpaid customer accounts increased 10,889,000, or 74%, primarily due to 10,150,000 accounts acquired in the Merger, the success of new customer segments and rate plans, continued growth in existing and new markets, along with promotional activities, improvements in network quality and industry-leading customer service, partially offset by lower switching activity in the industry from reduced store traffic due to retail store closures arising from the Pandemic.

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Account Base Adjustments

Certain adjustments were made to align the account reporting policies of T-Mobile and Sprint.

The adjustments made to the reported T-Mobile and Sprint ending account base as of March 31, 2020 are presented below:

(in thousands)	Postpaid Accounts
Reconciliation to beginning accounts	
T-Mobile accounts as reported, end of period March 31, 2020	15,244
Sprint accounts, end of period March 31, 2020	11,246
Total combined accounts, end of period March 31, 2020	26,490
Adjustments	
Reseller reclassification to wholesale accounts (1)	(1)
EIP reclassification from postpaid to prepaid (2)	(963)
Rate plan threshold (3)	(18)
Collection policy alignment (4)	(76)
Miscellaneous adjustments (5)	(47)
Total Adjustments	(1,105)
Adjusted beginning accounts as of April 1, 2020	25,385

(1) In connection with the closing of the Merger, we refined our definition of wholesale accounts resulting in the reclassification of certain postpaid and prepaid reseller accounts to wholesale accounts.
(2) Prepaid accounts with a customer with a device installment billing plan historically included as Sprint postpaid accounts have been reclassified to prepaid accounts to align with T-Mobile policy.
(3) Accounts with customers who have rate plans with monthly recurring charges which are considered insignificant have been excluded from our reported accounts.
(4) Certain Sprint accounts subject to collection activity for an extended period of time have been excluded from our reported accounts to align with T-Mobile policy.
(5) Miscellaneous insignificant adjustments to align with T-Mobile policy.

Average Revenue Per User

ARPU represents the average monthly service revenue earned from customers. We believe ARPU provides management, investors and analysts with useful information to assess and evaluate our service revenue per customer and assist in forecasting our future service revenues generated from our customer base. Postpaid phone ARPU excludes postpaid other customers and related revenues which includes wearables, DIGITS and other connected devices such as tablets and SyncUp products.

The following table illustrates the calculation of our operating measure ARPU and reconciles this measure to the related service revenues:

(in millions, except average number of customers and ARPU)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change $	Change %	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change $	Change %
Calculation of Postpaid Phone ARPU								
Postpaid service revenues	$ 10,209	$ 5,746	$ 4,463	78 %	$ 26,055	$ 16,852	$ 9,203	55 %
Less: Postpaid other revenues	(677)	(346)	(331)	96 %	(1,605)	(982)	(623)	63 %
Postpaid phone service revenues	9,532	5,400	4,132	77 %	24,450	15,870	8,580	54 %
Divided by: Average number of postpaid phone customers (in thousands) and number of months in period	65,437	38,944	26,493	68 %	56,971	38,225	18,746	49 %
Postpaid phone ARPU	$ 48.55	$ 46.22	$ 2.33	5 %	$ 47.69	$ 46.13	$ 1.56	3 %
Calculation of Prepaid ARPU								
Prepaid service revenues	$ 2,383	$ 2,385	$ (2)	— %	$ 7,067	$ 7,150	$ (83)	(1)%
Divided by: Average number of prepaid customers (in thousands) and number of months in period	20,632	20,837	(205)	(1)%	20,591	21,043	(452)	(2)%
Prepaid ARPU	$ 38.49	$ 38.16	$ 0.33	1 %	$ 38.13	$ 37.76	$ 0.37	1 %

Postpaid Phone ARPU

Postpaid phone ARPU increased $2.33, or 5%, for the three months ended and increased $1.56, or 3%, for the nine months ended September 30, 2020.

The increase for the three months ended September 30, 2020 was primarily due to:

- The net impact of customers acquired in the Merger, which have higher ARPU (net of changes arising from the reduction in base due to policy adjustments and reclassification of certain ARPU components from the acquired customers being moved to other revenue lines); and
- Higher premium service revenues; partially offset by
- An increase in our promotional activities; and
- A reduction in certain non-recurring charges.

The increase for the nine months ended September 30, 2020 was primarily due to:

- The net impact of customers acquired in the Merger, which have higher ARPU (net of changes arising from the reduction in base due to policy adjustments and reclassification of certain ARPU components from the acquired customers being moved to other revenue lines); and
- Higher premium service revenues; partially offset by
- A reduction in certain non-recurring charges including the impact of the Pandemic.

Prepaid ARPU

Prepaid ARPU increased $0.33, or 1%, for the three months ended and increased $0.37, or 1%, for the nine months ended September 30, 2020, primarily due to:

- The impacts of certain adjustments to our customer base, including the removal of certain prepaid customers associated with products now offered and distributed by a current MVNO partner as those customers had lower ARPU; partially offset by
- Dilution from promotional rate plans; and
- A reduction in certain non-recurring charges.

Average Revenue Per Account

Average Revenue per Account ("ARPA") represents the average monthly postpaid service revenue earned per account. We believe postpaid ARPA provides management, investors and analysts with useful information to assess and evaluate our postpaid service revenue realization and assist in forecasting our future postpaid service revenues on a per account basis. We consider postpaid ARPA to be indicative of our revenue growth potential given the increase in the average number of postpaid phone customers per account and increases in postpaid other customers, including wearables, DIGITS or other connected devices which includes tablets and SyncUp products.

The following table illustrates the calculation of our operating measure ARPA and reconciles this measure to the related service revenues:

(in millions, except average number of accounts, ARPA)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change $	Change %	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change $	Change %
Calculation of Postpaid ARPA								
Postpaid service revenues	$ 10,209	$ 5,746	$ 4,463	78 %	$ 26,055	$ 16,852	$ 9,203	55 %
Divided by: Average number of postpaid accounts (in thousands) and number of months in period	25,582	14,602	10,980	75 %	22,054	14,355	7,699	54 %
Postpaid ARPA	$ 133.03	$ 131.15	$ 1.88	1 %	$ 131.27	$ 130.44	$ 0.83	1 %

NM - Not Meaningful

Postpaid ARPA

Postpaid ARPA increased $1.88, or 1%, for the three months ended and increased $0.83, or 1%, for the nine months ended September 30, 2020.

The increase for the three months ended September 30, 2020 was primarily due to:

- An increase in the average account size, including further penetration in connected devices, and the success of new customer segments and rate plans;
- Higher premium service revenues; and
- The net impact of customers acquired in the Merger; partially offset by
- An increase in our promotional activities; and
- A reduction in certain non-recurring charges.

The increase for the nine months ended September 30, 2020 was primarily due to:

- An increase in the average account size, including further penetration in connected devices, and the success of new customer segments and rate plans;
- Higher premium service revenues;
- The net impact of customers acquired in the Merger; partially offset by
- An increase in our promotional activities; and
- A reduction in certain non-recurring charges including the impact of the Pandemic.

Adjusted EBITDA

Adjusted EBITDA represents earnings before Interest expense, net of Interest income, Income tax expense, Depreciation and amortization, non-cash Stock-based compensation and certain income and expenses not reflective of our operating performance. Net income margin represents Net income divided by Service revenues. Adjusted EBITDA margin represents Adjusted EBITDA divided by Service revenues.

Adjusted EBITDA is a non-GAAP financial measure utilized by our management to monitor the financial performance of our operations. We use Adjusted EBITDA internally as a measure to evaluate and compensate our personnel and management for their performance, and as a benchmark to evaluate our operating performance in comparison to our competitors. Management believes analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate overall operating performance and facilitate comparisons with other wireless communications services companies because it is indicative of our ongoing operating performance and trends by excluding the impact of interest expense from financing, non-cash depreciation and amortization from capital investments, non-cash stock-based compensation, network decommissioning costs, costs related to the Merger, incremental costs directly attributable to COVID-19 and impairment expense, as they are not indicative of our ongoing operating performance, as well as certain other nonrecurring income and expenses. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for income from operations, net income or any other measure of financial performance reported in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”).

The following table illustrates the calculation of Adjusted EBITDA and reconciles Adjusted EBITDA to Net income, which we consider to be the most directly comparable GAAP financial measure:

(in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change $	Change %	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change $	Change %
Net income	$ 1,253	$ 870	$ 383	44 %	$ 2,314	$ 2,717	$ (403)	(15)%
Adjustments:								
Income from discontinued operations, net of tax	—	—	—	NM	(320)	—	(320)	NM
Income from continuing operations	1,253	870	383	44 %	1,994	2,717	(723)	(27)%
Interest expense	765	184	581	316 %	1,726	545	1,181	217 %
Interest expense to affiliates	44	100	(56)	(56)%	206	310	(104)	(34)%
Interest income	(3)	(5)	2	(40)%	(21)	(17)	(4)	24 %
Other expense, net	99	(3)	102	NM	304	12	292	NM
Income tax expense	407	325	82	25 %	715	921	(206)	(22)%
Operating income	2,565	1,471	1,094	74 %	4,924	4,488	436	10 %
Depreciation and amortization	4,150	1,655	2,495	151 %	9,932	4,840	5,092	105 %
Operating income from discontinued operations [1]	—	—	—	NM	432	—	432	NM
Stock-based compensation [2]	125	108	17	16 %	387	312	75	24 %
Merger-related costs	288	159	129	81 %	1,229	494	735	149 %
COVID-19-related costs [3]	—	—	—	NM	458	—	458	NM
Impairment expense	—	—	—	NM	418	—	418	NM
Other, net [4]	1	3	(2)	(67)%	31	7	24	343 %
Adjusted EBITDA	$ 7,129	$ 3,396	$ 3,733	110 %	$ 17,811	$ 10,141	$ 7,670	76 %
Net income margin (Net income divided by Service revenues)	9 %	10 %		-100 bps	6 %	11 %		-500 bps
Adjusted EBITDA margin (Adjusted EBITDA divided by Service revenues)	50 %	39 %		1,100 bps	49 %	40 %		900 bps

NM - Not Meaningful

(1) Following the Prepaid Transaction, starting on July 1, 2020, we provide MVNO services to DISH. We have included the operating income from discontinued operations from April 1, 2020 through June 30, 2020, in our determination of Adjusted EBITDA to reflect contributions of the Prepaid Business that were replaced by the MVNO Agreement beginning on July 1, 2020 in order to enable management, analysts and investors to better assess ongoing operating performance and trends.

(2) Stock-based compensation includes payroll tax impacts and may not agree to stock-based compensation expense in the condensed consolidated financial statements. Additionally, certain stock-based compensation expenses associated with the Transactions have been included in Merger-related costs.

(3) Supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs were not significant for the three months ended September 30, 2020.

(4) Other, net may not agree to the Condensed Consolidated Statements of Comprehensive Income primarily due to certain non-routine operating activities, such as other special items that would not be expected to reoccur or are not reflective of T-Mobile’s ongoing operating performance, and are therefore excluded in Adjusted EBITDA.

Adjusted EBITDA increased $3.7 billion, or 110%, for the three months ended and increased $7.7 billion, or 76%, for the nine months ended September 30, 2020. The components comprising Adjusted EBITDA are discussed further above.

The increase for the three months ended September 30, 2020 was primarily due to:

- Higher service revenues; and
- Higher equipment revenues; partially offset by
- Higher Cost of equipment sales;
- Higher Cost of services expenses, excluding Merger-related costs; and
- Higher Selling, general and administrative expenses, excluding Merger-related costs.

The increase for the nine months ended September 30, 2020 was primarily due to:

- Higher service revenues; and
- Higher equipment revenues; partially offset by
- Higher Cost of services expenses, excluding Merger-related costs;
- Higher Cost of equipment sales; and
- Higher Selling, general and administrative expenses, excluding Merger-related costs and supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs.
- The impact from commission costs capitalization and amortization, including a net benefit from costs capitalized as result of the Merger, reduced Adjusted EBITDA by $69 million for the nine months ended for the September 30, 2020, compared to the nine months ended September 30, 2019.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents and cash generated from operations, proceeds from issuance of long-term debt and common stock, financing leases, the sale of certain receivables, financing arrangements of vendor payables which effectively extend payment terms and the New Revolving Credit Facility (as defined below). In connection with the closing of the Merger on April 1, 2020, we incurred a substantial amount of additional third-party indebtedness which increased our future financial commitments, including aggregate interest payments. Further, the incurrence of additional indebtedness may inhibit our ability to incur new debt under the terms governing our existing and future indebtedness, which may make it more difficult for us to incur new debt in the future to finance our business strategy.

Cash Flows

The following is a condensed schedule of our cash flows for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(in millions)	**2020**	**2019**	**$**	**%**	**2020**	**2019**	**$**	**%**
Net cash provided by operating activities	$ 2,772	$ 1,748	$ 1,024	59 %	$ 5,166	$ 5,287	$ (121)	(2)%
Net cash used in investing activities	(1,132)	(657)	(475)	72 %	(9,068)	(3,238)	(5,830)	180 %
Net cash (used in) provided by financing activities	(6,144)	(543)	(5,601)	NM	9,031	(1,599)	10,630	(665)%

Operating Activities

Net cash provided by operating activities increased $1.0 billion, or 59%, for the three months ended and decreased $121 million, or 2%, for the nine months ended September 30, 2020.

The increase for the three months ended September 30, 2020, was primarily from:

- Higher net non-cash adjustments to Net income, primarily from depreciation and amortization; and
- Higher Net income; partially offset by
- A $2.1 billion increase in net cash outflows from changes in working capital, primarily due to higher use from Accounts receivable, Accounts payable and accrued liabilities and Inventories.
- Net cash provided by operating activities includes $379 million and $124 million in payments for Merger-related costs for the three months ended September 30, 2020 and 2019, respectively.
- Net cash provided by operating activities includes $198 million and $0 in payments for supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs for the three months ended September 30, 2020 and 2019, respectively.

The decrease for the nine months ended September 30, 2020, was primarily from:

- A $5.8 billion increase in net cash outflows from changes in working capital, primarily due to the one-time impact of $2.3 billion in gross payments for the settlement of interest rate swaps related to Merger financing for the nine months ended September 30, 2020, included in the use from Other current and long-term liabilities, as well as higher use from Accounts payable and accrued liabilities and Inventories; and
- Lower Net income; partially offset by
- Higher net non-cash adjustments to Net income, primarily from depreciation and amortization.
- Net cash provided by operating activities includes $910 million and $309 million in payments for Merger-related costs for the nine months ended September 30, 2020 and 2019, respectively.
- Net cash provided by operating activities includes $454 million and $0 in payments for supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs for the nine months ended September 30, 2020 and 2019, respectively.

Investing Activities

Net cash used in investing activities increased $475 million, or 72%, for the three months ended and increased $5.8 billion, or 180%, for the nine months ended September 30, 2020.

The use of cash for the three months ended September 30, 2020, was primarily from:

- $3.2 billion in Purchases of property and equipment, including capitalized interest, from network integration related to the Merger and the continued build-out of our nationwide 5G network; partially offset by
- $1.2 billion in Proceeds from the divestiture of the prepaid business;
- $855 million in Proceeds related to beneficial interests in securitization transactions; and
- $17 million in net Refunds of spectrum licenses and other intangible assets, including deposits, primarily due to refunds of spectrum license deposits.

The use of cash for the nine months ended September 30, 2020, was primarily from:

- $7.2 billion in Purchases of property and equipment, including capitalized interest, from network integration related to the Merger and the continued build-out of our nationwide 5G network;
- $5.0 billion in cash paid for the acquisition of Sprint, net of cash and restricted cash acquired; and
- $827 million in Purchases of spectrum licenses and other intangible assets, including deposits; partially offset by
- $2.3 billion in Proceeds related to beneficial interests in securitization transactions;
- $1.2 billion in Proceeds from the divestiture of the prepaid business; and
- $632 million related to derivative contracts under collateral exchange arrangements, for more information regarding these contracts; see Note 7 - Fair Value Measurements of the Notes to the Condensed Consolidated Financial Statements.

Financing Activities

Net cash (used in) provided by financing activities decreased $5.6 billion for the three months ended and increased $10.6 billion for the nine months ended September 30, 2020.

The use of cash for the three months ended September 30, 2020, was primarily from:

- $5.7 billion in Repayments of long-term debt driven by the repayment of $1.7 billion aggregate principal amount of our 6.375% Senior Notes due 2025, $1.5 billion aggregate principal amount of our 7.000% Senior Notes due 2020, $1.25 billion aggregate principal amount of 5.125% Senior Notes due 2021 held by DT, $1.0 billion aggregate principal amount of our 6.500% Senior Notes due 2024, and $219 million aggregate principal amount of our 3.360% Senior Secured Series 2016-1 A-1 Notes due 2021; and
- $246 million in Repayments of financing lease obligations.

The source of cash for the nine months ended September 30, 2020, was primarily from:

- $26.7 billion in Proceeds from the issuance of long-term debt, net of discounts and issuance costs, driven primarily by the issuance of $23.0 billion in Senior Secured Notes and a draw of $4.0 billion on the New Secured Term Loan Facility;
- $18.7 billion in Proceeds from the issuance of short-term debt, net of discounts and issuance costs, driven by a $19.0 billion draw on the New Secured Bridge Loan Facility in connection with the closing of the Merger; and
- $304 million in net proceeds from the SoftBank Equity transaction, see Note 14 - SoftBank Equity Transaction of the Notes to the Condensed Consolidated Financial Statements; partially offset by
- $18.9 billion in Repayments of short-term debt, net of refunds for issuance costs, for the repayment of the $19.0 billion draw on the New Secured Bridge Loan Facility;
- $16.2 billion in Repayments of long-term debt driven by the repayment of $5.3 billion aggregate principal amount of 5.125% Senior Notes due 2021 held by DT, our $4.0 billion Incremental Term Loan Facility with DT, $2.3 billion of outstanding principal for the termination of the accounts receivable facility assumed in the Merger, $1.7 billion aggregate principal amount of our 6.375% Senior Notes due 2025, $1.5 billion aggregate principal amount of our 7.000% Senior Notes due 2020, $1.0 billion aggregate principal amount of our 6.500% Senior Notes due 2024 and $438 million aggregate principal amount of our 3.360% Senior Secured Series 2016-1 A-1 Notes due 2021; and
- $764 million in Repayments of financing lease obligations.

Cash and Cash Equivalents

As of September 30, 2020, our Cash and cash equivalents were $6.6 billion compared to $1.5 billion at December 31, 2019.

Free Cash Flow

Free Cash Flow represents Net cash provided by operating activities less cash payments for Purchases of property and equipment, including Proceeds from sales of tower sites and Proceeds related to beneficial interests in securitization transactions, less Cash payments for debt prepayment or debt extinguishment. Free Cash Flow and Free Cash Flow, excluding gross payments for the settlement of interest rate swaps, are non-GAAP financial measures utilized by our management, investors and analysts of our financial information to evaluate cash available to pay debt and provide further investment in the business.

The table below illustrates the reconciliation of Free Cash Flow and Free Cash Flow, excluding gross payments for the settlement of interest rate swaps from Net cash provided by operating activities, which we consider to be the most directly comparable GAAP financial measure.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(in millions)	**2020**	**2019**	**$**	**%**	**2020**	**2019**	**$**	**%**
Net cash provided by operating activities	$ 2,772	$ 1,748	$ 1,024	59 %	$ 5,166	$ 5,287	$ (121)	(2)%
Cash purchases of property and equipment	(3,217)	(1,514)	(1,703)	112 %	(7,227)	(5,234)	(1,993)	38 %
Proceeds related to beneficial interests in securitization transactions	855	900	(45)	(5)%	2,325	2,896	(571)	(20)%
Cash payments for debt prepayment or debt extinguishment costs	(58)	—	(58)	NM	(82)	(28)	(54)	193 %
Free Cash Flow	352	1,134	(782)	(69)%	182	2,921	(2,739)	(94)%
Gross cash paid for the settlement of interest rate swaps	—	—	—	NM	2,343	—	2,343	NM
Free Cash Flow, excluding gross payments for the settlement of interest rate swaps	$ 352	$ 1,134	$ (782)	(69)%	$ 2,525	$ 2,921	$ (396)	(14)%

NM - Not Meaningful

Free Cash Flow, excluding gross payments for the settlement of interest rate swaps related to Merger financing, decreased $782 million, or 69%, for the three months ended and decreased $396 million, or 14%, for the nine months ended September 30, 2020.

The decrease for the three months ended September 30, 2020, was primarily impacted by the following:

- Higher Cash purchases of property and equipment, including capitalized interest of $108 million and $118 million for the three months ended September 30, 2020 and 2019, respectively, from network integration related to the Merger and the continued build-out of our nationwide 5G network; partially offset by
- Higher Net cash provided by operating activities, as described above.
- Free Cash Flow includes $379 million and $124 million in payments for Merger-related costs for the three months ended September 30, 2020 and 2019, respectively.
- Free Cash Flow includes $198 million and $0 in payments for supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs for the three months ended September 30, 2020 and 2019, respectively.

The decrease for the nine months ended September 30, 2020, was primarily impacted by the following:

- Higher Cash purchases of property and equipment, including capitalized interest of $339 million and $361 million for the nine months ended September 30, 2020 and 2019, respectively, from network integration related to the Merger and the continued build-out of our nationwide 5G network; and
- Lower Proceeds related to our deferred purchase price from securitization transactions; and
- The one-time impact of gross payments for the settlement of interest rate swaps related to Merger financing of $2.3 billion, which is excluded from the calculation Free Cash Flow.
- Free Cash Flow includes $910 million and $309 million in payments for Merger-related costs for the nine months ended September 30, 2020 and 2019, respectively.
- Free Cash Flow includes $454 million and $0 in payments for supplemental employee payroll, third-party commissions and cleaning-related COVID-19 costs for the nine months ended September 30, 2020 and 2019, respectively.

Borrowing Capacity

We maintain a financing arrangement with Deutsche Bank AG, which allows for up to $108 million in borrowings. Under the financing arrangement, we can effectively extend payment terms for invoices payable to certain vendors. As of September 30, 2020, there were no outstanding balances under such financing arrangements.

We maintain vendor financing arrangements primarily with our main network equipment suppliers. Under the respective agreements, we can obtain extended financing terms. During the three and nine months ended September 30, 2020, we repaid $231 million and $407 million, respectively, associated with the vendor financing arrangements and other financial liabilities. These payments are included in Repayments of short-term debt for purchases of inventory, property and equipment and other financial liabilities, in our Condensed Consolidated Statements of Cash Flows. As of September 30, 2020 and December 31, 2019, the outstanding balance under the vendor financing arrangements and other financial liabilities was $312 million and $25 million, respectively.

On April 1, 2020, in connection with the closing of the Merger, T-Mobile USA and certain of its affiliates, as guarantors, entered into a Credit Agreement (the “New Credit Agreement”) with certain financial institutions named therein, providing for a $4.0 billion secured term loan facility and a $4.0 billion revolving credit facility (the “New Revolving Credit Facility”). On September 16, 2020, we increased the aggregate commitment under the New Revolving Credit Facility to $5.5 billion through an amendment to the Credit Agreement. As of September 30, 2020, there was no outstanding balance under the New Revolving Credit Facility. Subsequent to September 30, 2020, on October 9, 2020, we repaid at par all of the outstanding amounts under, and terminated, our New Secured Term Loan Facility.

Subsequent to September 30, 2020, on October 30, 2020, we entered into a $5.0 billion senior secured term loan commitment with certain financial institutions. Up to $5.0 billion of loans under the commitment may be drawn at any time (subject to customary conditions precedent) through June 30, 2021. If drawn, the facility matures in 364 days with one six-month extension exercisable at our discretion. Proceeds may be used for general corporate purposes and will accrue interest at a rate of LIBOR plus a margin of 1.25% per annum.

Debt Financing

As of September 30, 2020, our total debt and financing lease liabilities were $69.2 billion, excluding our tower obligations, of which $63.1 billion was classified as long-term debt and $1.4 billion was classified as long-term financing lease liabilities.

During the nine months ended September 30, 2020, we issued short- and long-term debt for proceeds of $45.5 billion and redeemed and repaid short- and long-term debt totaling $35.4 billion. Additionally, in connection with the closing of the Merger, we assumed certain indebtedness of Sprint totaling $31.8 billion.

Subsequent to September 30, 2020, on October 6, 2020, T-Mobile USA issued $500 million of 2.050% Senior Secured Notes due 2028, $750 million of 2.550% Senior Secured Notes due 2031, $1.25 billion of 3.000% Senior Secured Notes due 2041, and $1.5 billion of 3.300% Senior Secured Notes due 2051. On October 9, 2020, we used the net proceeds of $4.0 billion to repay at par all of the outstanding amounts under, and terminate, the New Secured Term Loan Facility.

Subsequent to September 30, 2020, on October 28, 2020, T-Mobile USA issued $1.0 billion of 2.250% Senior Secured Notes due 2031, $1.25 billion of 3.000% Senior Secured Notes due 2041, $1.5 billion of 3.300% Senior Secured Notes due 2051 and $1.0 billion of 3.600% Senior Secured Notes due 2060. We intend to use the net proceeds of $4.6 billion for general corporate purposes, which may include among other things, acquisitions of additional spectrum and refinancing existing indebtedness on an ongoing basis.

Subsequent to September 30, 2020, on October 30, 2020, we entered into a $5.0 billion senior secured term loan commitment with certain financial institutions. Up to $5.0 billion of loans under the commitment may be drawn at any time (subject to customary conditions precedent) through June 30, 2021. If drawn, the facility matures in 364 days with one six-month extension exercisable at our discretion. Proceeds may be used for general corporate purposes and will accrue interest at a rate of LIBOR plus a margin of 1.25% per annum.

For more information regarding our debt financing transactions, see Note 8 - Debt of the Notes to the Condensed Consolidated Financial Statements.

Spectrum Auction

In March 2020, the FCC announced that we were the winning bidder of 2,384 licenses in Auction 103 (37/39 GHz and 47 GHz spectrum bands) for an aggregate price of $873 million, net of an incentive payment of $59 million. At the inception of Auction 103 in October 2019, we deposited $82 million with the FCC. Upon conclusion of Auction 103 in March 2020, we made a down payment of $93 million for the purchase price of the licenses won in the auction. On April 8, 2020, we paid the FCC the remaining $698 million of the purchase price for the licenses won in the auction. Prior to the Merger, the FCC announced that Sprint was the winning bidder of 127 licenses in Auction 103 (37/39 GHz and 47 GHz spectrum bands). All payments related to the licenses won were made by Sprint prior the Merger.

For more information regarding our spectrum licenses, see Note 6 - Goodwill, Spectrum License Transactions and Other Intangible Assets of the Notes to the Condensed Consolidated Financial Statements.

Interest Rate Lock Derivatives

In April 2020, in connection with the issuance of an aggregate of $19.0 billion in Senior Secured Notes, we terminated our interest rate lock derivative. At the time of termination, the interest rate lock derivatives were a liability of $2.3 billion, of which $1.2 billion was cash collateralized. Consequently, the net cash required to settle the interest rate lock derivatives was an additional $1.1 billion and was paid at termination.

For more information regarding the termination of our interest rate lock derivative, see Note 7 - Fair Value Measurements of the Notes to the Condensed Consolidated Financial Statements.

Future Sources and Uses of Liquidity

We may seek additional sources of liquidity, including through the issuance of additional long-term debt in 2020, to continue to opportunistically acquire spectrum licenses or other assets in private party transactions or for the refinancing of existing long-term debt on an opportunistic basis. Excluding liquidity that could be needed for spectrum acquisitions, or for other assets, we expect our principal sources of funding to be sufficient to meet our anticipated liquidity needs for business operations for the next 12 months as well as our longer-term liquidity needs. Our intended use of any such funds is for general corporate purposes, including for capital expenditures, spectrum purchases, opportunistic investments and acquisitions, redemption of high yield callable debt and the execution of our integration plan.

We determine future liquidity requirements, for both operations and capital expenditures, based in large part upon projected financial and operating performance, and opportunities to acquire additional spectrum. We regularly review and update these projections for changes in current and projected financial and operating results, general economic conditions, the competitive landscape and other factors. We have incurred, and will incur, substantial expenses as a result of completing the Transactions, the Divestiture Transaction and compliance with the Government Commitments, and we are also expected to incur substantial restructuring expenses in connection with integrating and coordinating T-Mobile’s and Sprint’s businesses, operations, policies and procedures. While we have assumed that a certain level of Merger-related expenses will be incurred, factors beyond our control, including required consultation and negotiation with certain counterparties, could affect the total amount or the timing of these expenses. These expenses could exceed the costs historically borne by us and adversely affect our financial condition and results of operations. There are a number of additional risks and uncertainties, including those due to the impact of the COVID-19 pandemic, that could cause our financial and operating results and capital requirements to differ materially from our projections, which could cause future liquidity to differ materially from our assessment.

The indentures and credit facilities governing our long-term debt to affiliates and third parties, excluding financing leases, contain covenants that, among other things, limit the ability of the Issuers and the Guarantor Subsidiaries to incur more debt, pay dividends and make distributions on our common stock, make certain investments, repurchase stock, create liens or other encumbrances, enter into transactions with affiliates, enter into transactions that restrict dividends or distributions from subsidiaries, and merge, consolidate or sell, or otherwise dispose of, substantially all of their assets. Certain provisions of each of the credit facilities, indentures and supplemental indentures relating to the long-term debt to affiliates and third parties restrict the ability of the Issuers to loan funds or make payments to Parent. However, the Issuers are allowed to make certain permitted payments to Parent under the terms of each of the credit facilities, indentures and supplemental indentures relating to the long-term debt to affiliates and third parties. We were in compliance with all restrictive debt covenants as of September 30, 2020.

The Merger

In connection with the closing of the Merger, on April 1, 2020, we assumed Sprint’s liabilities, which include accounts payable and accrued liabilities, short-term debt, operating and financing lease liabilities, net pension plan liabilities, deferred tax liabilities and long-term debt with an aggregate fair value of $31.8 billion.

For more information regarding the Merger, see Note 2 – Business Combination of the Notes to the Condensed Consolidated Financial Statements.

Financing Lease Facilities

We have entered into uncommitted financing lease facilities with certain partners that provide us with the ability to enter into financing leases for network equipment and services. As of September 30, 2020, we have committed to $4.8 billion of financing leases under these financing lease facilities, of which $211 million and $857 million was executed during the three and nine months ended September 30, 2020, respectively. We expect to enter into up to an additional $343 million in financing lease commitments during 2020.

Capital Expenditures

Our liquidity requirements have been driven primarily by capital expenditures for spectrum licenses and the construction, expansion and upgrading of our network infrastructure. Property and equipment capital expenditures primarily relate to the integration of our acquired Sprint 2.5 GHz spectrum licenses and existing 600 MHz spectrum licenses as we build out our nationwide 5G network.

Since April 1, 2020, we have incurred, and expect to continue to incur significant capital expenditures in the near term related to the integration of the T-Mobile and Sprint businesses in order to fully realize the anticipated synergies associated with the Merger, including the reduction in redundant cell sites from combining networks, back office and information technology efficiencies and the evolution of our distribution and retail footprint including the combining of the Sprint and T-Mobile brand operations.

For more information regarding our property and equipment and spectrum licenses, see Note 5 – Property and Equipment and Note 6 - Goodwill, Spectrum License Transactions and Other Intangible Assets of the Notes to the Condensed Consolidated Financial Statements, respectively.

Dividends

We have never paid or declared any cash dividends on our common stock, and we do not intend to declare or pay any cash dividends on our common stock in the foreseeable future. Our credit facilities and the indentures and supplemental indentures governing our long-term debt to affiliates and third parties, excluding financing leases, contain covenants that, among other things, restrict our ability to declare or pay dividends on our common stock.

Contractual Obligations

In connection with the regulatory approvals of the Transactions, we made commitments to various state and federal agencies, including the DOJ and FCC.

For more information regarding these commitments, see Note 17 – Commitments and Contingencies of the Notes to the Condensed Consolidated Financial Statements.

The contractual commitments and purchase obligations of Sprint were assumed upon the completion of the Merger. These contractual commitments and purchase obligations are primarily commitments to purchase wireless devices, network services, equipment, software, marketing sponsorship agreements and other items in the ordinary course of business.

For more information regarding our contractual commitments and purchase obligations, see Note 17 - Commitments and Contingencies of the Notes to the Condensed Consolidated Financial Statements.

The following table summarizes our contractual obligations and borrowings as of September 30, 2020 and the timing and effect that such commitments are expected to have on our liquidity and capital requirements in future periods:

(in millions)	Less Than 1 Year	1 - 3 Years	4 - 5 Years	More Than 5 Years	Total
Long-term debt [1]	$ 3,680	$ 12,977	$ 10,103	$ 38,184	$ 64,944
Interest on long-term debt	3,384	5,869	4,242	9,218	22,713
Financing lease liabilities, including imputed interest	1,100	1,218	150	72	2,540
Tower obligations [2]	393	738	591	694	2,416
Operating lease liabilities, including imputed interest	4,717	8,115	6,086	19,184	38,102
Purchase obligations [3]	4,174	3,399	1,561	1,549	10,683
Spectrum leases and service credits [4]	328	698	609	5,103	6,738
Total contractual obligations	$ 17,776	$ 33,014	$ 23,342	$ 74,004	$ 148,136

(1) Represents principal amounts of long-term debt to affiliates and third parties at maturity, excluding unamortized premiums, discounts, debt issuance costs, consent fees, and financing lease obligations. See Note 8 – Debt of the Notes to the Condensed Consolidated Financial Statements for further information.

(2) Future minimum payments, including principal and interest payments, related to the tower obligations. See Note 9 – Tower Obligations of the Notes to the Condensed Consolidated Financial Statements for further information.

(3) The minimum commitment for certain obligations is based on termination penalties that could be paid to exit the contracts. Termination penalties are included in the above table as payments due as of the earliest we could exit the contract, typically in less than one year. For certain contracts that include fixed volume purchase commitments and fixed prices for various products, the purchase obligations are calculated using fixed volumes and contractually fixed prices for the products that are expected to be purchased. This table does not include open purchase orders as of September 30, 2020 under normal business purposes. See Note 17 – Commitments and Contingencies of the Notes to the Condensed Consolidated Financial Statements for further information.

(4) Spectrum lease agreements are typically for five to 10 years with automatic renewal provisions, bringing the total term of the agreements up to 30 years.

Certain commitments and obligations are included in the table based on the year of required payment or an estimate of the year of payment. Other long-term liabilities have been omitted from the table above due to the uncertainty of the timing of payments, combined with the absence of historical trending to be used as a predictor of such payments. See Note 19 – Additional Financial Information of the Notes to the Condensed Consolidated Financial Statements for further information.

The purchase obligations reflected in the table above are primarily commitments to purchase spectrum licenses, wireless devices, network services, equipment, software, marketing sponsorship agreements and other items in the ordinary course of business. These amounts do not represent our entire anticipated purchases in the future, but represent only those items for which we are contractually committed. Where we are committed to make a minimum payment to the supplier regardless of whether we take delivery, we have included only that minimum payment as a purchase obligation. The acquisition of spectrum licenses is subject to regulatory approval and other customary closing conditions.

Related Party Transactions

SoftBank

On June 22, 2020, we entered into a Master Framework Agreement and related transactions with SoftBank to facilitate the SoftBank Monetization as described in Note 14 - SoftBank Equity Transaction of the Notes to the Condensed Consolidated Financial Statements. As of September 30, 2020, DT and SoftBank held, directly or indirectly, approximately 43.4% and 8.6%, respectively, of our outstanding common stock, with the remaining approximately 48.0% of our outstanding common stock held by other stockholders. As a result of the Proxy Agreements, DT has voting control as of September 30, 2020 over approximately 52.4% of the outstanding T-Mobile common stock. In addition, as provided for in the Master Framework Agreement, DT also holds certain call options over approximately 101.5 million shares of our common stock held by SBGC.

On July 27, 2020, in connection with the SoftBank Monetization, the Rights Offering exercise period closed, and on August 3, 2020, the Rights Offering closed, resulting in the sale of 19,750,000 shares of our common stock.

For more information regarding our related party transactions with SoftBank, see Note 2 - Business Combination and Note 14 - SoftBank Equity Transaction of the Notes to the Condensed Consolidated Financial Statements.

Marcelo Claure

On June 22, 2020, we entered into a Master Framework Agreement which provided for the purchase of shares of our common stock by Marcelo Claure, a member of our board of directors, from us at a specified price.

For more information regarding our related party transactions with Marcelo Claure, see Note 14 - SoftBank Equity Transaction of the Notes to the Condensed Consolidated Financial Statements.

Brightstar

We have arrangements with Brightstar, a subsidiary of SoftBank, whereby Brightstar provides supply chain and inventory management services to us in our indirect channels.

For more information regarding our related party transactions with Brightstar, see Note 1 - Summary of Significant Accounting Policies and Note 19 - Additional Financial Information of the Notes to the Condensed Consolidated Financial Statements.

Deutsche Telekom

We have related party transactions associated with DT or its affiliates in the ordinary course of business, including intercompany servicing and licensing.

For more information regarding these transactions, see Note 19 - Additional Financial Information of the Notes to the Condensed Consolidated Financial Statements.

On April 1, 2020, in connection with the closing of the Merger, we repaid our $4.0 billion Incremental Term Loan Facility with DT and repurchased from DT $4.0 billion of indebtedness to affiliates, consisting of $2.0 billion of 5.300% Senior Notes due 2021 and $2.0 billion of 6.000% Senior Notes due 2024 as well as made an additional payment for requisite consents to DT of $13 million.

On July 4, 2020, we redeemed $1.25 billion aggregate principal amount of our 5.125% Senior Notes to affiliates due 2021.

For more information regarding our related party debt transactions, see Note 8 - Debt of the Notes to the Condensed Consolidated Financial Statements.

Disclosure of Iranian Activities under Section 13(r) of the Securities Exchange Act of 1934

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act of 1934, as amended ("Exchange Act"). Section 13(r) requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction. Disclosure is required even where the activities, transactions or dealings are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.

As of the date of this report, we are not aware of any activity, transaction or dealing by us or any of our affiliates for the three months ended September 30, 2020, that requires disclosure in this report under Section 13(r) of the Exchange Act, except as set forth below with respect to affiliates that we do not control and that are our affiliates solely due to their common control with either DT or SoftBank. We have relied upon DT and SoftBank for information regarding their respective activities, transactions and dealings.

DT, through certain of its non-U.S. subsidiaries, is party to roaming and interconnect agreements with the following mobile and fixed line telecommunication providers in Iran, some of which are or may be government-controlled entities: Irancell Telecommunications Services Company, Telecommunication Kish Company, Mobile Telecommunication Company of Iran, and Telecommunication Infrastructure Company of Iran. In addition, during the three months ended September 30, 2020, DT, through certain of its non-U.S. subsidiaries, provided basic telecommunications services to three customers in Germany identified on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of Treasury's Office of Foreign Assets Control: Bank Melli, Bank Sepah, and Europäisch-Iranische Handelsbank. These services have been terminated or are in the process of being terminated. For the three months ended September 30, 2020, gross revenues of all DT affiliates generated by roaming and interconnection traffic and telecommunications services with the Iranian parties identified herein were less than $0.1 million, and the estimated net profits were less than $0.1 million.

In addition, DT, through certain of its non-U.S. subsidiaries that operate a fixed-line network in their respective European home countries (in particular Germany), provides telecommunications services in the ordinary course of business to the Embassy of Iran in those European countries. Gross revenues and net profits recorded from these activities for the three months ended September 30, 2020 were less than $0.1 million. We understand that DT intends to continue these activities.

Separately, SoftBank, through one of its non-U.S. subsidiaries, provides roaming services in Iran through Irancell Telecommunications Services Company. During the three months ended September 30, 2020, SoftBank had no gross revenues from such services and no net profit was generated. We understand that the SoftBank subsidiary intends to continue such services. This subsidiary also provides telecommunications services in the ordinary course of business to accounts affiliated with the Embassy of Iran in Japan. During the three months ended September 30, 2020, SoftBank estimates that gross revenues and net profit generated by such services were both under $0.1 million. We understand that the SoftBank subsidiary is obligated under contract and intends to continue such services.

In addition, SoftBank, through one of its non-U.S. indirect subsidiaries, provides office supplies to the Embassy of Iran in Japan. SoftBank estimates that gross revenue and net profit generated by such services during the three months ended September 30, 2020, were both under $0.1 million. We understand that the SoftBank subsidiary intends to continue such activities.

Off-Balance Sheet Arrangements

We have arrangements, as amended from time to time, to sell certain EIP accounts receivable and service accounts receivable on a revolving basis as a source of liquidity. As of September 30, 2020, we derecognized net receivables of $2.5 billion upon sale through these arrangements.

For more information regarding these off-balance sheet arrangements, see Note 4 – Sales of Certain Receivables of the Notes to the Condensed Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Preparation of our condensed consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, as well as related disclosure of contingent assets and liabilities. Except as described below and in Note 1 - Summary of Significant Accounting Policies, there have been no material changes to the critical accounting policies and estimates as previously disclosed in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019, and which are hereby incorporated by reference herein other than the updated risk factors below.

Evaluation of Goodwill and Indefinite-Lived Intangible Assets for Impairment

We assess the carrying value of our goodwill and other indefinite-lived intangible assets, such as our spectrum licenses, for potential impairment annually as of December 31, or more frequently if events or changes in circumstances indicate such assets might be impaired.

We have identified two reporting units for which discrete financial information is available and results are regularly reviewed by management: wireless and Layer3. The Layer3 reporting unit consists of the assets and liabilities of Layer3 TV, Inc., which was acquired in January 2018. The wireless reporting unit consists of the remaining assets and liabilities of T-Mobile US, Inc., excluding Layer3 TV, Inc. We separately evaluate these reporting units for impairment.

When assessing goodwill for impairment we may elect to first perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. If we do not perform a qualitative assessment, or if the qualitative assessment indicates it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform a quantitative test. We recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. We employed a qualitative approach to assess the wireless reporting unit. The fair value of the wireless reporting unit is determined using a market approach, which is based on market capitalization. We recognize market capitalization is subject to volatility and will monitor changes in market capitalization to determine whether declines, if any, necessitate an interim impairment review. In the event market capitalization does decline below its book value, we will consider the length, severity and reasons for the decline when assessing whether potential impairment exists, including considering whether a control premium should be added to the market capitalization. We believe short-term fluctuations in share price may not necessarily reflect the underlying aggregate fair value. No events or change in circumstances have occurred in the current quarter that indicate the fair value of the Wireless reporting unit may be below its carrying amount at September 30, 2020.

Concurrent with the acquisition, management also revisited the plans for our TVision™ Home service offering and the integration of this offering with the Sprint customer base. Additionally, we expect our significantly enhanced spectrum position following the Merger will allow us to accelerate our in-home broadband internet service strategy. The enhanced in-home broadband opportunity, along with the acquisition of certain content rights, created a strategic shift in our TVision™ Home service offering allowing us the ability to develop a video product which will be complementary to the in-home broadband offering. As of June 30, 2020, management updated its forecast, which included a reimagining of the stand-alone product offering to potential customers that is expected to launch by the end of 2020. Based on these events and changes in circumstances, we determined that recoverability of the carrying amount of goodwill for the Layer3 reporting unit should be evaluated for impairment. We employed a quantitative approach to assess the Layer3 reporting unit. The fair value of the Layer3 reporting unit was determined using an income approach, which was based on estimated discounted future cash flows.

We made estimates and assumptions regarding future cash flows, discount rates and long-term growth rates to determine the reporting unit's estimated fair value. The key assumptions used were as follows:

- Expected cash flows underlying the Layer3 business plan for the periods 2020 through 2025, which took into account assumptions for a delayed launch, estimates of subscribers for TVision services, average revenue and content cost per subscriber, operating costs and capital expenditures;
- Cash flows beyond 2025 were projected to grow at a long-term growth rate estimated at 3%. Estimating a long-term growth rate requires significant judgment about future business strategies as well as micro- and macro-economic environments that are inherently uncertain; and
- We used a discount rate of 30% to risk adjust the cash flow projections in determining the estimated fair value.

The carrying value of the Layer3 reporting unit exceeded its estimated fair value as of June 30, 2020. Accordingly, during the nine months ended September 30, 2020, we recorded an impairment loss of $218 million, which is included in “Impairment expense” in our Condensed Consolidated Statements of Comprehensive Income.

For more information regarding our impairment assessments, see Note 1 - Summary of Significant Accounting Policies and Note 6 – Goodwill, Spectrum License Transactions and Other Intangible Assets of the Notes to the Condensed Consolidated Financial Statements.

Accounting Pronouncements Not Yet Adopted

For information regarding recently issued accounting standards, see Note 1 – Summary of Significant Accounting Policies of the Notes to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to economic risks in the normal course of business, primarily from changes in interest rates, including changes in investment yields and changes in spreads due to credit risk and other factors. These risks, along with other business risks, impact our cost of capital. Our policy is to manage exposure related to fluctuations in interest rates in order to manage capital costs, control financial risks and maintain financial flexibility over the long term. We have established interest rate risk limits that are closely monitored by measuring interest rate sensitivities of our debt portfolio.

Through March 31, 2020, we were exposed to changes in interest rates on our Incremental Term Loan Facility with DT, our majority stockholder. On April 1, 2020, in connection with the closing of the Merger, we drew down on a $19.0 billion New Secured Bridge Loan Facility and a $4.0 billion New Secured Term Loan Facility. We used a portion of the net proceeds from the draw down of the secured facilities to repay our $4.0 billion Incremental Term Loan Facility with DT. See Note 8 - Debt of the Notes to the Condensed Consolidated Financial Statements for further information regarding the issuance of New Secured Bridge Loan Facility and New Secured Term Loan Facility.

Through April 1, 2020, we were exposed to changes in the benchmark interest rate associated with our interest rate lock derivatives. Between April 2 to April 6, 2020, in connection with the issuance of an aggregate of $19.0 billion in Senior Secured Notes, we terminated our interest rate lock derivatives. See Note 8 - Debt of the Notes to the Condensed Consolidated Financial Statements for further information regarding the issuance of senior secured notes. At the time of termination, the interest rate lock derivatives were a liability of $2.3 billion, of which $1.2 billion was cash-collateralized. Consequently, the net cash outflow required to settle the interest rate lock derivatives was an additional $1.1 billion and was paid at termination. Aggregate changes in fair value, net of tax, of $1.6 billion are presented in Accumulated other comprehensive loss as of September 30, 2020. Upon the termination of the interest rate derivatives, we began amortizing the Accumulated other comprehensive loss with the derivatives into Interest expense over periods of eight to 10 years. For the three and nine months ended September 30, 2020, $44 million and $83 million, respectively, was amortized from Accumulated other comprehensive loss into Interest expense in the Condensed Consolidated Statements of Comprehensive Income.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure information required to be disclosed in our periodic reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls include the use of a Disclosure Committee which is comprised of representatives from our Accounting, Legal, Treasury, Technology, Risk Management, Government Affairs and Investor Relations functions and are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this Form 10-Q.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") are filed as exhibits 31.1 and 31.2, respectively, to this Form 10-Q.

Changes in Internal Control over Financial Reporting

On April 1, 2020, we completed our Merger with Sprint and have implemented new processes and internal controls to assist us in the preparation and disclosure of financial information. Given the significance of the Sprint acquisition and the complexity of systems and business processes, we intend to exclude the acquired Sprint business from our assessment and report on internal control over financial reporting for the year ending December 31, 2020. Other than as discussed above, there were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, during our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For more information regarding our legal proceedings in which we are involved, see Note 2 - Business Combination and Note 17 – Commitments and Contingencies of the Notes to the Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Other than the updated risk factors below, there have been no material changes in the risk factors previously disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, which amended and restated the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, as further amended by the risk factors previously disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020. These risk factors should be considered carefully in evaluating T-Mobile. Our business, financial condition, liquidity, or operating results, as well as the price of our common stock and other securities, could be materially adversely affected by any of these risks. In addition, many of these risks have been or may be heightened by impacts of the COVID-19 pandemic.

Risks Related to Our Business and the Wireless Industry

Competition, industry consolidation, and changes in the market for wireless services could negatively affect our ability to attract and retain customers and adversely affect our business, financial condition, and operating results.

We have multiple wireless competitors, some of which have greater resources than we have and compete for customers based principally on service/device offerings, price, network coverage, speed and quality and customer service. We expect market saturation to continue to cause the wireless industry's customer growth rate to be moderate in comparison with historical growth rates, leading to ongoing competition for customers. We also expect that our customers' appetite for data services will place increasing demands on our network capacity. This competition and our capacity will continue to put pressure on pricing and margins as companies compete for potential customers. Our ability to compete will depend upon, among other things, continued absolute and relative improvement in network quality and customer service, effective marketing and selling of products and services, innovation, and attractive pricing, all of which will involve significant expenses.

We face intense and increasing competition from other service providers as industry sectors converge, such as cable, telecom services and content, satellite, and other service providers. Companies like Altice, Charter and DISH are diversifying outside cable, voice and broadband services to also offer wireless services. Competitors like Comcast and AT&T now provide original content services in addition to wireless, cable, voice and broadband services, and consumers are increasingly accessing video content from Internet-based providers and applications, all of which create increased competition in this area. These factors, together with the effects of the increasing aggregate penetration of wireless services in all metropolitan areas and the ability of our larger competitors to use resources to build out their networks and to quickly deploy advanced technologies, such as 5G, could make it more difficult for us to continue to attract and retain customers, and may adversely affect our competitive position and ability to grow, which would have a material adverse effect on our business, financial condition and operating results.

Joint ventures, mergers, acquisitions and strategic alliances in the wireless sector have resulted in, and are expected to result in, larger competitors competing for a limited number of customers. Further consolidation, including the pending acquisition of TracFone Wireless by Verizon, could negatively impact our businesses, including wholesale. We will experience declining revenues from our wholesale business if Verizon migrates legacy TracFone customers off the T-Mobile network and DISH migrates Boost customers to their standalone network. The other national wireless communications services providers may be able to enter into exclusive handset, device, or content arrangements, execute pervasive advertising and marketing campaigns, or otherwise improve their cost position relative to ours. In addition, refusal of our large competitors to provide critical access to resources and inputs, such as roaming services, on reasonable terms could improve their position within the wireless broadband mobile services industry.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Subsequent to September 30, 2020, on October 30, 2020, we entered into a $5.0 billion senior secured term loan commitment with Citigroup Global Markets, Inc, Credit Suisse AG, Deutsche Bank AG New York Branch, Goldman Sachs Bank USA, certain of their affiliates, and certain other financial institutions that may be named therein from time to time. Up to $5.0 billion of loans under the commitment may be drawn at any time (subject to customary conditions precedent) through June 30, 2021. If drawn, the facility matures in 364 days with one six-month extension exercisable at our discretion. Proceeds may be used for general corporate purposes and will accrue interest at a rate of LIBOR plus a margin of 1.25% per annum.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference: Form	Incorporated by Reference: Date of First Filing	Incorporated by Reference: Exhibit Number	Filed Herein
3.1	Fifth Amended and Restated Certificate of Incorporation of T-Mobile US, Inc.	8-K	4/1/2020	3.1	
3.2	Seventh Amended and Restated Bylaws of T-Mobile US, Inc.	8-K	4/1/2020	3.2	
10.1*	Master Network Services Agreement, dated as of July 1, 2020, between T-Mobile USA, Inc., DISH Purchasing Corporation and solely for the purposes of Section 13, DISH Network Corporation.				X
10.2*	License Purchase Agreement, dated as of July 1, 2020, by and between T-Mobile USA, Inc. and DISH Network Corporation.				X
10.3	Incremental Amendment, dated as of September 16, 2020, to the Credit Agreement, dated as of April 1, 2020, among T-Mobile USA, Inc., Deutsche Bank AG New York Branch, as administrative agent and each Incremental Revolving Lender as defined therein.	8-K	9/17/2020	10.1	
31.1	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1**	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document).				

* Certain confidential information contained in this exhibit has been omitted because it is both (i) not material and (ii) would likely cause competitive harm if publicly disclosed.

** Furnished herein.

SIGNATURES

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

T-MOBILE US, INC.

November 5, 2020	/s/ Peter Osvaldik
	Peter Osvaldik Executive Vice President and Chief Financial Officer (Principal Financial Officer and Authorized Signatory)

Exhibit 10.1

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS EXHIBIT, MARKED BY [***], HAS BEEN OMITTED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED.

Master Network Services Agreement

between

T-Mobile USA, Inc.,

DISH Purchasing Corporation

and

solely for the purposes of Section 13

DISH Network Corporation

dated as of

July 1, 2020

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<u>Master Network Services Agreement</u>

This Master Network Services Agreement, dated this first day of July, 2020 (the "**Effective Date**"), is between T-Mobile USA, Inc. a Delaware corporation ("**T-Mobile**"), and DISH Purchasing Corporation, a Colorado corporation ("**DISH**"), and (but solely for purposes of Section 13), DISH Network Corporation, a Nevada corporation ("**Parent**"). T-Mobile and DISH are referred to individually as a "**Party**" and collectively as the "**Parties**". Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Purchase Agreement (as defined below).

Recitals

WHEREAS, T-Mobile US, Inc., the parent company of T-Mobile, Sprint Corporation and Parent have entered into that certain Asset Purchase Agreement, dated as of July 26, 2019 (the "**Purchase Agreement**"), pursuant to which T-Mobile US, Inc. and Sprint Corporation have sold and transferred certain assets related to the Business (as defined in the Purchase Agreement) to Parent;

WHEREAS, in consideration of the Purchase Agreement, the Parties acknowledge and agree that they will work in good faith to support a transition commencing at Closing and continuing through the Term to evolve DISH's pre-paid wireless communications services to a free standing, fully independent mobile network operator business, fully owned and administered by DISH;

WHEREAS, the Parties acknowledge and agree that such transition will include:

> **Legacy Network Services**, which include activities involving (1) pre-Closing historic Boost/Sprint pre-paid subscribers whose contracts have been purchased by Dish Network Corporation ("**Legacy Boost Subscribers**"); and (2) End Users added and provisioned on DISH's behalf by T-Mobile on the Legacy Network post-Closing; (collectively, the "**Legacy Network Subscribers**");
>
> **T-Mobile Network Services**, which include activities involving (1) Legacy Network Subscribers that have been migrated to the T-Mobile network; and (2) End Users added and provisioned by DISH on the T-Mobile Network post-Closing;
>
> **Infrastructure MNO Services**, which include activities involving the deployment by DISH of certain network elements and the handover of End User traffic between DISH's network elements and the T-Mobile Network; and

WHEREAS, in further consideration of the Purchase Agreement, the Parties' ultimate objective is to facilitate DISH's transition to operating as a fully independent facilities-based carrier;

WHEREAS, T–Mobile has the ability to provide access to wireless communications service within the Territory; and

WHEREAS, DISH desires to purchase and distribute wireless communications service to end user customers through the use of the Legacy Network and the T–Mobile Network within the Territory in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge, including the acquisition of the Business by DISH and the other terms of the Purchase Agreement and Ancillary Agreements as connected terms to the terms of this Agreement, the Parties, intending to be legally bound, agree as follows:

Agreement

1. DEFINITIONS

1.1 “**Activations Footprint**” has the meaning given in the applicable Annex.

1.2 “**Affiliate**” means, with respect to a Person, any Person that, through one or more intermediaries, controls, is controlled by or is under common control with such Person. For purposes of this definition, “control” means direct or indirect ownership of more than 50% of the shares or other equity interests of the entity entitled to vote in the election of directors (or, in the case of an entity that is not a corporation, for the election of the corresponding managing authority). An entity will be considered an Affiliate only for so long as such ownership or control exists.

1.3 “**Agreement**” means this Agreement and all schedules, addenda, exhibits, annexes, appendices and attachments, all of which may be amended from time to time in accordance with this Agreement.

1.4 [***]

1.5 “**API**” means an electronic application programming interface.

1.6 “**AT&T**” means AT&T Inc. and its subsidiaries and controlled Affiliates.

1.7 “**Billing Cycle**” means the monthly billing cycle for Service usage as established and billed to DISH by T-Mobile.

1.8 “**CALEA**” means Communications Assistance for Law Enforcement Act.

1.9 “**Capital Stock**” means any and all shares, interests, participations, rights or other equivalents, however designated, of corporate stock or partnership or membership interests or other equity interests, whether common or preferred.

1.10 **“CDMA**” means code division multiple access wireless network technology.

1.11 “**Change of Control**” is defined in Section 12.8.

1.12 [***]

1.13 “**Closing**” has the meaning given in the Purchase Agreement.

1.14 “**Collected Taxes”** has the meaning given in Section 5.5(e).

1.15 [***]

1.16 “**Confidential Information**” is defined in Section 9.1.

1.17 “**CPNI**” means Customer Proprietary Network Information (as such term is defined in 47 U.S.C. Section 222(h)(1), as such provision may be amended at any time and from time to time).

1.18 “**Customer**” means a Person who directly or indirectly purchases services of the same or substantially the same type as the Service from T-Mobile. Customer does not include Persons who purchase Service from

DISH or its Distribution Partners or End Users, or from Customers of T-Mobile (e.g., other mobile virtual network operators) under such Customers' terms of service.

1.19 "**Device**" means a single unit of radio telephone equipment having a unique IMEI (including the associated SIM Card) for use in connection with its own Number which includes operating system and other software, and which is technically and operationally compatible with the applicable Facilities under Annex 1, Annex 2 or Annex 3, as the case may be.

1.20 **"DISH Facilities"** means the DISH RAN and DISH core network.

1.21 "**Distribution Partner**" has the meaning given in Section 2.3(a).

1.22 "**Domestic Long Distance**" means a communication from a Device with an assigned Number associated to one local access and transport area ("**LATA**") to a telephone number associated with another LATA.

1.23 "**Effective Date**" has the meaning set forth in the Preamble.

1.24 "**End User**" means a Person who obtains Service directly or indirectly, but only as expressly permitted by this Agreement, from DISH under DISH's terms of service..

1.25 "**End User Personal Data**" means any and all information relating to any DISH End User to which T-Mobile has access solely by virtue of (a) providing the Service under this Agreement or (b) acquiring such information pursuant to the Purchase Agreement, including, without limitation: (i) the IMEI, MSISDN, Number, names, addresses, email addresses, internet protocol addresses, other identifying information and/or other non-public information of any DISH End User; (ii) the fact that an individual is or was a DISH End User; (iii) CPNI; (iv) activation and suspension of service histories, service choices and preferences; and (v) other comparable information in each case related to any DISH End User's use of the Service. For clarity, End User Personal Data is the sole Confidential Information of DISH.

1.26 "**Equipment**" means all or any portion of the equipment, software, technology, handsets, accessories, Devices, or other materials or equipment used by DISH in its business operation or by End Users in their use of Service.

1.27 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

1.28 "**Facilities**" means the communications switching equipment and cell site transceiver equipment owned, operated, maintained, expanded, modified or replaced by T–Mobile or any of its wholly-owned subsidiaries to render Service or wireless communications services of the same or similar type as the Service to DISH, Customers, and End Users in the Territory.

1.29 "**FCC**" means the Federal Communications Commission.

1.30 "**Financial Investor**" means a non-strategic financial investor such as a retirement fund, a pension fund, exchange traded fund, sovereign wealth fund, or private equity fund.

1.31 "**Gigabyte**" **or** "**GB**" means 1,073,741,824 bytes.

1.32 "**Governmental Authority**" means any supra-national, or United States or foreign, national, federal, state, regional, municipal or local government (including any subdivision, court, tribunal, administrative agency or commission or other authority thereof) or any quasi-governmental authority, regulatory or administrative body or other private body exercising any legislative, judicial, regulatory, taxing, importing, self-regulatory or other governmental or quasi-governmental authority.

1.33 "**Governmental Order**" means any decision, ruling, order, requirement, writ, injunction, decree, stipulation, determination, award, binding agreement or judgment issued or entered by or with any Governmental Authority.

1.34 "**IMEI**" means International Mobile Equipment Identity, the unique permanently assigned identification number installed in each Device when it is manufactured.

1.35 "**Indemnified Parties"** has the meaning given in Section 11.1.

1.36 **"Indemnifying Party"** has the meaning given in Section 11.1.

1.37 "**Intellectual Property Rights**" means all intellectual property rights throughout the world, whether existing under intellectual property, unfair competition or trade secret laws, or under statute or at common law or equity, including but not limited to: (i) copyrights, trade secrets, Marks, patents, inventions, "moral rights," mask works, rights of personality, publicity or privacy, and any other intellectual property and proprietary rights; (ii) any application or right to apply for any of the rights referred to in this clause; and (iii) any and all renewals, extensions and restorations thereof, now or hereafter in force and effect.

1.38 **"International Long Distance"** means a communication between a Device with an assigned Number in the Territory to a telephone number assigned to a location outside of the Territory.

1.39 **"Invalidated Evidence"** has the meaning given in Section 5.5(c).

1.40 **"Invoice"** means any invoice issued in accordance with Section 5.4(a).

1.41 **"Kilobyte**" or "**KB**" means 1,024 bytes. All Kilobytes under this Agreement will be rounded to the nearest whole Kilobyte. For example, 32.5 Kilobytes will be counted as 33 Kilobytes under this Agreement.

1.42 "**Laws**" mean United States federal, state or local, foreign, multinational or other law (including common law), statute, rule, ordinance, regulation or Governmental Order of any Governmental Authority.

1.43 "**Legacy Network**" means the Sprint CDMA & LTE network on which Boost/Sprint pre-paid subscribers receive service as owned and operated by Sprint at the time of the consummation of the Business Combination Agreement, dated as of April 29, 2018, and as such network is modified and maintained by T-Mobile from time to time thereafter.

1.44 "**Legacy Network Services**" means the Service that T-Mobile will provide under Annex 1.

1.45 "**Legacy Network Services Phase**" means the period commencing on the Effective Date and ending on the last day of the term under the Transition Services Agreement.

1.46 "**Legacy Systems**" means the information technology systems generally used by T-Mobile to provide provisioning and billing services to DISH in connection with activities on the Legacy Network.

1.47 "**Local Calling Area**" means the geographic area which includes the areas within a Rate Center (i) where T-Mobile actively manages Local Numbers ("**T-Mobile Rate Center**"), and (ii) from which a local exchange carrier offers at least one local calling plan to a T-Mobile Rate Center.

1.48 "**Local Number**" means a Number that T-Mobile provides to DISH, to which Number a local exchange carrier provides at least one local calling plan from the zip code submitted to T-Mobile by DISH as part of DISH's request to activate Service to a SIM Card.

1.49 "**LTE**" means Long Term Evolution mobile communication standard of format (as defined in the applicable 3rd Generation Partnership Project ("**3GPP**") standards) as the same may be modified, updated or amended from time to time.

1.50 "**Marks"** means trademarks, service marks, logos, designs, icons, slogans, trade dress, sounds, colors, company names, trade names, fictitious or assumed business names, top-level domains, social networking names or "handles", or other source identifying devices

1.51 "**Megabyte**" or "**MB**" means 1,024 Kilobytes.

1.52 "**MMS**" means a multi-media message service message that may include graphic, audio or video in addition to text.

1.53 "**MMSC**" means a mobile messaging service center operated by or for T-Mobile that manages the distribution of MMS to End Users.

1.54 **"MNO Service"** means the Service made available to DISH pursuant to Annex 3.

1.55 "**MSISDN**" means the Mobile Subscriber Integrated Services Digital Network Number uniquely identifying a SIM Card.

1.56 "**Number**" means the ten digit telephone number (Numbering Plan Area/Numbering Plan Exchange) assigned by T-Mobile to a SIM Card used to provide access to Service.

1.57 "**Parent Entity**" means, with respect to any Person, any other Person that, directly or indirectly, holds more than 50% of the Voting Power of such first Person.

1.58 "**Permitted Owner**" means any Person who is the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of more than 50% of the Voting Power, provided that such Person is: (a) the Principal; (b) any Financial Investor; or (c) [***].

1.59 "**Person**" means any individual, subsidiary, corporation, limited liability company, partnership, co-partnership, firm, joint venture, association, joint stock company, trust, estate, unincorporated organization, governmental or regulatory body or other entity.

1.60 "**Personnel**" has the meaning given in Section 2.3(b).

1.61 **"PTCRB**" means PCS Type Certification Review Board.

1.62 "**Premium Customers**" means Customers who purchase T-Mobile's then-current premium or primary prepaid retail offering (on the T-Mobile Network, such offering is currently the Metro offering).

1.63 "**Principal**" means, collectively, (a) Charles W. Ergen, (b) the spouse and each immediate family member of the person named in clause (a), and (c) each trust, corporation, partnership or other entity (an "**Other Entity**") of which a person or persons described in clause (a) or (b) directly or indirectly holds at least 80% Voting Power or beneficial interest, if all other Voting Power and beneficial interest in such Other Entity (i) is connected to estate planning activities, (ii) was not purchased by and is not held by any third-party investor in any Parent Entity or Party holding the Wireless Communications Business (excluding for the purpose of this clause (ii) common equity of Dish Network Corporation representing less than 5% of the outstanding Capital Stock of Dish Network Corporation) and (iii) does not convey pass-through Voting Power in respect of any Capital Stock of any other Person that is directly or indirectly owned by such Other Entity.

1.64 "**Proceeding**" has the meaning given in Section 12.18.

1.65 "**Purchase Agreement**" has the meaning assigned to such term in the Recitals.

1.66 "**Quarter**" means a calendar quarter or, to the extent the context requires, a portion thereof.

1.67 "**Rate Center**" means a geographic area that is used by a local exchange carrier to set rate boundaries for billing and for issuing Numbers.

1.68 "**Representatives**" mean, with respect to a Party, such Party's Affiliates and its and their respective directors, officers, employees, agents and advisors.

1.69 "**Restricted Owner**" means:

(a.) on or prior to the last day of the thirty-sixth (36th) month of the Term (the "**Transition Date**"), any "person" or "group" (as such terms are defined in Section 13(d) of the Exchange Act), other than a Permitted Owner or a Financial Investor; and

1.70 on the earlier of: (i) the Transition Date, or (ii) [***], any "person" or "group" (as such terms are defined in Section 13(d) of the Exchange Act) that is any of: (x) AT&T Inc. or Verizon Wireless or their respective successors, (y) any of [***] or their respective successors ("**Cable Companies**"), unless any **Cable Company**, prior to becoming a Restricted Owner, has entered into a mutually beneficial reciprocal facility sharing arrangement regarding broadband with T-Mobile as a condition precedent or (z) any Person (including any **Cable Company**), other than a Financial Investor, unless, prior to becoming a Restricted Owner, such Person has entered into a network usage agreement with T-Mobile, as a condition precedent, which prevents such Person from (A) [***], (B) [***], and (C) [***]. Any disputes arising from the negotiation of such a network usage agreement, reciprocal facility sharing arrangement, or any term in this section shall be resolved by the Antitrust Division of the United States Department of Justice in its sole discretion, provided such discretion shall be exercised in a reasonable manner.

(a.) A Permitted Owner or a Financial Investor shall not be a Restricted Owner, notwithstanding anything to the contrary in this Agreement.

1.71 "**Roaming**" means the service provided to a Customer or to DISH and its End Users via communications switching equipment or cell site transceiver equipment that is operated by a Person other than T-Mobile or its wholly owned subsidiaries, and with whom T-Mobile has an agreement to provide such services to Customers.

1.72 "**Roaming Carriers**" means Persons with whom T-Mobile has agreements for the provision of Roaming to Customers.

1.73 "**Service**" means the "Service" as defined in Annex 1, Annex 2 and/or Annex 3, as applicable.

1.74 "**Service Transaction Gateway**" means an API between T-Mobile and DISH through which DISH may view and perform transactions related to End Users' SIM Cards.

1.75 "**SIM Card**" means Subscriber Identity Module card.

1.76 "**SMS**" means a short message service text message with up to 160 characters of 7-bit ASCII text or 140 bytes of data sent from (i.e., SMS-Mobile Originated ("**SMS MO**")) or to (i.e., SMS-Mobile Terminated ("**SMS MT**")) an End User's Device.

1.77 "**Taxes and Fees**" has the meaning given in Section 5.5(a).

1.78 "**Territory**" or "**Territories**" means the United States of America (including the U.S. Virgin Islands and Puerto Rico).

1.79 "**T-Mobile Network**" means the wireless network generally accessible to Customers and to DISH and its End Users (i.e., currently LTE), and including future updates, improvements or releases to such network technologies ("**Updates**"; for clarity, upon deployment, 5G and 6G are Updates; provided, however that Updates to the T-Mobile Network for purposes of IoT Service are only as described in the IoT Addendum), including the Facilities that are operated by T-Mobile or any of its wholly-owned subsidiaries, and any successor networks to the T-Mobile Network that are operated by T-Mobile to provide the Service as contemplated by Section 2 or, subject to the express terms of this Agreement, wireless communications services of the same or similar type as the Service. The T-Mobile Network does not include the Legacy Network or any facilities operated by roaming carriers or by any entity that is not T-Mobile or a T-Mobile wholly-owned subsidiary.

1.80 "**T-Mobile Network Service**" means the Service that T-Mobile will provide under Annex 2.

1.81 "**T-Mobile Terms and Conditions**" means the T-Mobile Terms and Conditions located at www.T-Mobile.com, as updated by T-Mobile from time to time.

1.82 "**Transaction**" means any transaction or series of transactions (whether by way of acquisition, merger, consolidation, share exchange, business combination, recapitalization or reorganization, or other transaction or series of transactions).

1.83 "**Transition Services Agreement**" has the meaning given in the Purchase Agreement.

1.84 "**Verizon**" means Verizon Communications Inc. and its subsidiaries and controlled Affiliates.

1.85 "**Voting Power**" means the voting power of the shares of Capital Stock entitled to vote (including the voting power of any shares of Capital Stock or convertible or voting indebtedness that, subject to the occurrence of any contingency, exercise or conversion, would be entitled to vote, assuming the occurrence of such contingency, exercise or conversion) in the election of directors (or, in the case of an entity that is not a corporation, for the election of the corresponding managing authority) who control the management and decision-making authority and policies of a Person.

1.86 "**Wireless Communications Business**" means the wireless customers, brands, network access rights and other wireless terrestrial telecommunications assets of DISH and its Affiliates, taken as a whole; provided that "Wireless Communications Business" shall exclude (x) all wireless terrestrial spectrum licenses and (y) interests in entities in which (i) all or substantially all of the wireless terrestrial spectrum licenses are held and (ii) no wireless customers, brands, network access rights or other wireless terrestrial telecommunications assets are held. For avoidance of doubt, the term "wireless customers" does not include any pay-TV direct broadcast satellite or over-the-top internet video customers.

2. PROVISION OF SERVICE GENERALLY; NO INTEGRATION OF SERVICE

2.1 Subject to the terms and conditions of this Agreement, T-Mobile will provide to DISH:

(a) Legacy Network Services under Annex 1 (Legacy Network Services) during the Legacy Network Service Phase;

(b) the T-Mobile Network Service under Annex 2 (T-Mobile Network Service); and

(c) The MNO Service under Annex 3 (Infrastructure MNO Services).

2.2 [***]. Effective as of the Effective Date and thereafter throughout the Term, DISH may enter into one or more agreements with third parties that allow [***]. Subject to the limitations set forth in this Section 2.2 and the restrictions in the Transition Services Agreement, DISH will have the right to offer differentiated pricing, products and services (including post-paid services) and features under such brands as it may elect in conjunction with the Service. This Agreement is not exclusive for T-Mobile, and T-Mobile may engage other dealers, agents, and other Representatives and T-Mobile and others may directly compete with DISH in the Territory and elsewhere.

2.3 **DISH's Sale of Service**.

(a) ***Distribution Partners***. DISH may, in the ordinary course of its business and subject to Section 2.4, use agents, retailers, distributors and dealers to directly or indirectly market, sell and solicit orders for the Service under brands owned by DISH or its wholly owned affiliates to End Users, provided that the End Users' Service contract and relationship is with DISH or its wholly owned affiliates ("**Distribution Partners**"). DISH is fully responsible for all acts and omissions of its Distribution Partners and will require that Distribution Partners adhere to all terms and conditions of this Agreement. Acts or omissions of any Distribution Partner will be deemed acts or omissions of DISH for purposes of determining whether there has been a breach of this Agreement.

(b) ***Personnel***. DISH is fully responsible for all acts and omissions of its employees and contractors (collectively, "**Personnel**") and will require that Personnel adhere to all terms and conditions of this Agreement. Any breach by any Personnel (acting in their capacity as such) of the terms of this Agreement applicable to DISH including its Personnel (in their capacity as such) will be considered a breach by DISH.

2.4 **Branding and Resale Restriction.** DISH and its wholly owned affiliates may sell or distribute the Service, and will allow Distribution Partners to sell or distribute the Service (as further described in Section 2.3), [***]. DISH and its wholly owned affiliates may sell or distribute the Service in a bundle with any other party's service so long as [***]. DISH will make all pricing decisions, control End User Personal Data, and control all billing processes [***]; provided that such services may be provided in part or whole by T-Mobile under the direction of DISH pursuant to the Transition Services Agreement. Subject to the rights expressly granted in the previous sentence, DISH and its Distribution Partners may not wholesale, sub-distribute or resell the Service or any component thereof to [***]. Without limiting the foregoing, DISH may not sell or provide access to the Service to any Person for the purpose of that Person re-selling or using the Service under such Person's own brand or pursuant to a Service contract between the end user and any Person other than DISH. DISH and its Distribution Partners may not sell or distribute the Service to End Users for an End User's resale or further commercial distribution of the Service. Notwithstanding anything to the contrary set forth herein, in no event shall [***].

2.5 Customer Service and Communications. Unless DISH is required by applicable Laws, DISH will not use any T-Mobile Mark or T-Mobile's name in its End User materials, including but not limited to DISH's packaging, marketing, and promotional materials, coverage maps, End User contracts, SIM Cards, Devices, the handset display, point of sale materials, or any other products, services, materials, publicity or other communications without T-Mobile's prior written consent, which T-Mobile may withhold in its sole discretion. "**T-Mobile Mark**" means any T-Mobile name, tradename, mark, trademark, service mark, trade dress (including color), brand, and logo. DISH will not, directly or indirectly, [***]. T-Mobile will enable DISH to port Numbers off of the T-Mobile Network. DISH will not indicate in its End User agreements that an End User may acquire a proprietary interest in any Number assigned to it, unless required by applicable law, and then only to the extent so required.

3. CUSTOMER CARE.

3.1 Customer Care. DISH will provide all customer service to its End Users, including without limitation issues related to (a) the issuance, sale, adjustment, modification, addition, replenishment, or recharge of any Service, (b) End User requests, (c) Devices, and (d) standard account maintenance. DISH is responsible for the development of the required training materials and tools to educate customer service resources. DISH may not provide or disclose T-Mobile's customer care number to any Person other than an Affiliate for purposes consistent with this Agreement. T-Mobile has no obligation to provide customer care tools to DISH under this Agreement, but, if T-Mobile does, DISH will not provide access to the customer care tools directly to End Users. Each Party will provide to the other contact information for escalation of customer care support between T-Mobile and DISH.

3.2 Scope. T-Mobile customer care representatives will use commercially reasonable efforts to address and respond to DISH representatives that raise End User issues relating to advanced provisioning, advanced voicemail and troubleshooting with respect to T-Mobile's network infrastructure. For all other issues, DISH will only use the customer support tools provided by T-Mobile for submitting such issues to T-Mobile.

4. GOVERNMENT REGULATION, LAWFUL INTERCEPTS, AND 911.

4.1 Compliance with Laws and Regulations.

(a) Each Party represents, warrants, and covenants that, with respect to its activities in furtherance of or in connection with provision or use of the Service under this Agreement, it will:

(i) comply in all material respects with all applicable Laws including, but not limited to, all electronic surveillance Laws, Laws relating to personal identifiable information, privacy Laws, any and all state public utility commission registrations, Taxes and Fees, CALEA and implementing rules, the Communications Act of 1934, as amended, international long distance (i.e., **"Section 214 authority"**), and the FCC implementing rules and orders (e.g., CPNI) rules, compliance programs, certifications and filings, and

(ii) not negligently cause the other Party to be in material violation of any applicable Laws.

(b) DISH is solely responsible for, and accordingly is solely liable for, all Numbers, including ensuring that all Numbers are assigned, used and disconnected in accordance with all applicable Laws and industry numbering resource guidelines. With respect to Numbers that T-Mobile makes available to DISH, until such time as DISH is providing services to end users pursuant to Annex 3, T-Mobile will remain the "Primary Carrier" and DISH will remain the "Intermediate Non-Carrier Entity" as defined by the regulations of the Federal Communications Commission. The Parties shall agree to modifications to this Agreement that are reasonably necessary to comply with any change in Laws related to its practices. Each Party must store all of its subscriber information (including without limitation call transactional data, call associated data, call identifying data, subscriber information and subscriber billing records (and including End User Personal Data with respect to DISH) in the United States. Each Party may not provide, authorize, or allow any third party (including Affiliates) to provide any subscriber information to any non-United States government except as required by applicable non-United States law and permitted by applicable Law. Each Party will ensure that any and all subscriber information is not and will not be subject to any mandatory foreign destruction laws.

4.2 **Subpoenas.** DISH will comply with lawful process. DISH and T-Mobile will cooperate in good faith in responding to lawful process in connection with provision or use of the Service under this Agreement. T-Mobile is authorized to act on behalf of DISH in responding to lawful process regarding call-related information within its custody or control. T-Mobile will only be responsible for responding to lawful process with respect to call-related information to the extent within its custody and control (i.e., DISH does not have the information). DISH is responsible for responding to all subpoenas for information beyond T-Mobile's obligation set forth in the preceding sentence. DISH will give T-Mobile a toll-free telephone contact number that will be available at all times (24/7/365) to which T-Mobile may refer subpoena requests for End User information and call-related information that T-Mobile does not have.

4.3 **Lawful Intercepts.** Each Party agrees to cooperate with the other regarding government requests for lawful intercepts of an End User pursuant to a valid court order. T-Mobile shall provide a lawful intercept compliance solution for the Service that satisfies the lawful intercept capability and capacity obligations of T-Mobile and DISH under CALEA. T-Mobile may set, and DISH will communicate to the applicable Governmental Authority, a commercially reasonable fee for the purpose of recovering the costs of an intercept ("**Intercept Fee**"), provided that in any event TMobile shall comply with CALEA for the Service if required by Law. T-Mobile has the right to directly bill the Governmental Authority seeking the lawful intercept for the Intercept Fee. DISH is not entitled to any portion of the Intercept Fee. T-Mobile is authorized to act on behalf of DISH in responding to requests for lawful intercepts with regard to End Users, provided that T-Mobile provides prior written notice of such lawful intercepts as permitted by applicable Law.

4.4 **911 Calls.** T-Mobile will reply to requests from 911 calling centers relating to End Users in substantially the same manner as it does for calls relating to its own subscribers, and will provide calling and location information, to the extent that it is available to T-Mobile, consistent with its internal practices relating to 911 calls. T-Mobile is hereby authorized to act on behalf of DISH in responding to 911 public safety answering points with regard to End Users. DISH understands and agrees that 911 calls while Roaming may be handled by the Roaming Carrier. This Section 4.4 does not apply in connection with the Service provided under Annex 3.

4.5 **Targeting and Use of End User Personal Data.** During and after the Term, [***].

5. FEES, PAYMENT, REPORTING, TAXES.

5.1 **Payment Obligations.** As more fully described in this Section 5, DISH is solely responsible for the payment of all fees, charges and other amounts as set forth in this Agreement including, but not limited to, all Service access and usage with respect to any Service including without limitation all amounts related to Fraudulent Usage (as defined in the applicable Annex).

5.2 **Schedule of Service Rates, Charges, Fees and Other Amounts.** In consideration for the Service to be provided in this Agreement, DISH will pay T-Mobile the amounts for Service set forth in Annex 4 (Pricing) of this Agreement.

5.3 Calculation for Service. T-Mobile will calculate the volume of Service used by End Users in accordance with the applicable procedures set forth in Annex 4.

5.4 Invoice and Billing.

(a) ***Invoice.***

(i) Within 30 days after the end of each Billing Cycle, T-Mobile will provide DISH with a summary invoice (the "**Invoice**") of the charges, fees, deposits, and other amounts owed to T-Mobile, except that any delay on the part of T-Mobile in sending out any Invoice will not relieve DISH of the obligation to pay the amounts reflected in the Invoice when received. DISH will pay T-Mobile the amounts set forth in each Invoice within 60 days after the date of receipt of the electronic Invoice. T-Mobile represents that as of the Effective Date, it does not provide any other mobile virtual network operator Customer payment terms that are longer than the foregoing. [***]. Nothing in this Agreement will affect T-Mobile's right to amend, modify, change or otherwise update its Billing Cycle or billing systems.

(b) ***Disputes.*** DISH must notify T-Mobile of any disputed Invoice amounts within 30 days after receipt of the Invoice, and the Parties will work in good faith to expeditiously resolve any dispute. Regardless of any notations that may accompany any payment, T-Mobile's acceptance of any payment will not be deemed a waiver of any disputed amounts or Invoices. If there is a dispute over any Invoice, DISH will nevertheless promptly remit to T-Mobile the full amount of the Invoice. DISH expressly acknowledges that some charges incurred in a Billing Cycle may not appear on the Invoice for the Billing Cycle and that the charges will appear on subsequent Invoices. DISH is responsible for payment of any and all charges that are delayed or appear on any subsequent Invoice(s) for fees incurred within 180 days before the Invoice date. [***].

5.5 Taxes and Governmental Fees.

(a) T-Mobile: (i) will [***]. Notwithstanding anything to the contrary contained in this Agreement, [***].

(b) DISH, in its sole discretion, will utilize the best information available to it to determine the correct situs for Taxes and Fees applicable to Service purchased by DISH under this Agreement.

(c) T-Mobile and DISH agree and acknowledge that, under this Agreement, DISH is purchasing Service for resale to DISH's End Users and that DISH has an obligation to ensure that any necessary resale certificate is valid and has been provided to T-Mobile. Any resale certificate provided will only apply to Taxes and Fees incurred after the date T-Mobile receives the certificate. If the certificate is later found to be invalid by a governmental entity ("**Invalidated Evidence**") where the certificate was used to avoid the payment of any Taxes and Fees by DISH, then DISH is responsible for, and will promptly remit to T-Mobile or the applicable governmental entity, all tax, interest and penalties levied or imposed upon T-Mobile due to the Invalidated Evidence. If (i) DISH does not provide or maintain a valid certificate, or (ii) a certificate is not applicable in a particular jurisdiction, T-Mobile may invoice DISH and DISH will remit, all taxes applicable in that jurisdiction with respect to the transactions or payments contemplated under this Agreement. DISH agrees that it will provide any governmental forms or documentation that T-Mobile may require to satisfy its federal, state or local governmental reporting requirements.

(d) If DISH believes it is exempt from any tax, regulatory fee, or charge for any reason other than on the basis of a resale exemption, DISH will provide T-Mobile with appropriate documentation evidencing the claimed exemption and T-Mobile will exempt DISH to the extent that T-Mobile is satisfied in its reasonable discretion that the exemption is in accordance with applicable law. T-Mobile will provide an explanation of the computation of Taxes and Fees due from DISH promptly after DISH's request. If T-Mobile becomes aware that any Taxes and Fees were incorrectly or erroneously collected from DISH, upon confirmation of the amount and period involved and subject to an open statute of limitations, T-Mobile will notify DISH and will promptly refund or credit DISH the incorrectly or erroneously collected Taxes and Fees. T-Mobile and DISH will work cooperatively to take reasonable steps to minimize Taxes and Fees in accordance with all relevant laws, regulations and judicial decisions.

(e) DISH is also responsible for determining, billing and remitting the [***].

(f) All payments made by DISH under this Agreement will be made without any deduction or withholding for or on account of any taxes or regulatory charges or fees imposed by any taxing or Governmental Authority of any country or state unless DISH is or was required by Law to make any such deduction or withholding.

5.6 Audits

(a) T-Mobile may cause an independent third party auditor selected by DISH and reasonably acceptable to T-Mobile (an "**Auditor**") to audit the books, and records of T-Mobile to the extent necessary to determine T-Mobile's compliance with this Agreement with respect to the amounts paid or payable pursuant to Annex 4. The Parties agree that the "big four" accounting firms will be reasonably acceptable to T-Mobile. DISH shall have the right to cause an Auditor to audit the books and records of T-Mobile once in any twelve-month period during the period that T-Mobile is obligated to provide the Service. DISH shall also have the right to cause an Auditor to audit the books and records of T-Mobile pertaining to the Service within twelve months after the final payment is made by DISH to T-Mobile pursuant to this Agreement.

(b) Any audit shall be conducted during regular business hours and in a manner that complies with the building and security requirements of T-Mobile. Such audits shall not interfere unreasonably with the operations of T-Mobile. DISH shall provide notice to T-Mobile not less than 30 calendar days prior to the commencement of the audit and shall specify the date on which the audit will commence. DISH shall pay the costs of conducting such audit, including the reasonable out-of-pocket costs of T-Mobile and its Affiliates for cooperating with such audit, unless the results of an audit reasonably indicate an overpayment by DISH of 5% or more, in which case T-Mobile shall pay the reasonable out-of-pocket costs of DISH up to the amount of the overpayment. If an audit reveals that DISH has overpaid T-Mobile by any amounts, T-Mobile shall pay to DISH the amount of such overpayment, without set-off or deduction. If an audit reveals that DISH has underpaid T-Mobile by any amounts, DISH shall pay to T-Mobile the amount of such underpayment, without set-off or deduction.

(c) Prior to any audit conducted pursuant to this Section 5.6, DISH shall cause the Auditor to enter into an agreement reasonably acceptable to T-Mobile that prohibits the Auditor from disclosing certain specified information in the books and records to DISH or any of its Affiliates or any of its or their Representatives other than in summary form and other than as may be reasonably required to provide DISH with information necessary to demonstrate the amount of any underpayment or overpayment. T-Mobile shall be named an intended third party beneficiary of such agreement with a right to directly enforce its terms.

5.7 [***]. T-Mobile represents and warrants that, as of the Effective Date, [***].

6. TERM AND TERMINATION.

6.1 **Term.** Subject to the rights of termination set forth in this Section 6 and in Section 12.3, and to the terms of Section 12.8, the term of this Agreement will begin on the Effective Date and will continue until the seventh anniversary of the Effective Date (the "**Term**").

6.2 **Termination for Cause.**

(a) Upon 30 days prior written notice to the other Party, a Party may terminate this Agreement for cause upon Default by the other Party as specified in this Section 6.2(a), provided that such other Party has not cured (or commenced to cure with respect to Defaults that are not reasonably capable of cure within 30 days, in which case the Default must be cured within 15 more days for a total of 45 days) the Default during the 30 or 45 day period, whichever is applicable, after the date of the notice. "**Default**" means and includes each of the following under this Agreement:

(i) the material violation or breach of any FCC rule or regulation in connection with the Service, which violation or breach has a material adverse effect on the non-breaching Party; or

(ii) the material violation or breach of any other Law or other requirement of a governmental entity in connection with the Service, which violation or breach has a material adverse effect on the other Party.

(b) Suspension Default. T-Mobile may suspend DISH's access to the Service Transaction Gateway to [***] (provided that DISH may continue to access the Service Transaction Gateway to support [***]) and T-Mobile may [***] in the event there is a Suspension Default by DISH that has not been cured within [***] days from the date of the Suspension Default, where a "Suspension Default" means a [***]. T-Mobile may suspend DISH's access to the Service Transaction Gateway [***]. Once the Suspension Default or [***] has been cured, T-Mobile will restore any previously suspended access to the Service Transaction Gateway.

6.3 **Termination Upon Mutual Agreement.** The Parties may agree by mutual written agreement to terminate this Agreement.

6.4 **Survival of Obligations.** The following sections will survive any termination or expiration of this Agreement: Sections 1, 5.5, 5.6, 6.4, 6.5, 7, 9, 10, 11, 12 and 13. Termination or expiration of this Agreement will not release either Party from any liability that has already accrued to the other Party at the time of termination or expiration or that thereafter may accrue with respect to any act or omission prior to termination or expiration, or from any obligation that is stated in this Agreement to survive termination or expiration.

6.5 Post Termination/Expiration Obligations. Upon termination or expiration of the Agreement for any reason:

(a) DISH will promptly cease production of any new promotional materials and marketing campaigns related solely to the Service;

(b) DISH will promptly discontinue the activation of new End Users; provided that all activations of End Users that occur within five business days following the termination or expiration date will be deemed to have occurred prior to such termination or expiration; and

(c) DISH will remain solely responsible for its obligations to Distribution Partners and End Users and for all charges incurred by DISH or its End Users for the Service, including any charges incurred after the date of expiration or termination.

(d) Except for T-Mobile's termination of this Agreement for cause pursuant to Section 6.2, in which case T-Mobile is not obligated to provide any post termination assistance, upon expiration or termination of this Agreement, unless DISH has provided T-Mobile written notice that it intends to exit and discontinue its operations at least 180 days before the end of the Term, it will be assumed by both Parties that DISH will continue its operations for its existing End Users at such time, and T-Mobile and DISH will cooperate solely as necessary to enable existing End Users to continue the Service (including the ability for such existing End Users to purchase additional Service) with minimal disruption. DISH is solely responsible for compliance with any and all federal, state, and local regulatory compliance obligations Laws relating to notices of cessation or suspension of Service to End Users.

7. INTELLECTUAL PROPERTY RIGHTS.

7.1 Ownership of Equipment and Service. DISH acknowledges that the Facilities and Service involve valuable Intellectual Property Rights of T-Mobile and its licensors. As between DISH and T-Mobile, T-Mobile retains all right, title, and interest in and to the Facilities and the Service, and no title to or ownership of any Intellectual Property Rights associated with any Facilities or Service are transferred to DISH or any End User under this Agreement.

7.2 Protection of T-Mobile Rights. DISH will promptly notify T-Mobile of any infringement, misappropriation, or violation of any Intellectual Property Rights of T-Mobile or the licensor) of the T-Mobile Mark that comes to DISH's attention and that is related to performance under this Agreement. Nothing set forth herein may be construed as a license from T-Mobile to use any T-Mobile Intellectual Property Rights, including but not limited to T-Mobile Marks, to DISH or any Distribution Partner. DISH will not and DISH will ensure that its Distribution Partners will not adopt or use any Marks that are identical or confusingly similar to T-Mobile Marks in connection with activities under this Agreement. DISH will not and DISH will use commercially reasonable efforts to ensure that its Distribution Partners will not infringe or violate any Intellectual Property Rights of T-Mobile in connection with activities under this Agreement, and will use its commercially reasonable efforts to preserve and protect T-Mobile's and its licensor's interest (with respect to the T-Mobile Mark) in their respective Intellectual Property Rights. In the event of any infringement, misappropriation or violation by or resulting from the activities of DISH or any of its officers, employees, agents, Distribution Partners, contractors, End Users, or Representatives, DISH will promptly report the infringement, misappropriation, or violation to T-Mobile and T-Mobile will take all steps T-Mobile deems reasonably necessary to terminate the infringement, misappropriation or violation. T-Mobile or its designee will have exclusive control over the prosecution and settlement of any legal Proceeding to enforce, to recover damages on account of any infringement, misappropriation or violation, and to defend any of its or its licensor's Intellectual Property Rights. Without limiting the generality of the foregoing, DISH will: (a) provide such assistance related to the Proceeding as T-Mobile may reasonably request; and (b) reasonably assist T-Mobile in enforcing any settlement or order made in connection with the Proceeding; provided that T-Mobile will reimburse the expenses reasonably incurred by DISH to provide the assistance in accordance with T-Mobile's requests for the assistance.

8. CYBERSECURITY

8.1 Vulnerability Management. In T-Mobile's performance of the Services, T-Mobile will employ industry standard tools and practices to identify and remediate vulnerabilities or weaknesses in the Facilities or the T-Mobile network software. T-Mobile will provide or cause to be provided documentation of T-Mobile's patch management program(s) and update process(es), which will include such T-Mobile: (i) method(s) or recommendation(s) for how the integrity of a patch is to be validated by DISH and (ii) approach(es) and capability or capabilities to remediate newly reported zero-day vulnerabilities. T-Mobile will make commercially reasonable efforts to ensure that any software incorporated into, or intended to be incorporated into, the Service includes all known available updates and all known available patches for the remediation of any and all known vulnerabilities or weaknesses; provided that with respect to remediation of vulnerabilities and weaknesses: (a) at the time of delivery T-Mobile will make commercially reasonable efforts to ensure that such software includes all available updates and patches for the remediation of all then known critical and high priority vulnerabilities and weaknesses with such remediation subject to approval by DISH and (b) T-Mobile will make commercially reasonable efforts to provide a report on all then known vulnerabilities and weaknesses and a plan for prioritization and remediation thereof with such remediation subject to approval by DISH.

8.2 Software Logs. T-Mobile will make commercially reasonable efforts to maintain, at all times during which the Service is provided, accurate and complete logs of all software updates and software versions and software releases related to any software required for DISH or any End User to receive the Service. Such logs will be available for audit by DISH upon request, and T-Mobile will make such logs available as soon as reasonably practicable. In the event that such logs do not provide sufficient information or detail for any purposes related to DISH's cybersecurity audits, T-Mobile will cooperate and provide such further relevant information as reasonably requested by DISH and will permit a third party designated by DISH, to inspect T-Mobile's records related to any such software.

8.3 Inappropriate Data Collection. T-Mobile represents, warrants, covenants and agrees that at no time during the Term will T-Mobile, its wholly owned subsidiaries, subcontractors or vendors directly or indirectly (though the Facilities or any required T-Mobile network software) engage in any collection, use, distribution or storage by T-Mobile or its wholly-owned subsidiaries or subcontractors of any End User Personal Data that is not (i) authorized by DISH and required for performance under this Agreement or (ii) required by Law (which in such case, T-Mobile shall provide DISH as much advance reasonable notice as permitted by such Law, if any).

8.4 Receipt, Processing and Storage of DISH Personal Data. At all times during the Term (or at any time that T-Mobile is in receipt of any End User Personal Data as a result of its current or prior performance of the Service) T-Mobile will process, store, and transmit, as applicable, any End User Personal Data in its possession or control in accordance with T-Mobile's information security policies as they may be updated from time to time. T-Mobile's information security policies will be designed to secure, protect, transmit, and dispose of such End User Personal Data in accordance with industry best practices, and to comply with all applicable laws. Additionally, T-Mobile acknowledges and agrees that the FCC has issued rules and orders relating to the access, use and safeguarding of CPNI (the "**CPNI Rules**") and in the event any End User Personal Data received by T-Mobile constitutes CPNI then T-Mobile will fully comply with the CPNI Rules in addition to the other requirements set forth in this Section 8.4.

8.5 Security Breach. In the event of any security breach then the Party who discovers the security breach will immediately notify the other Party of such security breach. T-Mobile covenants to: (i) conduct a review to determine the cause of the security breach and (ii) provide DISH with a written report describing in reasonable detail the cause of the security breach. To the extent the security breach is a result of a failure of the Facilities or T-Mobile network software, T-Mobile will: (a) take all reasonable actions designed to prevent future security breaches arising from the same or similar failures, and describe such actions to DISH in writing; and (b) cooperate with DISH in carrying any associated damage mitigation efforts. For the avoidance of doubt, T-Mobile's compliance with the terms and conditions of this Section 8.5 will not relieve T-Mobile of any of its obligations under any provision of this Agreement.

8.6 **Independent Auditing and Verification**. Notwithstanding anything to the contrary in this Agreement, DISH reserves the right to establish an independent auditing or verification system or to implement a cyber risk management plan, whether alone or in collaboration with any Person or Persons (expressly including any governmental authority), pursuant to which any such Person or Persons designated by DISH, together with or independently from DISH, may audit or verify at DISH's expense in a manner that does not interfere with T-Mobile's operations or the T-Mobile network, and no more frequently than once in any calendar year, that any processes or policies that T-Mobile implements or effects in furtherance of this Section 8 comply in all material respects with this Agreement and applicable Law. In the event that DISH establishes such a system or plan, T-Mobile will cooperate fully and in good faith with DISH and any other such Person in the implementation of such system or plan. T-Mobile's cooperation under this Section 8.6 will be conditioned upon T-Mobile's determination that such system or plan does not give rise to an unreasonable risk of breach of security or confidentiality, and that T-Mobile's cooperation is either commercially reasonable or T-Mobile's expenses related to its cooperation are paid by DISH. In addition, if T-Mobile receives a cyber risk management report from an independent auditing entity, which report identifies a material risk that affects T-Mobile's provision of the Service to DISH under this Agreement, T-Mobile will notify DISH of the material risk that has been identified as a cyber risk.

9. CONFIDENTIALITY.

9.1 Confidential Information.

(a) "**Confidential Information**" means all information of or relating to either Party (whether of a business, technical or other nature) that the other Party knows or reasonably should know to be confidential or proprietary. Without limiting the generality of the foregoing, "**Confidential Information**" includes all information not generally known to the public that relates to the business, technology, finances, budgets, projections, proposals, practices of either Party, including, without limitation, End User Personal Data, the existence or terms of this Agreement, and all information relating to either Party's business plans and proposals, marketing plans and proposals, technical plans and proposals, research and development, and pricing plans, and the relationship between the Parties, including its existence. Any and all media (whether written, film, tape, optical, magnetic, opto-magnetic or otherwise) embodying any of the information described above are also Confidential Information. All Confidential Information of a Party will be considered trade secrets of that Party and will be entitled to all protections given by Law to trade secrets.

(b) Confidential Information does not include information that: (i) was in or entered the public domain through no fault of the receiving Party; (ii) the receiving Party can show, by written evidence, was rightfully in the receiving Party's possession without any obligation of confidentiality prior to receipt thereof from the disclosing Party; (iii) is disclosed to receiving Party by a Person other than the disclosing Party who was legally entitled at the time of disclosure to make the disclosure without breach of any obligation of confidentiality; (iv) is required to be disclosed by applicable Laws (but only to the extent required to be disclosed); or (v) is independently developed by the receiving Party without reference to any Confidential Information of the disclosing Party. Nothing in this Agreement will be construed to restrict T-Mobile's right to collect and analyze data regarding activity on the T-Mobile Network and, other than expressly set forth in this Agreement, T-Mobile will be under no obligation to share such data or the outcome of its independent analysis with DISH.

9.2 Non-Disclosure of Confidential Information. During the Term and at all times thereafter, both Parties and their respective employees and contractors may not directly or indirectly (a) use any Confidential Information for any purpose other than that for which it is used or disclosed under the terms of this Agreement; (b) disclose to any Person any Confidential Information of the other Party or in any other way publicly or privately disseminate the Confidential Information (except that the Parties may disclose Confidential Information in connection with any reports made to a Governmental Authority to the extent that such Confidential Information is required to be provided in such reports) or (c) assist, authorize or encourage anyone else to use, disclose, or disseminate any Confidential Information of the other Party. The Parties will: (i) hold all Confidential Information in confidence using the same degree of care that the Party uses to protect its own confidential and proprietary information (but in no event less than reasonable care); (ii) use the Confidential Information only for the purpose of performing obligations under this Agreement; (iii) reproduce any Confidential Information only to the extent necessary to perform its obligations; (iv) restrict disclosure of and access to the Confidential Information only to those employees and contractors who are directly concerned with, and who agree to maintain the confidentiality of, the Confidential Information; and (v) take all precautions necessary and appropriate to guard the confidentiality of the Confidential Information, including informing employees and contractors who handle the information that it is confidential and not to be disclosed to others. Upon termination of this Agreement, both Parties will promptly return or destroy, at the election of the disclosing Party, all Confidential Information of the disclosing Party in its (or its employees' or contractors') possession or control (including all originals and copies of all or any portion of any Confidential Information). Each Party is responsible for ensuring compliance with this Section 9.2 by all of its employees and Representatives. Any conduct violating the provisions of this Section 9.2 will constitute a material breach of this Agreement.

10. WARRANTIES; DISCLAIMER.

10.1 Mutual Representations and Warranties. DISH represents and warrants to T-Mobile, and T-Mobile represents and warrants to DISH, that (i) it is a legal entity duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization and has all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted; (ii) it has the power and authority to execute and deliver this Agreement and perform its obligations hereunder and activities contemplated hereby; (iii) it is duly qualified as a foreign entity and is in good standing in each jurisdiction where such qualification is required, except for those jurisdictions where the failure to be so qualified would not, individually or in the aggregate, have a material adverse effect on its ability to fulfill its obligations hereunder; (iv) this Agreement constitutes a valid and binding obligations on it, enforceable against it in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or effecting creditors' rights or by general equity principles); (v) from the date of the Purchase Agreement through the Closing Date of the Purchase Agreement, DISH has taken no action that would have constituted a Restricted Transfer pursuant to Section 12.7 or a Change of Control pursuant to Section 12.8 had those provisions been in effect during that period of time; and (vi) the execution, delivery and performance of this Agreement will not conflict with, violate or result in a breach of the "**FCC MNSA Approval**" (as defined in the Purchase Agreement).

10.2 <u>WARRANTY DISCLAIMER</u>. EXCEPT AS EXPRESSLY STATED HEREIN, NEITHER PARTY OR ITS AFFILIATES MAKE ANY EXPRESS WARRANTIES, AND EACH PARTY HEREBY DISCLAIMS ALL IMPLIED WARRANTIES, TO THE OTHER PARTY OR ANY THIRD PARTY, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE OR PURPOSE, NON-INFRINGEMENT, TITLE, AND QUIET ENJOYMENT. EXCEPT AS OTHERWISE EXPRESSLY STATED HEREIN, T-MOBILE PROVIDES THE SERVICE (INCLUDING ALL ROAMING AND OTHER SERVICES) AND THE FACILITIES "AS IS" AND "WHERE IS." T-MOBILE DOES NOT GUARANTEE THAT ALL EQUIPMENT WILL WORK CORRECTLY (OR AT ALL) WITH THE T-MOBILE NETWORK

OR THE SERVICE, AND EXCEPT AS SPECIFICALLY PROVIDED IN THIS AGREEMENT T-MOBILE WILL HAVE NO LIABILITY OR RESPONSIBILITY FOR INTEROPERABILITY BETWEEN EQUIPMENT AND THE T-MOBILE NETWORK OR SERVICE. DISH ACKNOWLEDGES THAT T-MOBILE WILL HAVE NO LIABILITY EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT OR IN THE EVENT OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT FOR ANY FAILURE, DEFECTS, MALFUNCTIONS OR ERRORS IN THE FACILITIES OR FOR THE PROVISION OF SERVICE TO DISH OR ITS END USERS.

11. INDEMNITIES

11.1 **General Indemnification.** Each Party hereto will defend, indemnify and hold harmless (in such capacity, the "**Indemnifying Party**") the other Party, its Affiliates and it and their respective former, current and future officers, directors, employees, agents, contractors, successors and assigns (collectively, "**Indemnified Parties**"), from and against all third party (including Customers, Distribution Partners, End Users and Roaming Carriers) claims, costs, liabilities, damages and expenses of every kind, including court costs, and reasonable and documented attorneys' and expert witness fees incurred as a result of all third party claims, demands, actions, suits, arbitrations, assessments, adjustments or other Proceedings (collectively, "**Claims**") (i) arising from a material breach of this Agreement by the Indemnifying Party; (ii) alleging that any Equipment (excluding any Facilities) developed, used or sold by the Indemnifying Party (or its Distribution Partners, in the case of DISH) in conjunction with the Service infringes the Intellectual Property Rights of another Person; or (iii) arising out of advertisements, promotional, or other marketing materials developed or used by the Indemnifying Party (or its Distribution Partners, in the case of DISH) (with respect to each of clauses (i) through (iii) above, except if and to the extent such Claims arise out of or with respect to any willful misconduct, gross negligence or breach of this Agreement by any Indemnified Party of the Party seeking indemnification under this Section 11.1).

11.2 Each Indemnified Party will promptly notify the Indemnifying Party of any Claim to which these indemnification obligations may apply. Failure to provide prompt notice will not relieve the Indemnifying Party of its obligation to indemnify, except and solely to the extent that the Indemnifying Party is actually prejudiced by such Indemnified Party's failure to provide prompt notice. Subject to the following sentence, upon receiving notice of a Claim, the Indemnifying Party will assume the defense of the Claim, employ counsel reasonably acceptable to the Indemnified Party, and contest, pay, or settle the Claim as it may determine, except that the Indemnifying Party will not enter into any settlement that adversely affects the Indemnified Parties' rights or interests without the prior written consent of such Indemnified Parties, which consent will not be unreasonably withheld. Notwithstanding the preceding sentence, an Indemnified Party is entitled to defend a Claim through counsel of its own choosing without the participation of the Indemnifying Party and at the Indemnifying Party's expense, if: (i) the Indemnifying Party fails or refuses to defend the Claim on or before the 15th business day after such Indemnified Party has given written notice pursuant to this section or (ii) representation of DISH and T-Mobile by the same counsel has the potential to constitute a conflict of interest. Each Indemnified Party will provide reasonable cooperation to the Indemnifying Party in connection with the defense or settlement of any Claim. At its own expense, each Indemnified Party will be entitled to participate in the defense of any Claim.

11.3 <u>LIMITATION OF LIABILITY</u>. EXCEPT FOR DAMAGES ARISING FROM (I) A BREACH OF SECTION 4.5 (TARGETING AND USE OF END USER PERSONAL DATA), SECTION 2.1(E) OF ANNEX 1 (NONDISCRIMINATION), SECTION 2.5 OF ANNEX 2 (NONDISCRIMINATION), WHICH WILL BE SUBJECT TO SECTION 11.4; OR (II) A BREACH OF SECTION 8 (CONFIDENTIALITY), GROSS NEGLIGENCE OR INTENTIONALLY WRONGFUL ACTS OR OMISSIONS, OR A PARTY'S INDEMNIFICATION OBLIGATIONS IN THIS AGREEMENT (BUT, AS IT RELATES TO THE INDEMNIFICATION OBLIGATIONS IN THIS AGREEMENT, ONLY WITH RESPECT TO DAMAGES AWARDED IN RESPECT OF CLAIMS OF OR AMOUNTS OTHERWISE PAID TO THIRD PARTIES), IN NO EVENT WILL EITHER PARTY BE LIABLE FOR INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES, INCLUDING, BUT NOT

LIMITED TO, LOST REVENUE OR PROFITS, IN CONNECTION WITH THIS AGREEMENT OR ITS BREACH, OR ARISING FROM THE RELATIONSHIP OF THE PARTIES OR THE CONDUCT OF BUSINESS BETWEEN THEM, EVEN IF A PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

11.4 T-MOBILE MAY BE LIABLE FOR INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES IN AN AGGREGATE AMOUNT NOT TO EXCEED [***] ARISING FROM T-MOBILE'S [***], ONLY IN THE EVENT THAT T-MOBILE'S BREACH OF ANY OF THE FOREGOING CONTINUES AFTER [***] FOLLOWING T-MOBILE'S RECEIPT OF DISH'S WRITTEN NOTICE TO T-MOBILE SPECIFYING SUCH BREACH. NOTHING HEREIN SHALL RESTRICT DISH'S ABILITY TO SEEK INJUNCTIVE RELIEF IN ACCORDANCE WITH SECTION 12.15.

12. GENERAL PROVISIONS.

12.1 **Notices.** All notices and other communications under this Agreement will be given in writing (email sufficient) and be deemed to have been duly given and effective:

(a) upon receipt if delivered in person, via United States mail or via national overnight express delivery service; or

(b) upon sending if delivered via fax copy (but only if the sending Party receives written confirmation of the successful transmission thereof) or via email (but only if the sending Party, on or before the date that is one (1) business day following the date on which it sends such notice by email, also sends a copy of such notice by one of the other, non-email methods permitted under this Section).

Either Party may change the following contact information upon written notice to the other Party.

Notices are to be delivered or transmitted to:

If to DISH:
Attention: Chief Operating Officer
DISH Purchasing Corporation
9601 South Meridian Blvd.
Englewood, Colorado 80112
Email: [***]
Fax: [***]
With a copy to:

Legal Department – General Counsel
DISH Network Corporation
9601 South Meridian Blvd.
Englewood, Colorado 80112
Email: [***]

And a copy to:
Legal Department – Head of Prepaid Wireless
DISH Network Corporation
9601 South Meridian Blvd.
Englewood, Colorado 80112

If to T-Mobile:
Vice President – Wholesale
T-Mobile USA, Inc.
12920 S.E. 38th Street Bellevue, Washington 98006
Email: [***]
Fax: [***]

With a copy to:
Legal Department – General Counsel
T-Mobile USA, Inc.
12920 S.E. 38th Street
Bellevue, Washington 98006
Email: [***]
Fax: [***]

12.2 **Insurance.** Each Party will maintain, at its cost, a program of insurance against liability and other risks associated with its activities and obligations under this Agreement, in such amounts, subject to such deductibles and on such terms as are appropriate in such Party's sole discretion for the activities to be conducted by it under this Agreement. All insurance required by this Section 12.2 will be maintained for at least three (3) years after the Term.

12.3 **Force Majeure.** Either Party's performance, except for payment obligations, under this Agreement will be excused if the non-performance is due to factors outside the Party's control, such as riots; Governmental Orders; epidemics; acts of civil or military authority; war; terrorism; adoption of Laws after the Effective Date that prevents a Party's performance under this Agreement; acts of God; civil commotion; or acts of nature for the period of time that the force majeure condition exists; provided, however, that if a Party's non-performance due to a force majeure condition continues for more than 60 consecutive days, the Party whose performance is not impaired by the force majeure condition may terminate this Agreement upon written notice to the Party whose performance is being excused.

12.4 **Entire Agreement; Conflicts.** Each Party represents and warrants to the other Party that the execution and performance of this Agreement does not and will not violate any other contract or obligation to which such Party is a party, including terms relating to covenants not to discriminate and confidentiality covenants. Neither Party will disclose to the other Party hereto, or use or induce such other Party to use, any proprietary information or trade secrets of any other person, association or entity. This Agreement and its Schedules and Annexes will be interpreted and enforced in connection with and in consideration of the Purchase Agreement, the Ancillary Agreements (as defined in the Purchase Agreement) and the letter dated May 20, 2019 to the Federal Communications Commission regarding applications of T-Mobile and Sprint for Consent to Transfer Control of Licenses and Authorizations; WT Docket No. 18-197. Notwithstanding the foregoing, this Agreement and its Schedules and Annexes constitute the entire agreement and understanding between T-Mobile and DISH with respect to the subject matter herein and supersede all offers, negotiations and other agreements concerning the Service. Neither Party is not relying on any oral or written representations or warranties from the other Party, including, but not limited to, any representation or warranty as to the nature of competition or the results or effect of any advertising. No course of dealing, course of performance, or usage of trade may be invoked by DISH to modify or supplement in any way the terms and conditions of this Agreement. In the event of a conflict between the terms of this Agreement, any schedule or exhibit hereto, the Purchase Agreement, or the Transition Services Agreement not resolved on the face of the relevant documents, the following order of precedence will apply, but solely with respect to the provision of Service under this Agreement: (i) the applicable schedule or exhibit, (ii) the body of this Agreement, (iii) the Transition Services Agreement, and (iv) the Purchase Agreement.

12.5 Relationship, Authority and Representations. Nothing in this Agreement creates or will be construed or implied to create a relationship of partners, agency, joint venture, or employer and employee. DISH is not authorized to act as an agent for or legal representative of T-Mobile, and does not have authority to assume or create any obligation on behalf of, in the name of, or that will be binding upon T-Mobile. All sales by DISH will be in its own name and for its own account. No provision of this Agreement will be construed as vesting in DISH any control whatsoever in any Facilities or operations of T-Mobile or its Affiliates or any other wireless carrier. DISH will not represent itself as a federal or state certified licensee for operation of Service in the Territory unless otherwise so authorized by the appropriate authority, agency or entity.

12.6 Remedies Cumulative. The rights and remedies expressly provided in this Agreement are cumulative and not exclusive of any rights or remedies that a Party would otherwise have.

12.7 Assignment. Without DISH's prior written approval, in DISH's sole discretion, T-Mobile may not assign or otherwise transfer its rights or obligations under this Agreement, in whole or in part, by operation of law or otherwise, including without limitation in connection with a sale, spin-off or other disposition of any line of business, entity or assets (each, a "**Transfer**", which term shall, for the avoidance of doubt, exclude any transfer, extension of benefits or delegation of duties in connection with the use of contractors, consultants, distributors and similar arrangements); provided that T-Mobile may Transfer its rights and obligations under this Agreement in whole but not in part, by operation of law or otherwise, to any Affiliate of T-Mobile or in connection with a Change of Control of T-Mobile, without DISH's prior approval, in T-Mobile's sole discretion. At least 30 days prior to any Transfer by T-Mobile, T-Mobile shall provide written notice to DISH of such Transfer and the identity of the applicable transferee and shall indicate whether such transferee is an Affiliate of T-Mobile or such Transfer is in connection with a Change of Control of T-Mobile. Without T-Mobile's prior written approval, in T-Mobile's sole discretion, DISH may not Transfer its rights or obligations under this Agreement, in whole or in part, to any Person, except (A) to the applicable transferee in connection with any Transaction also involving the Transfer of all or substantially all of the Wireless Communications Business (it being understood that the foregoing shall not limit the application of Section 12.8 to such Transfer); or (B) to any Person in respect of which a Permitted Owner (and not a Restricted Owner) beneficially owns more than 50% of the Voting Power in connection with an internal reorganization (*e.g.*, delegation to a subsidiary of DISH's Parent Entity) of DISH's Parent Entity and its subsidiaries (a "**Permitted Transfer**"). At least 30 days prior to any Transfer by DISH, DISH shall provide written notice to T-Mobile of such Transfer and the identity of the applicable transferee and shall indicate whether such Transfer is a Permitted Transfer. Notwithstanding anything to the contrary in this Agreement, in the event of any direct or indirect Transfer by DISH that is not a Permitted Transfer (a "**Restricted Transfer**"), T-Mobile may elect, within 30 days following receipt of notice from DISH of such Restricted Transfer, that (i) the Term will automatically expire on the earliest of: (a) two (2) years from the date of such purported Restricted Transfer, (b) the date the Term would otherwise expire or terminate under Section 6, and (c) such earlier date on which this Agreement is terminated in accordance with its terms and (ii) DISH will not be authorized to access the Service Transaction Gateway to add any new End Users or SIM Cards to the T-Mobile Network (but shall have continued access the Service Transaction Gateway to support then existing End Users and SIM Cards) and T-Mobile may block Roaming Services to any new End Users or SIM Cards on the T-Mobile Network on or after the date of such election, provided, however, that in the event that DISH does not deliver such notice in accordance with this sentence, T-Mobile shall be entitled to make such election on or at any time after the date of such Restricted Transfer, and the period set forth in clause (a) above shall be reduced by a number of days equal to the number of days between the date of consummation of such Restricted Transfer and the date on which DISH actually provides notice of such Restricted Transfer. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, and for purposes of this Agreement, any Person who is a successor or permitted assign of DISH in a Permitted Transfer shall be deemed to be "DISH" hereunder. For the avoidance of doubt, this Section 12.7 shall not operate to prevent DISH or its Affiliates from engaging in a transaction that constitutes a Change of Control of DISH, subject to the terms set forth in Section 12.8.

12.8 Change of Control.

(a) In the event of a Change of Control of DISH, the Term will automatically expire on the earliest of: (a) two (2) years from the Change of Control Date for such Change of Control, (b) the date the Term would otherwise expire or terminate under Section 6, and (c) any earlier date on which this Agreement is terminated in accordance with its terms. Further, following the date that is six (6) months from the Change of Control Date, DISH will not be authorized to access the Service Transaction Gateway to add any new End Users or SIM Cards to the T-Mobile Network (but shall have continued access to the Service Transaction Gateway to support then existing End Users and SIM Cards). In the event of a Change of Control, T-Mobile will continue to provide Roaming Services on the T-Mobile Network [***]. Such Roaming Services will be provided for the duration of the Term of this Agreement had it not expired or terminated. Any dispute regarding the Roaming Services agreement in the event of a Change of Control will be resolved by the Antitrust Division of the United States Department of Justice in its sole discretion, provided such discretion will be exercised in a reasonable manner.

(b) At least 30 days prior to any Change of Control of DISH, DISH shall provide written notice to T-Mobile describing in all material respects such pending Change of Control, including the identity of the applicable parties thereto; provided that if the Principal, such Permitted Owner, DISH or any Parent Entity of DISH becomes aware of such Change of Control (x) less than 30 days prior to the date of such Change of Control or (y) after the date of such Change of Control, DISH's only obligation under this sentence shall be to provide written notice of such Change of Control to T-Mobile within five (5) business days of such Change of Control.

(c) As used herein, a "**Change of Control**" of a Party means any of the following, each of which will be deemed to occur upon closing or occurrence of the relevant transaction (the "**Change of Control Date**"):

(i) any Transaction as a result of which (A) on or prior to the Transition Date, a Permitted Owner does not beneficially own more than 50% of the Voting Power of such Party or any Parent Entity of such Party or (B) any single Restricted Owner or group of Restricted Owners acting in concert beneficially owns more than 50% of the Voting Power or aggregate economic value of all the outstanding Capital Stock (on a fully diluted basis) of such Party or any Parent Entity of such Party; or

(ii) any Transaction as a result of which both: (A) DISH and its Affiliates that owned all or substantially all of the assets of the Wireless Communications Business, taken as a whole immediately prior to such Transaction, cease to own directly or indirectly a majority of all such assets of the Wireless Communications Business, taken as a whole, and (B) the Person, directly or indirectly, owning the Transferred Wireless Communications Business assets immediately following such Transaction is a Restricted Owner.

12.9 No Waiver. No failure by a Party to take action on account of any default or breach of this Agreement by the other Party will constitute a waiver of that default or breach, or of the performance required of the other Party under this Agreement.

12.10 Attorney's Fees and Costs. The prevailing Party in any dispute under this Agreement will be entitled to recover its costs, including reasonable attorneys' fees.

12.11 Construction. This Agreement will be interpreted according to the plain meaning of its terms without any presumption that it should be construed in favor of or against either Party. The recitals to this Agreement are hereby incorporated by reference into this Agreement in their entirety. Any list of examples following followed by "including" or "e.g." is illustrative and not exhaustive, unless qualified by terms like "only" or "solely." All references (e.g., to sections, parties, terms, schedules, and exhibits) are to the sections of, parties to, terms of, and schedules and exhibits to this Agreement, unless stated otherwise. All captions are intended solely for the parties' convenience, and none will affect the meaning of any provision. All references to "written," "in writing," or other words of similar import refer to a non-electronic, paper document only, except where electronic mail communication is expressly authorized. The words "herein," "hereof," and words of similar meaning refer to this Agreement as a whole, including its schedules and exhibits. All references to "days" refer to calendar days, unless otherwise expressly set forth in this Agreement.

12.12 Third Parties. Nothing herein expressed or implied is intended or will be construed to confer upon or give to any person or corporation, other than the Parties and their permitted successors or assigns, any legal or equitable rights, remedies or claims under or by reason of this Agreement or any provision of this Agreement.

12.13 Consultation With Counsel. DISH and T-Mobile acknowledge that both Parties have had the opportunity to review this Agreement, have negotiated its terms, and have had the opportunity to obtain independent legal counsel for advice regarding all terms. Neither Party has relied upon any representation made by the other Party regarding the meaning or effect of any of the provisions of this Agreement. DISH acknowledges that the provisions in this Agreement are reasonably necessary to maintain T-Mobile's high standards for service and goodwill.

12.14 Signing Authority. Each person signing below hereby warrants and represents that he or she has full authority to execute this Agreement for the Party on whose behalf he or she is signing.

12.15 Injunctive Relief. The Parties agree and acknowledge that irreparable harm could occur in the event of any breach by a Party of Section 9, Section 2.1(e) of Annex 1 or Section 2.5 of Annex 2. Accordingly, the Parties will be entitled to the remedies of specific performance, injunctive relief or other equitable remedies, in addition to any other remedy to which such Party may be entitled pursuant to this Agreement, at law or in equity. Neither Party will raise as a defense or objection to injunctive relief for a breach of Section 9, Section 2.1(e) of Annex 1 or Section 2.5 of Annex 2 that such a breach is or would be compensable by an award of money damages.

12.16 Media Releases. Except as otherwise provided by applicable Law (including releases or disclosures only to the extent necessary or in good faith determined to be reasonably necessary under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended) each Party agrees: (i) to submit to the other Party all press releases or similar communications wherein the other Party's names or Marks are mentioned or language from which the connection of said names or Marks therewith may be inferred or implied; and (ii) not to publish such press releases or similar communications without the other Party's prior written approval.

12.17 Dispute Escalation. If there is a dispute between the Parties relating to the Service or any other aspect of this Agreement, the Parties will each designate one or more representatives to meet and use good faith efforts to attempt to resolve the dispute prior to filing a legal action. If the representatives are unable to resolve the dispute within thirty (30) calendar days after the date of written notice of the dispute from one Party to the other, then the Parties will escalate the dispute to the vice president level on each side. If the vice presidents are unable to resolve the dispute within thirty (30) calendar days after the date of escalation, then the Parties will submit the matter to each Party's responsible senior executive for resolution, and if such executives are not able to resolve the matter within thirty (30) calendar days, either Party may file a legal action in accordance with 12.18. Notwithstanding the foregoing, nothing in this Agreement will prevent either Party from, or require either Party to delay, the filing of any Claim for injunctive relief.

12.18 **Governing Law; Dispute Resolution.** This Agreement will be governed by, and construed in accordance with, the Laws of the State of New York applicable to contracts executed and to be performed entirely within that state. Any lawsuit, arbitration, Claim, action, administrative or regulatory challenge or proceeding (a "**Proceeding**") based upon, arising out of or related to this Agreement will be brought exclusively in the courts located in the State of New York, and, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York located therein, and, in each case, appellate courts therefrom, and each of the Parties irrevocably submits to the exclusive jurisdiction of each such court in any such Proceedings, waives any objection it may now or hereafter have to personal jurisdiction, venue or to convenience of forum, agrees that all Claims in respect of the Proceedings will be heard and determined only in any such court, and agrees not to bring any Proceedings arising out of or relating to this Agreement in any other court. Nothing herein contained will be deemed to affect the right of any Party to serve process in any manner permitted by Law or to commence legal Proceedings or otherwise proceed against any other Party in any other jurisdiction, in each case, to enforce judgments obtained in any action, suit or Proceeding brought pursuant to this Section 12.18.

12.19 **Counterparts and Delivery.** This Agreement may be executed in two or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. Any signed counterpart of this Agreement may be delivered by facsimile or other form of electronic transmission (*e.g.*, .pdf), with the same legal force and effect as delivery of an originally signed agreement.

13. **PARENT GUARANTY.** Parent hereby unconditionally and irrevocably guarantees, as a principal and not as a surety, to T-Mobile the prompt and full performance and payment of any and all performance and payment obligations of DISH under this Agreement (the "**Obligations**"). TMobile may seek remedies directly from Parent with respect to the Obligations without first exhausting its remedies against DISH. The liability of Parent hereunder is, in all cases, subject to all defences, setoffs and counterclaims available to DISH with respect to performance or payment of the Obligations. Parent waives presentment, demand and any other notice with respect to any of the Obligations and any defences that Parent may have with respect to any of the Obligations other than as set forth in the immediately preceding sentence.

[Signature Page Follows]

Each of the Parties has caused this Agreement to be duly executed as of the day and year set forth below and intends it to be effective as of the Effective Date.

DISH: DISH PURCHASING CORPORATION

/s/ John Swieringa____________________________
By: John Swieringa
Its: Chief Operating Officer, EVP and Group President, Retail Wireless

____
Signature Date: July 1, 2020

T–MOBILE: T–MOBILE USA, INC.

/s/ G. Michael Sievert_________________________
By: G. Michael Sievert
Its: Chief Executive Officer & President

____
Signature Date: July 1, 2020

For purposes of Section 13 only

PARENT: DISH NETWORK CORPORATION

/s/ John Swieringa____________________________
By: John Swieringa
Its: Chief Operating Officer, EVP and Group President, Retail Wireless

____
Signature Date: July 1, 2020

Exhibit 10.2

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS EXHIBIT, MARKED BY [***], HAS BEEN OMITTED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED.

LICENSE PURCHASE AGREEMENT

by and between

T-MOBILE USA, INC.

and

DISH NETWORK CORPORATION

Dated as of July 1, 2020

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LICENSE PURCHASE AGREEMENT

THIS LICENSE PURCHASE AGREEMENT ("Agreement"), dated as of July 1, 2020 (the "Effective Date"), is entered into by and between (i) T-Mobile USA, Inc., a Delaware corporation ("Seller"), and (ii) DISH Network Corporation, a Nevada corporation ("Purchaser"). Seller and Purchaser are each a "Party," and collectively are the "Parties."

WHEREAS, as of the Effective Date, the Parties consummated the transactions under the Asset Purchase Agreement;

WHEREAS, an Affiliate of the Seller holds the 800 MHz licenses granted by the FCC that are identified in Schedule A (collectively, the "Seller Licenses"); and

WHEREAS, Seller wishes to sell, and Purchaser wishes to purchase, the Seller Licenses, as permitted pursuant to 47 C.F.R. § 1.948, in the manner and subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants, conditions and agreements hereinafter set forth, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth or referenced below:

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. The term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other ownership interests, by contract or otherwise; *provided*, *however*, that none of SoftBank Group Corp., Deutsche Telekom AG and their respective Affiliates (as defined without giving effect to this proviso), other than the Subsidiaries of Sprint and the Subsidiaries of TMUS, shall be deemed to be an Affiliate of Seller or any of its Subsidiaries.

"Agreed Amount" has the meaning set forth in Section 8.4(d).

"Agreement" means this Agreement and all Exhibits and Schedules hereto, as amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Asset Purchase Agreement" means that certain Asset Purchase Agreement, dated as of July 26, 2019, by and among T-Mobile US, Inc. ("TMUS"), Sprint Corporation ("Sprint") and Purchaser (as amended, amended and restated or otherwise modified from time to time).

"Assigned Specified Lease" has the meaning set forth in Section 5.8.

"Business Combination Agreement" means that certain Business Combination Agreement, dated as of April 29, 2018, by and among T-Mobile US, Inc., Sprint Corporation and the other parties thereto (as amended, amended and restated or otherwise modified from time to time).

"Business Day" means any day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for business in the county of New York, State of New York.

"Claim Notice" means a written notification which contains (a) a description of the Losses incurred or reasonably expected to be incurred by the Indemnified Party and the Claimed Amount of such Losses, to the extent then known and (b) a statement of the provisions under the Agreement upon which such claim is based.

"Claimed Amount" means the amount of any Losses incurred or reasonably expected to be incurred by the Indemnified Party (to the extent then known).

"Closing" has the meaning set forth in Section 2.3(a).

"Closing Date" has the meaning set forth in Section 2.3(a).

"Code" means the Internal Revenue Code of 1986, as amended.

"Communications Act" means the Communications Act of 1934, as amended.

"Controlling Party" means the Party controlling the defense of any Third Party Claim.

"Deductible Amount" has the meaning set forth in Section 8.3(a).

"Disclosure Schedule" has the meaning set forth in the preamble to ARTICLE 3.

"DOJ" means the United States Department of Justice.

"Effective Date" has the meaning set forth in the preamble.

"Excluded Rebanding Activities" means any Rebanding activities related to the reconfiguring and retuning of 800 MHz frequencies that are outside of the frequency bands licensed under the Seller Licenses; *provided* that Excluded Rebanding Activities shall not include any Rebanding activities that, if not completed prior to the Closing, Purchaser would be legally responsible for completing after the Closing.

"FCC" means the United States Federal Communications Commission or any successor entity thereto.

"FCC Applications" has the meaning set forth in Section 5.5(a).

"FCC Consents" means the requisite consents of the FCC to permit the consummation of the transactions contemplated hereby, including (i) the assignment by Seller to Purchaser of the Seller Licenses, and (ii) if Seller timely exercises the Lease-Back Option, the entry by the Parties (or their Affiliates, as applicable) into the Spectrum Lease. These consents shall have been granted and be in full force and effect, provided that this condition will be satisfied by the approval of the full FCC, a bureau of the FCC or division or subdivision thereof taken under delegated authority, which approval is in full force and effect, is not subject to reconsideration, has not been stayed by a bureau of the FCC, division or subdivision thereof, the FCC or a court of competent jurisdiction.

"FCC Order" means an official action or order taken or issued by the FCC or any of its bureaus or offices through written order, decision, memorandum, public notice or letter.

"FCC Rules" means the rules, regulations, orders and written policies of the FCC.

"Filing Deadline" means the third anniversary of the Merger Closing Date.

"Financing" has the meaning set forth in Section 5.6.

"FTC" means the United States Federal Trade Commission.

"Governmental Authority" means a federal, state or local court, legislature, governmental agency, commission or regulatory or administrative authority or instrumentality.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, any successor statute thereto, and the rules and regulations promulgated thereunder.

"HSR Notice" has the meaning set forth in Section 5.5(b).

"Indemnified Party" has the meaning set forth in Section 8.2(a).

"Indemnifying Party" has the meaning set forth in Section 8.2(a).

"Law" means applicable common law and any statute, ordinance, code or other law, rule, permit, permit condition, regulation, order, decree, technical or other standard, requirement or procedure enacted, adopted, promulgated, applied, issued or followed by any Governmental Authority.

"Lease-Back Option" has the meaning set forth in Section 5.2.

"Liabilities" means any direct or indirect liability, indebtedness, guaranty, endorsement, claim, loss, damage, deficiency, cost, expense, obligation or responsibility, of any kind or nature whatsoever, whether fixed or unfixed, known or unknown, asserted or unasserted, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, contingent or otherwise.

"Licensing Subsidiary" means a direct or indirect Subsidiary of Seller that holds one or more Seller Licenses.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest, easement, conditional sales contract, reversionary interest, transfer restriction (other than transfer restrictions arising or routinely imposed under the Communications Act or the FCC Rules), right of first refusal, voting trust agreement, preemptive right, or other adverse claim, defect of title or other encumbrance of any kind, whether voluntary or imposed by applicable Law, and any agreement to give any of the foregoing in respect of such asset. For the avoidance of doubt, "Lien" shall not include any conditions or restrictions imposed on the Seller Licenses by the FCC or the FCC Rules.

"Loss" means any loss (including diminution in value), Liability, claim, damage, expense (including reasonable legal fees and expenses or other professional fees and expenses), court cost, amount paid in settlement, other expense associated with enforcing any right hereunder, expense for investigation and ongoing monitoring and remediation expense; *provided*, *however*, that "Loss" shall not include any punitive, indirect, consequential, special or incidental damages (except (x) to the extent of awarded to a Third Party in a Third Party Claim or (y) any indirect, consequential, special or incidental damages that are a reasonably foreseeable consequence of a breach hereunder).

"Material Adverse Effect" means an event, development, circumstance, change or effect that, individually or in the aggregate, materially impairs: (i) the Seller Licenses (taken as a whole), (ii) the ability of the holder thereof to use the Seller Licenses, or (iii) the ability of Seller to consummate the transactions contemplated by this Agreement.

"Merger Closing Date" means April 1, 2020, the date the transactions under the Business Combination Agreement were consummated.

"Non-Controlling Party" means the Party not controlling the defense of any Third Party Claim.

"Outside Date" has the meaning set forth in Section 7.1(a).

"Party" and "Parties" have the meanings set forth in the preamble.

"Person" has the meaning set forth in Section 9.12.

"Proceedings" has the meaning set forth in Section 9.8.

"Purchase Price" has the meaning set forth in Section 2.1.

"Purchaser" has the meaning set forth in the preamble.

"Purchaser Fundamental Representations" means the representations and warranties set forth in Sections 4.1, 4.2, 4.3 and 4.8.

"Purchaser Indemnified Parties" has the meaning set forth in Section 8.2(b).

"Rebanding" means the process that Sprint Corporation has been undertaking to reconfigure and retune the 800 MHz frequency band as required by the FCC in its proceeding *Improving Public Safety Communications* in the 800 MHz Band, WT Docket No. 02-55 and related dockets.

"Representatives" means, in relation to any Party, the directors, officers, employees, agents, professional advisers, attorneys, financial advisors, accountants and consultants of such Party and its Affiliates (and with regard to Seller, of SoftBank Group Corp., Deutsche Telekom AG and their respective Affiliates and Representatives).

"Response" has the meaning set forth in Section 8.4(d).

"Seller" has the meaning set forth in the preamble.

"Seller Fundamental Representations" means the representations and warranties set forth in Sections 3.1, 3.2, 3.3 and 3.8.

"Seller Indemnified Parties" has the meaning set forth in Section 8.2(c).

"Seller Licenses" has the meaning set forth in the recitals.

"Specified BEAs" has the meaning set forth in Section 5.2.

"Specified Leases" has the meaning set forth in Section 5.8.

"Spectrum Lease" means a Long-Term De Facto Transfer Lease Agreement in substantially the form attached hereto as Exhibit C.

"Sprint" has the meaning set forth in the preamble.

"Subsidiary" means, with respect to any Person, any corporation, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a partnership, association or other business entity if such Person or Persons shall be allocated a majority of partnership, association or other business entity gains or losses or shall be or control the managing director or general partner of such partnership, association or other business entity.

"Termination Fee" has the meaning set forth in the Section 7.1(c)

"Third Party" means, with respect to any specified Person, any other Person who is not an Affiliate of such specified Person (other than Governmental Authority).

"Third Party Claim" means any Proceeding by a Person other than Purchaser or Seller for which indemnification may be sought by an Indemnified Party under ARTICLE 8.

"Transaction Documents" means this Agreement, the Spectrum Lease (if applicable), and all other agreements, documents and instruments required to be delivered by any Party or its designee to any other Party or its designee in accordance with the provisions of this Agreement.

"Updated Disclosure Schedule" has the meaning set forth in Section 5.9.

ARTICLE 2
PURCHASE AND SALE OF LICENSES

Section 2.1 Purchase and Sale of Seller Licenses

(a) Subject to the terms and conditions set forth in this Agreement, Seller hereby agrees to, or to cause the Licensing Subsidiaries to, sell, convey, transfer, deliver and assign to Purchaser at the Closing, and Purchaser hereby agrees to purchase from Seller and the Licensing Subsidiaries at the Closing, all right, title and interest of Seller and the Licensing Subsidiaries in and to the Seller Licenses, free and clear of all Liens (but subject to the Specified Leases, to the extent that any remain in effect as of the Closing), in exchange for the payment by Purchaser of $3,589,738,864 (the "Purchase Price"); *provided*, that, in the event that the Rebanding has not been completed prior to the Closing (other than in respect of Excluded Rebanding Activities), the Purchase Price shall be reduced to $3,517,944,087 and Seller shall promptly reimburse Purchaser for its reasonable, documented, out of pocket costs and expenses incurred in the relocation of Seller Licenses and the licenses of other incumbent 800 MHz licensees that are needed to complete the Rebanding (for the avoidance of doubt, neither the failure to complete non-technical administrative tasks relating to the Rebanding that will not interfere with Purchaser's use and enjoyment of the wireless spectrum covered by the Seller Licenses (such as delivery of invoices or proof of payment, or reconciling contracts of Seller and its Affiliates), nor the failure to complete or obtain any required regulatory or administrative processes or determinations (such as the need to obtain a certification or order of completion by the FCC or other Governmental Authority) so long as all technical Rebanding work (other than Excluded Rebanding Activities) has been completed, shall be considered a failure to complete the Rebanding); *provided further*, that Purchaser is not prevented from using the Seller Licenses as of the Closing and does not have to perform any Rebanding or incur any costs or expenses related to the Rebanding.

(b) At the Closing, Purchaser shall pay the Purchase Price to Seller by wire transfer of immediately available funds to such account(s) as Seller shall designate no later than three Business Days prior to the Closing Date.

(c) Following the Closing, nothing contained herein or in any Transaction Document (other than the Spectrum Lease) shall restrict the Purchaser's right to use and deploy the spectrum granted by the FCC pursuant to the Seller Licenses in whatever manner it chooses (subject to the rights of the lessees under the Assigned Specified Leases).

Section 2.2 No Assumption of Liabilities

THIS IS A PURCHASE AND SALE OF ASSETS AND PURCHASER SHALL NOT ASSUME, BE BOUND BY OR BE RESPONSIBLE OR LIABLE FOR, OR BE DEEMED TO HAVE ASSUMED, BECOME BOUND BY OR RESPONSIBLE OR LIABLE FOR, UNDER THIS AGREEMENT OR BY REASON OF THE TRANSACTIONS CONTEMPLATED HEREBY, ANY LIABILITIES OF SELLER OR ANY OTHER PERSON OF ANY KIND OR NATURE, KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, THAT EXISTED, AROSE, WERE INCURRED, OR OTHERWISE PERTAIN TO ACTIONS EVENTS OR

CIRCUMSTANCES OCCURRING OR EXISTING PRIOR TO THE CLOSING WITH RESPECT TO THE SELLER LICENSES. PURCHASER SHALL BE LIABLE FOR ALL LIABILITIES ARISING FROM AND AFTER THE CLOSING OUT OF OR RELATING TO THE OWNERSHIP, OPERATION OR USE OF THE SELLER LICENSES OR THE ASSIGNED SPECIFIED LEASES (IF ANY).

Section 2.3 Closing

(a) Unless this Agreement shall have been earlier terminated in accordance with the provisions of this Agreement, the closing of the transactions contemplated by this Agreement (the "Closing") shall be consummated via electronic transmission and funds transfer on the date that is five Business Days after the satisfaction or waiver of the conditions set forth in ARTICLE 6 (except those conditions that by their nature will be satisfied at the Closing), or at such other time or place as may be agreed upon in writing by Purchaser and Seller; *provided* that in no event shall the Closing occur earlier than the third anniversary of the Merger Closing Date. The date of the Closing is referred to herein as the "Closing Date".

(b) Subject to the terms and conditions hereof, at the Closing, Seller shall, and shall cause the Licensing Subsidiaries to, execute and deliver to Purchaser: (i) an instrument of assignment and assumption of license in the form attached hereto as Exhibit A, executed by Seller or the applicable Licensing Subsidiary; (ii) with respect to each Specified Lease that is in effect as of the Closing (if any) an instrument of assignment and assumption of lease in the form attached hereto as Exhibit B, executed by the Subsidiary of Seller party thereto; (iii) such other reasonable instruments (if any) as shall be necessary and effective to transfer, convey and assign to, and vest in, Purchaser all of the right, title and interest of Seller and the Licensing Subsidiaries in and to the Seller Licenses, free and clear of all Liens (but subject to the Specified Leases, to the extent that any remain in effect as of the Closing); (iv) the closing certificates and other documents required to be delivered by Seller pursuant to this Agreement; and (v) if Seller timely exercises the Lease-Back Option, the Spectrum Lease in substantially the form attached hereto as Exhibit C, executed by Seller or an Affiliate thereof.

(c) Subject to the terms and conditions hereof, at the Closing, Purchaser shall execute and deliver to Seller: (i) an instrument of assignment and assumption of license in the form attached hereto as Exhibit A, executed by Purchaser; (ii) with respect to each Specified Lease that is in effect as of the Closing (if any) an instrument of assignment and assumption of lease in the form attached hereto as Exhibit B, executed by Purchaser; (iii) the closing certificates and other documents required to be delivered by Purchaser pursuant to this Agreement; and (iv) if Seller timely exercises the Lease-Back Option, the Spectrum Lease in substantially the form attached hereto as Exhibit C, executed by Purchaser.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the Disclosure Schedules delivered by Seller to Purchaser immediately prior to the execution of this Agreement (the "Disclosure Schedule") (it being agreed that disclosure of any item in any Section or subsection of a Disclosure Schedule shall apply only to the corresponding Section or subsection of this Agreement and to any other Section or subsection of this Agreement to the extent that the relevance of such item is reasonably apparent on its face in the Disclosure Schedules), Seller hereby represents and warrants to Purchaser as of the Effective Date and as of the Closing (or in the case of representations and warranties that speak of a specified date, as of such specified date) that the following statements are true and correct:

Section 3.1 Organization and Qualification

Seller and each Licensing Subsidiary is duly organized and validly existing under the laws of the jurisdiction of its organization and has all requisite corporate or similar power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power, authority or governmental approvals would not impair Seller's or such Licensing Subsidiary's ability to sell, convey, transfer, deliver and assign its right, title and interest in and to the Seller Licenses, free and clear of all Liens (but subject to the Assigned Specified Leases, if any), on the terms contemplated hereby.

Section 3.2 Power and Authority

Seller has all requisite corporate or similar power and authority to execute, deliver and perform this Agreement and the other Transaction Documents to which it is a party. The execution, delivery and performance by Seller of this Agreement and all the other Transaction Documents required to be executed and delivered by Seller in accordance with the provisions of this Agreement have been duly authorized by all necessary corporate or similar action on the part of Seller. This Agreement has been, and the other Transaction Documents to which Seller is a party have been, or will be, duly executed and delivered by Seller.

Section 3.3 Enforceability

This Agreement constitutes, and the other Transaction Documents to which Seller is a party constitute or will constitute, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer and other similar laws affecting creditors' rights generally and by general principles of equity.

Section 3.4 Non-Contravention

Subject to the receipt of the FCC Consents, compliance with any applicable requirements of the HSR Act and the giving of any post-Closing notifications required by the FCC or state Governmental Authorities, the execution, delivery and performance by Seller of this Agreement and the other Transaction Documents to which Seller is a party do not and will not violate or conflict with or result in a default or the breach of any term, condition or provision of, or require the consent of any other Person or give any Person any right of termination, amendment, acceleration or cancellation under, (i) any Law to which Seller or any of the Seller Licenses is subject, (ii) any judgment, order, writ, injunction, decree or award of any court, arbitrator or governmental or regulatory official, body or authority that is applicable to Seller or any of the

Seller Licenses, (iii) the articles of incorporation, certificate of formation, bylaws or similar organizational documents of Seller, (iv) any material mortgage, indenture, agreement, contract, commitment, lease, plan, license or other instrument, document or understanding, oral or written, to which Seller is a party or subject or by which any of the Seller Licenses may be bound or affected, or (v) any of the Seller Licenses or result in the creation of a Lien on any of the Seller Licenses.

Section 3.5 Seller Licenses

(a) Each of the Seller Licenses has been validly issued, is in full force and effect, is validly held by Seller or a Licensing Subsidiary and is free and clear of conditions or restrictions, other than those routinely imposed in conjunction with FCC licenses of a similar type or conditions imposed by the FCC with respect to the Rebanding. Each of the Seller Licenses is free and clear of all Liens, other than (i) any Liens in respect of indebtedness for borrowed money (which Liens by their express terms shall be automatically released at the Closing upon payment of the Purchase Price as contemplated hereunder); or (ii) any leases or other arrangements with any Affiliates of Seller or other third parties (which, other than the Specified Leases, shall be terminated at or prior to the Closing). At the Closing, upon payment of the Purchase Price as contemplated hereunder, each of the Seller Licenses will be free and clear of all Liens (but will remain subject to the Assigned Specified Leases, if any).

(b) Except for any leases or other arrangements with any Affiliates of Seller or other third parties (which, other than the Specified Leases, shall be terminated at or prior to the Closing), none of the spectrum covered by the Seller Licenses is subject to any lease or other agreement or arrangement with any third party, including any agreement giving any third party any right to use such spectrum. With respect to each Assigned Specified Lease (if any), none of Seller, any of its Affiliates or, to the actual knowledge of Seller, any other party thereto is in material breach or violation of, or default under, such Assigned Specified Lease.

(c) There are no existing applications, petitions to deny or complaints or proceedings pending or, to Seller's knowledge, threatened, before the FCC or other Governmental Authority relating to any of the Seller Licenses or which otherwise, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, other than proceedings affecting the wireless telecommunications industry or 800 MHz licenses or licensees generally. No Governmental Authority has, to Seller's knowledge, threatened to terminate or suspend any of the Seller Licenses, and there are no third party claims of any kind that have been asserted with respect to any of the Seller Licenses that, if successful, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. Neither Seller nor any of the Licensing Subsidiaries is material violation or default, and has not received any notice of any claim of material violation or default, of any Law or regulation of any Governmental Authority with respect to any of the Seller Licenses. No event has occurred with respect to any of the Seller Licenses that permits, or after notice or lapse of time or both would permit, revocation or termination thereof or that would reasonably be expected to result in any material violation or default, claim of material violation or default of any Law or regulation of any Governmental Authority with respect to any Seller License or material impairment of the rights of the holder of such Seller License.

(d) Each Seller License is held solely by Seller or a Licensing Subsidiary. As of the Effective Date, no shareholder, officer, employee or former employee of Seller or any Affiliate thereof, or any other Person, holds or has any proprietary, financial or other interest (direct or indirect) in, or any authority to use, or any other right or claim in or to, any of the Seller Licenses, other than any Liens, leases or other arrangements that (other than in the case of the Specified Leases) will be terminated at or prior to the Closing (as provided above). At the Closing, upon payment of the Purchase Price as contemplated hereunder, no shareholder, officer, employee or former employee of Seller or any Affiliate thereof, or any other Person, holds or has any proprietary, financial or other interest (direct or indirect) in, or any authority to use, or any other right or claim in or to, any of the Seller Licenses, other than pursuant to the Assigned Specified Leases, if any.

(e) No amounts (including installment payments consisting of principal and/or interest or late payment fees) are due to the FCC or the United States Department of the Treasury in respect of the Seller Licenses, and none of the Seller Licenses was acquired with bidding credits. The consummation of the transactions contemplated hereunder will not cause the FCC to impose any penalties on Seller under the FCC's WT Docket No. 02-55 or related proceedings. The consummation of the transactions contemplated hereunder will not cause the FCC to impose any trafficking or unjust enrichment penalties pursuant to 47 C.F.R. §1.2111.

(f) Seller has no reason to believe that any of the Seller Licenses will not be renewed in the ordinary course. None of the Seller Licenses will be adversely affected by the consummation of the transactions contemplated hereby. Seller is not aware of any basis for any application, action, petition, objection or other pleading, or for any proceeding with the FCC or any other Governmental Authority, that (i) questions or contests the validity of, or seeks the revocation, forfeiture, non-renewal or suspension of, any Seller License, (ii) seeks the imposition of any materially adverse modification or amendment with respect to any Seller License, (iii) seeks the payment of a material fine, sanction, penalty, damages or contribution in connection with the use of any Seller License, or (iv) in any other way would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, other than proceedings affecting the wireless communications industry or 800 MHz licenses or licensees generally.

(g) There are no material liabilities of Seller or any Affiliate thereof (whether matured or unmatured, direct or indirect, or absolute, contingent or otherwise), whether related to, associated with, or attached to, any Seller License or otherwise to which Purchaser or any of its Affiliates will be subject from and after the Closing as a result of the consummation of the transactions contemplated hereby (other than liabilities arising from and after the Closing under the Assigned Specified Leases, if any).

(h) With respect to each Seller License, (i) all material documents required to be filed at any time by Seller and its Affiliates with the FCC with respect to such Seller License have been filed or the time period for such filing has not lapsed, and (ii) all such documents filed since the date that such Seller License was first issued or transferred to Seller or any Affiliate thereof were correct in all material respects at the time of filing.

(i) Seller and each Affiliate thereof is in compliance with all Laws applicable to the Seller Licenses to which any of them is subject, except where any such non-compliance, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

Section 3.6 Litigation

Except for proceedings affecting the wireless communications industry generally or 800 MHz licenses or licensees generally, no litigation, arbitration, investigation or other proceeding of or before any Governmental Authority or arbitrator is pending or, to Seller's knowledge, threatened against Seller or any Affiliate thereof that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, or that seeks to enjoin this Agreement or the transactions contemplated hereby or otherwise prevent Seller from performing its obligations under this Agreement or consummating the transactions contemplated hereby. Neither Seller nor any Affiliate thereof is a party to or subject to the provisions of any judgment, order, writ, injunction, decree or award of any Governmental Authority or arbitrator that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

Section 3.7 Build-Out Requirements

Seller and its Affiliates are not in breach or otherwise in violation of any build-out or continuance of service requirements under the FCC rules relating to any Seller License.

Section 3.8 No Brokers

Seller and its agents and Affiliates have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payments in connection with this Agreement or the transactions contemplated hereby for which Purchaser or any Affiliate thereof could become liable or obligated.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as of the Effective Date and as of the Closing (or in the case of representations and warranties that speak of a specified date, as of such specified date) that the following statements are true and correct:

Section 4.1 Organization

Purchaser is duly organized and validly existing under the laws of the jurisdiction of its organization.

Section 4.2 Power and Authority

Purchaser has all requisite corporate or similar power and authority to execute, deliver and perform this Agreement and the other Transaction Documents to which it is a party. The execution, delivery and performance by Purchaser of this Agreement and all the other Transaction Documents required to be executed and delivered by Purchaser in accordance with the provisions of this Agreement have been duly authorized by all necessary corporate or similar action on the part of Purchaser. This Agreement has been, and the other Transaction Documents to which Purchaser is a party have been, or will be, duly executed and delivered by Purchaser.

Section 4.3 Enforceability

This Agreement constitutes, and the other Transaction Documents to which Purchaser is a party constitute or will constitute, the legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer and other similar laws affecting creditors' rights generally and by general principles of equity.

Section 4.4 Non-Contravention

Subject to the receipt of the FCC Consents, compliance with any applicable requirements of the HSR Act and the giving of any post-Closing notifications required by the FCC or state Governmental Authorities, the execution, delivery and performance by Purchaser of this Agreement and the other Transaction Documents to which Purchaser is a party do not and will not violate or conflict with or result in a default or the breach of any term, condition or provision of, or require the consent of any other Person or give any Person any right of termination, amendment, acceleration or cancellation under, (i) any Law to which Purchaser is subject, (ii) any judgment, order, writ, injunction, decree or award of any court, arbitrator or governmental or regulatory official, body or authority that is applicable to Purchaser, (iii) the articles of incorporation, certificate of formation, bylaws or similar organizational documents of Purchaser, or (iv) any material mortgage, indenture, agreement, contract, commitment, lease, plan, license or other instrument, document or understanding, oral or written, to which Purchaser is a party or subject.

Section 4.5 Litigation

Except for proceedings affecting the wireless communications industry generally, no litigation, arbitration, investigation or other proceeding of or before any Governmental Authority or arbitrator is pending or, to Purchaser's knowledge, threatened against Purchaser or any Affiliate thereof that seeks to enjoin this Agreement or the transactions contemplated hereby or otherwise prevent Purchaser from performing its obligations under this Agreement or consummating the transactions contemplated hereby. Neither Purchaser nor any Affiliate thereof is a party to or subject to the provisions of any judgment, order, writ, injunction, decree or award of any Governmental Authority or arbitrator that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the ability of Purchaser to consummate the transactions contemplated by this Agreement.

Section 4.6 Qualification

Purchaser is fully qualified under the Communications Act and the FCC Rules (i) to hold and receive FCC licenses generally, (ii) to hold and receive the Seller Licenses, and the consummation of the transactions contemplated hereby will not cause Purchaser or such Affiliate to be ineligible to hold any Seller License, and (iii) to be approved as the assignee of the Seller Licenses. Purchaser is in compliance with Section 310(b) of the Communications Act of 1934, as amended, and all FCC Rules promulgated thereunder with respect to alien ownership.

Section 4.7 Acknowledgements regarding Build-Out Requirements

Purchaser acknowledges that it is aware of the continuance of service requirements under the FCC Rules with respect to the Seller Licenses, and that satisfaction of those requirements will be Purchaser's responsibility following the Closing, without prejudice to any right of indemnification Purchaser may have pursuant to ARTICLE 8 by reason of any breach of Seller's representations and warranties.

Section 4.8 No Brokers

Purchaser and its agents and Affiliates have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payments in connection with this Agreement or the transactions contemplated hereby for which Seller or any Affiliate thereof could become liable or obligated.

ARTICLE 5
COVENANTS AND OTHER AGREEMENTS

Section 5.1 Covenants of Purchaser and Seller Pending the Closing

Subject to the terms of this Agreement, from the date hereof until the Closing, each Party shall use reasonable best efforts to take, or cause to be taken, all actions, and do, or cause to be done, all things necessary, proper or advisable and consistent with applicable Law to carry out all of their respective obligations under this Agreement and to consummate the transactions contemplated hereunder as contemplated herein as soon as reasonably practicable after the Filing Deadline.

Section 5.2 Lease-Back Option

Seller shall have the right, exercisable by giving written notice to Purchaser by no later than the second anniversary of the Merger Closing Date of Seller's irrevocable commitment to exercise such option, to lease back 2x2 MHz of spectrum nationwide under the Seller Licenses (subject to the proviso below with respect to the Specified BEAs) for a two-year term commencing on the Closing Date on the terms set forth in the Spectrum Lease (the "Lease-Back Option"). Such leased spectrum in each service area shall be contiguous 2x2 MHz as configured as of the Effective Date unless otherwise mutually agreed by the Parties; *provided* that the leased spectrum shall be 1.525x1.525 MHz (or such greater amount (up to 2x2 MHz) as is reasonably required to operate one CDMA carrier for the applicable service area) with respect to the Seller Licenses for each of the BEAs listed on Schedule 5.2 attached hereto (the "Specified BEAs"). Within six months of the Effective Date, Seller shall provide Purchaser with the configuration of the leased spectrum as of the Effective Date in each service area. In the event that Seller timely exercises the Lease-Back Option, Seller (or an Affiliate thereof designated by Seller) and Purchaser shall execute and deliver the Spectrum Lease at the Closing.

Section 5.3 Confidentiality

Each Party shall keep confidential the existence and terms of this Agreement; except: (i) as required by applicable Law (including FCC Rules) or the rules of any relevant stock exchange or by order or decree of a Governmental Authority having jurisdiction over such Party; *provided* that the disclosing Party provides the other Party reasonable opportunity to review and comment in advance on such disclosure, (ii) in connection with such Party's enforcement of any rights it may have at law or in equity, (iii) that each Party may disclose the existence and terms of this Agreement on a "need-to-know" basis to its and its Affiliates' Representatives who may be assisting such Party in connection with the transactions contemplated hereby and agree to be bound by the terms of this Section 5.3 as if they were parties hereto (or are otherwise subject to substantially similar confidentiality obligations or undertakings) (and such Party shall be liable for any breach by any such Person of such non-disclosure obligations), (iv) with the express prior written approval of the other Party, or (v) after such information has become available to the general public without breach of this Agreement by the disclosing Party or its Affiliates or its or their respective Representatives.

Section 5.4 Compliance with Law; Compliance with Licenses; Non-Solicitation

(a) Compliance with Law. From the date hereof until the Closing, Seller shall comply in all material respects with the Seller Licenses and all applicable Laws to the extent that they relate to any of the Seller Licenses.

(b) Compliance with Licenses. From the date hereof until the Closing: (i) Seller shall, and shall cause its Affiliates to, use their respective reasonable best efforts to maintain the validity of the Seller Licenses and to ensure that the Seller Licenses remain in full force and effect in the ordinary course consistent with past practice, and (ii) Seller shall not, and shall cause its Affiliates not to, engage in any transaction or take any action or omit to take any action that would reasonably be expected to adversely affect the validity of the Seller Licenses. Without limiting the foregoing, Seller shall not, nor permit the Licensing Subsidiaries to, seek the modification of any Seller Licenses without the prior written consent of Purchaser (not to be unreasonably withheld, conditioned or delayed); *provided* that only prior written notice to Purchaser (rather than prior written consent) shall be required for modifications in the ordinary course of business consistent with Seller's past practice.

(c) Non-Solicitation. Prior to the earlier to occur of the Closing or any termination of this Agreement in accordance with the provisions of Section 7.1, Seller shall not, and shall not permit the Licensing Subsidiaries to, (i) directly or indirectly sell, transfer, assign or otherwise dispose of any of the Seller Licenses or offer to or enter into any agreement, arrangement or understanding to, directly or indirectly sell, transfer, assign or otherwise dispose of any of the Seller Licenses (other than to a direct or indirect Subsidiary of Seller); *provided that*, for the avoidance of doubt, Seller and the Licensing Subsidiaries shall be permitted to enter into or continue any leases with any Affiliates of Seller or other third parties so long as such leases (other than the Specified Leases) either expire by their express terms no later than three months prior to the Filing Deadline or are freely terminable by Seller and its Licensing Subsidiaries (as applicable) and are actually terminated no later than three months prior to the Filing Deadline; and *provided further that*, Seller and the Licensing Subsidiaries shall be permitted to freely incur or permit to exist any Lien on any or all of the Seller Licenses that secures indebtedness for borrowed money so long as such Liens by their express terms will be automatically released at the Closing upon payment of the Purchase Price as contemplated hereunder, or (ii) take or refrain from taking any action that would reasonably be expected to materially impair the Seller Licenses (taken as a whole) or subject the Seller Licenses to forfeiture or cancellation by the FCC.

(d) Notice of Certain Events. Each Party shall promptly notify the other in writing of any action, suit or proceeding that shall be instituted or threatened against such Party to restrain, prohibit or otherwise challenge the legality of any transaction contemplated by this Agreement. No disclosure by either Party pursuant to this Section 5.4(d), however, shall be deemed to amend or supplement this Agreement or to prevent or cure any misrepresentation by such Party herein, unless the other Party shall have expressly so agreed in writing.

Section 5.5 Governmental Filings

(a) The Parties shall prepare and file with the FCC all applications and notifications necessary to obtain the FCC Consents (the "FCC Applications") by no later than the Filing Deadline; *provided*, that the FCC Applications shall not be filed more than 30 days prior to the Filing Deadline unless the Parties mutually agree to file the FCC Applications earlier. The Parties shall cooperate in the diligent submission of any additional information requested by the FCC with respect to the FCC Applications, and (subject to Section 5.5(d)) will use (and cause their respective Affiliates to use) their respective reasonable best efforts to take all such actions and do or cause to be done all things, necessary, appropriate or advisable to obtain the FCC Consents as soon as reasonably practicable after the Filing Deadline.

(b) Prior to the Filing Deadline, the Parties shall prepare and file with the FTC and the DOJ the notifications required pursuant to the HSR Act with respect to the transactions contemplated by this Agreement, including any documents required to be filed in connection therewith (the "HSR Notice"). The HSR Notice shall specifically request early termination of the waiting period prescribed by the HSR Act. The Parties shall cooperate in the diligent submission of any supplemental information requested by the FTC or the DOJ with respect to the HSR Notice.

(c) Each Party shall, and shall cause its Affiliates to, cooperate with the other Party in connection with the making of all filings and the obtaining of all approvals referred to in this Section 5.5, including by (i) providing copies of all such filings and attachments to the non-filing Party, (ii) furnishing all information required for all such filings, (iii) promptly keeping the other Party informed in all material respects of any material communication received by such Party from, or given by such Party to, any Governmental Authority relating to the approval of the transactions contemplated hereby and of any material communication received or given regarding any proceeding by a private party relating to the approval of the transactions contemplated hereby by any Governmental Authority, and (iv) permitting the other Party to review any material communication delivered to, and consulting with the other Party in advance of any meeting or conference with, any Governmental Authority relating to the transactions contemplated hereby or regarding any proceeding by a private party relating to the approval of the transactions contemplated hereby by any Governmental Authority. Notwithstanding the foregoing, either Party may, as it deems necessary, appropriate or advisable, designate any competitively sensitive material provided to the other Party under this Section 5.5 as "outside counsel only." Such materials and information contained therein shall be given only to the outside legal counsel of the recipient Party, and the recipient Party shall cause such outside counsel not to disclose such materials or information to any Representatives of the recipient Party or its Affiliates, unless express written permission is obtained in advance from the disclosing Party. To the extent practicable under the circumstances, neither Party shall participate in any meeting or discussion expected to address substantive matters related to the transactions contemplated hereby, either in person or by telephone, with any Governmental Authority regarding the proposed transactions unless, to the extent not prohibited by such Governmental Authority, it gives the other Party the opportunity to attend and observe. The Parties shall advise each other promptly in respect of any understandings, undertakings or agreements (oral or written) that either of them proposes to make or enter into with the FTC, the DOJ, the FCC or any other Governmental Authority regarding the transactions contemplated hereby. To the extent that confidential information of either Party is required to be filed with any Governmental Authority, the Party submitting such information shall, prior to such disclosure, (A) notify the Party whose confidential information is to be disclosed, and (B) together with the Party whose information is to be disclosed, seek and use commercially reasonable efforts to secure confidential treatment of such information pursuant to the applicable protective order or other confidentiality procedures of such Governmental Authority.

(d) Notwithstanding anything to the contrary set forth in this Agreement or otherwise, the Parties agree that their respective obligations under this Section 5.5 shall not include any obligation on the part of either Party or their Affiliates to: (i) commit to or effect, by consent decree, hold separate orders, trust or otherwise, the sale or disposition of any assets or businesses or any other structural or conduct relief with respect to its future operations as may be required to be divested or undertaken in order to avoid the entry of, or to effect the dissolution of, any decree, order, judgment, injunction, temporary restraining order or other order in any action, suit or proceeding that would otherwise have the effect of preventing, delaying or limiting the consummation of the transactions contemplated hereby, (ii) litigate or otherwise pursue any claims against any objections asserted by any Governmental Authority with respect to the consummation of the transactions contemplated hereby, or (iii) contest, resist or seek to have vacated, lifted, reversed or overturned any decree, order, judgment, injunction, temporary restraining order or other order in any action, suit or proceeding that would otherwise have the effect of preventing, delaying or limiting the consummation of the transactions contemplated hereby.

Section 5.6 Financing

(a) Purchaser shall have sufficient funds available to it at the Closing to satisfy the payment of the Purchase Price in full. In the event that Purchaser would need to arrange or obtain any financing in order to have sufficient funds available to it at the Closing to satisfy the payment of the Purchase Price in full (the "Financing"), Purchaser shall use, and shall cause its Affiliates to use, its and their commercially reasonable efforts to ensure that the Financing is available at the Closing. Purchaser shall keep Seller informed in reasonable detail of the status of its efforts to arrange any Financing.

(b) Purchaser understands and acknowledges that under the terms of this Agreement, Purchaser's obligation to consummate the transactions hereunder is not in any way contingent upon or otherwise subject to Purchaser's consummation of any financing arrangements, Purchaser's obtaining of any financing or the availability, grant, provision or extension of any financing to Purchaser. For the avoidance of doubt, if any such financing has not been obtained, Purchaser shall continue to be obligated, until such time as this Agreement is terminated in accordance with its terms and subject to the satisfaction or waiver of the conditions set forth in ARTICLE 6, to consummate the transactions contemplated by this Agreement.

Section 5.7 Rebanding

Seller shall, and shall cause its Affiliates to, use reasonable best efforts to complete the Rebanding within two and a half years after the Merger Closing Date. If the Rebanding is not completed within two and a half years after the Merger Closing Date, Seller shall promptly share with Purchaser any and all information reasonably necessary to facilitate completion of the Rebanding or reasonably requested by Purchaser in furtherance of completion of the Rebanding. For the avoidance of doubt, the obligations of Seller under this Section 5.7 shall not apply to any Excluded Rebanding Activities.

Section 5.8 Termination of Liens and other Arrangements

Seller shall, and shall cause its Affiliates to, terminate at or prior to the Closing, (i) subject to the payment of the Purchase Price as contemplated hereunder, all Liens on the Seller Licenses, and (ii) all leases (other than the Specified Leases) or other arrangements with any Affiliates of Seller or other third parties to which the spectrum covered by the Seller Licenses is subject, including any agreement giving any third party any right to use such spectrum after the Closing (but for the avoidance of doubt excluding the Spectrum Lease). Seller shall, and shall cause its Affiliates to, use reasonable best efforts to terminate the spectrum leases set forth on Schedule 5.8 (the "Specified Leases") at or prior to the Closing. In the event that any Specified Leases have not been terminated and remain in effect as of the Closing, each such remaining Specified Lease shall be assigned to and assumed by Purchaser at the Closing (each such Specified Lease, an "Assigned Specified Lease"). In the event that Seller may provide notice under a Specified Lease in order to prevent such Specified Lease from being renewed or extended for a period extending beyond the Closing Date, Seller shall, and shall cause its

Affiliates to, use reasonable best efforts to timely provide such notice as soon as permitted under such Specified Lease.

Section 5.9 Updated Disclosure Schedules

Seller shall have the right (but not the obligation), no later than five Business Days prior to the Closing Date, to deliver an updated Disclosure Schedule to Purchaser (an "Updated Disclosure Schedule"). Any additional disclosures provided in such Updated Disclosure Schedule that were not set forth in the Disclosure Schedule delivered by Seller to Purchaser on the Effective Date shall be deemed to have qualified the representations and warranties made by Seller as of the Closing Date (and to cure any inaccuracy in such representations and warranties as of the Closing Date that would otherwise have existed) and be taken into account solely for the purpose of determining whether the representations or warranties made by the Seller in ARTICLE 3 are true and correct as of the Closing (and, for the avoidance of doubt, not as of the Effective Date) for purposes of Seller's indemnity pursuant to ARTICLE 8 and, for the avoidance of doubt, shall not be taken into account for the purpose of determining whether the condition to the Closing set forth in Section 6.1(b) has been satisfied. The right to deliver an Updated Disclosure Schedule shall be at Seller's sole discretion, and the failure of Seller to deliver an Updated Disclosure Schedule hereunder (or to otherwise notify Purchaser in the event a representation or warranty made by Seller hereunder is or becomes untrue) shall not constitute a breach of this Agreement or give rise to any Liability of Seller (other than pursuant to the indemnity obligations set forth in ARTICLE 8 in the event of an inaccuracy of the representations and warranties made by Seller in ARTICLE 3).

ARTICLE 6
CONDITIONS TO CLOSING

Section 6.1 Conditions to the Obligations of Purchaser

The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction on or prior to the Closing Date of each of the following conditions, unless waived in writing by Purchaser:

(a) The FCC Consents shall have been obtained by one or more FCC Orders, free of any conditions that, individually or in the aggregate, are materially adverse to the business of Purchaser and its Affiliates or that would reasonably be expected to materially impair the Seller Licenses (taken as a whole), except for conditions on any Seller License that are generally applicable to 800 MHz licenses or licensees.

(b) The representations and warranties of Seller contained in ARTICLE 3 shall be true and correct in all material respects (without giving effect to any qualifications or limitations therein as to materiality or Material Adverse Effect) as of the Effective Date and as of the Closing Date as if made on such date (except that representations and warranties that are made as of a specific date need to be so true and correct in all material respects only as of such date).

(c) Seller shall have performed in all material respects all covenants and agreements required by this Agreement to be performed by it prior to or at the Closing.

(d) Purchaser shall have received at the Closing a certificate signed by an executive officer of Seller to the effect that such executive officer has read Section 6.1(b) and Section 6.1(c) and the conditions set forth therein have been satisfied as of the Closing Date.

(e) No Law or award, order, writ, decree, injunction or judgment by any arbitrator or Governmental Authority shall be in effect that enjoins or prohibits the consummation of the transactions contemplated hereby.

(f) Any applicable waiting period under the HSR Act relating to the transactions contemplated by this Agreement shall have expired or been terminated.

(g) Except as permitted by the Spectrum Lease (if the Lease-Back Option has been timely exercised by Seller) and except for the lease of spectrum under the Assigned Specified Leases (if any), Seller and its Subsidiaries shall have discontinued all of their respective operations on and uses of the spectrum covered by the Seller Licenses.

(h) Purchaser shall have received at the Closing each of the deliveries set forth in Section 2.3(b) required to be delivered to Purchaser.

Section 6.2 Conditions to the Obligations of Seller

The obligation of Seller to consummate the transactions contemplated by this Agreement is subject to the satisfaction on or prior to the Closing Date of each of the following conditions, unless waived in writing by Seller:

(a) The FCC Consents shall have been obtained by one or more FCC Orders, free of any conditions that, individually or in the aggregate, are materially adverse to the business of Seller and its Affiliates.

(b) The representations and warranties of Purchaser contained in ARTICLE 4 shall be true and correct in all material respects (without giving effect to any qualifications or limitations therein as to materiality) as of the Effective Date and as of the Closing Date as if made on such date (except that representations and warranties that are made as of a specific date need to be so true and correct in all material respects only as of such date).

(c) Purchaser shall have performed in all material respects all covenants and agreements required by this Agreement to be performed by it prior to or at the Closing.

(d) Seller shall have received at the Closing a certificate signed by an executive officer of Purchaser to the effect that such executive officer has read Section 6.2(b) and Section 6.2(c) and the conditions set forth therein have been satisfied as of the Closing Date.

(e) No Law or award, order, writ, decree, injunction or judgment by any arbitrator or Governmental Authority shall be in effect that enjoins or prohibits the consummation of the transactions contemplated hereby.

(f) Any applicable waiting period under the HSR Act relating to the transactions contemplated by this Agreement shall have expired or been terminated.

(g) Seller shall have received at the Closing each of the deliveries set forth in Section 2.3(c) required to be delivered to Seller.

ARTICLE 7
TERMINATION

Section 7.1 Termination

(a) This Agreement may be terminated, and the transactions contemplated hereunder abandoned, without any further obligation of any Party (except as set forth herein) at any time prior to the Closing Date as follows:

(i) by mutual written consent of the Parties;

(ii) by either Party if the Closing does not occur by the first anniversary of the Filing Deadline (the "Outside Date"); provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(a)(ii) shall not be available to either Party if such Party's failure to comply with its obligations under this Agreement has materially contributed to the failure of the Closing to occur before the Outside Date;

(iii) by Seller, if Purchaser fails to consummate the transactions contemplated by this Agreement within five Business Days after the satisfaction or waiver of the conditions set forth in ARTICLE 6 (except those conditions that by their nature will be satisfied at the Closing) and as required by Section 2.3 or by such later time for the Closing Date as may be agreed upon in writing by Purchaser and Seller;

(iv) by Purchaser, if (x) Seller fails to consummate the transactions contemplated by this Agreement within five Business Days after the satisfaction or waiver of the conditions set forth in ARTICLE 6 and as required by Section 2.3 (except those conditions that by their nature will be satisfied at the Closing) or by such later time for the Closing Date as may be agreed upon in writing by Purchaser and Seller, and (y) a court of competent jurisdiction has determined by final, non-appealable order or decree that the remedy of specific performance is not available to Purchaser to specifically enforce the consummation of the transactions contemplated hereunder;

(v) by either Party upon any other material breach by the other Party of its obligations under this Agreement; *provided* that the breaching Party has not cured such breach within 30 days following written notice of such breach and that the terminating Party is not otherwise in breach of its obligations under this Agreement which has prevented or would prevent the satisfaction of any condition for the benefit of the breaching party set forth in ARTICLE 6 (for the avoidance of doubt, if a Party is ready and willing to file the FCC Applications on the Filing Deadline subject only to the substantially concurrent filing of the FCC Applications required by the other Party, the Party ready and willing to so file the FCC Applications shall not be deemed to be in breach of its obligations under this Agreement and the other Party (if not so ready and willing) shall be deemed to be in material breach of Section 5.5(a) and the Party ready and willing to file the FCC Applications may terminate this Agreement if such material breach is not cured within 30 days following written notice of such breach);

(vi) by either Party if the consummation of the transactions contemplated hereby shall be prohibited by a final, non-appealable order, decree or injunction of a court of competent jurisdiction; or

(vii) by Purchaser in the event that Seller opts to deliver an Updated Disclosure Schedule pursuant to Section 5.9.

(b) In the event of the termination of this Agreement, this Agreement shall become void and have no effect, and, subject to Section 7.1(c) and Section 7.1(d), neither Party shall have any Liability or further obligation to the other Party in respect of this Agreement, except that this ARTICLE 7 and ARTICLE 9 shall survive termination of this Agreement (it being understood that the survival of Section 9.15 shall not preclude a Party's expenses from being included in damages for a breach of this Agreement by the other Party).

(c) In the event that Seller terminates this Agreement pursuant to Section 7.1(a)(iii) or Section 7.1(a)(v), or either Party terminates this Agreement pursuant to Section 7.1(a)(ii), at a time when Seller could have terminated this Agreement pursuant to Section 7.1(a)(iii) or Section 7.1(a)(v), then, in any such case, Purchaser shall pay to Seller a termination fee of $71,794,777 in cash (the "Termination Fee"), which shall be paid by Purchaser to Seller by wire transfer of immediately available funds within three Business Days after such termination of this Agreement. Notwithstanding any other provision of this Agreement, including Section 9.9, prior to the Closing, payment of the Termination Fee shall be the sole and exclusive remedy of Seller and its Affiliates against Purchaser and its Affiliates with respect to the transactions contemplated by this Agreement, including for any breach by Purchaser of its obligations hereunder, and Seller and its Affiliates hereby forfeit any right to bring an action prior to the Closing to specifically enforce Purchaser's obligations under this Agreement, including Purchaser's obligation to consummate the transactions contemplated hereunder. The

Termination Fee shall be considered liquidated damages (and not a penalty) for any and all Losses suffered or incurred by Seller in connection with this Agreement.

(d) The sole and exclusive remedy of Purchaser in the event that Seller fails to consummate the transactions contemplated hereunder when required by this Agreement shall be an action for specific performance in accordance with Section 9.9; *provided*, that if a court of competent jurisdiction has determined by final, non-appealable order or decree that the remedy of specific performance is not available to Purchaser to specifically enforce the consummation of the transactions contemplated hereunder, then following termination of this Agreement in circumstances when the Termination Fee is not payable, Purchaser shall be entitled as its sole and exclusive remedy to seek damages against Seller for any uncured material breach of this Agreement by Seller that occurred prior to such termination, up to a maximum amount of damages of $71,794,777 in the aggregate.

(e) The Parties acknowledge and agree that in the event the FCC Applications are filed and the FCC fails to approve the transactions contemplated hereby, neither Party shall have any liability to the other Party hereunder, except as expressly provided in Section 7.1(c) or Section 7.1(d) above.

(f) The Parties acknowledge that the agreements set forth in this ARTICLE 7 are an integral part of the transactions contemplated by this Agreement and that, without these agreements the Parties would not enter into this Agreement.

ARTICLE 8
SURVIVAL AND INDEMNIFICATION

Section 8.1 Survival

All representations and warranties made by the Parties in this Agreement shall survive for a period lasting 18 months after the Closing and shall expire at such time, except for the Purchaser Fundamental Representations and the Seller Fundamental Representations which shall survive for a period lasting three years after the Closing and then expire at such time. All covenants and agreements set forth herein which by their terms contemplate actions or impose obligations prior to or at the Closing shall survive the Closing for eighteen (18) months from the Closing Date and then expire. All covenants and agreements set forth herein which by their terms contemplate actions or impose obligations following the Closing shall survive the Closing and remain in full force and effect in accordance with their terms. Any claim by a Party based upon breach of any representation, warranty, covenant or agreement must be submitted to the other Party prior to the expiration of such survival period.

Section 8.2 General Indemnification Obligation

(a) From and after the Closing, each Party (the "Indemnifying Party") agrees to indemnify and hold harmless the other Party and its Affiliates, and its and their respective

Representatives, successors and assigns (each, an "Indemnified Party"), against and in respect of any and all Losses incurred or suffered by any Indemnified Party, that result from, relate to or arise out of (i) any inaccuracy in any representation or warranty made by the Indemnifying Party in this Agreement as of the date hereof or the Closing Date (except to the extent such representation or warranty speaks as of a particular date, in which case such inaccuracy shall be determined as of such particular date) and (ii) any breach or failure by the Indemnifying Party to perform any of the covenants or agreements made by the Indemnifying Party in this Agreement.

(b) From and after the Closing, Seller as Indemnifying Party agrees to indemnify and hold harmless Purchaser and its Affiliates, and Purchaser's and its Affiliates' respective Representatives, successors and assigns, as Indemnified Parties (collectively, "Purchaser Indemnified Parties"), against and in respect of any and all Losses incurred or suffered by any such Indemnified Party that result from, relate to or arise out of: (i) any claims by third parties arising out of, in connection with or relating to the ownership or operation of the Seller Licenses by Seller and its Affiliates prior to the Closing Date, or (ii) all Liabilities arising out of, in connection with or relating to any Assigned Specified Lease prior to the Closing Date.

(c) From and after the Closing, Purchaser as Indemnifying Party agrees to indemnify and hold harmless Seller and its Affiliates, and Seller's and its Affiliates' respective Representatives, successors and assigns, as Indemnified Parties (collectively, "Seller Indemnified Parties"), against and in respect of any and all Losses incurred or suffered by any such Indemnified Party that result from, relate to or arise out of: (i) any claims by third parties arising out of, in connection with or relating to the ownership or operation of the Seller Licenses by Purchaser and its Affiliates on or after the Closing Date, or (ii) all Liabilities arising out of, in connection with or relating to any Assigned Specified Lease on or after the Closing Date.

Section 8.3 Limitations

(a) Seller shall not be liable for any inaccuracy of representations or warranties pursuant to Section 8.2(a)(i) unless the aggregate amount of all Losses of the Purchaser Indemnified Parties for all such inaccuracies exceeds $10,000,000 (the "Deductible Amount"), in which case Seller shall be liable for all such Losses, including the Deductible Amount.

(b) The maximum aggregate liability or recovery of all Seller Indemnified Parties from Purchaser under this ARTICLE 8 or otherwise pursuant to this Agreement shall not exceed an amount equal to the Purchase Price actually received by Seller. The maximum aggregate liability or recovery of all Purchaser Indemnified Parties from Seller under this ARTICLE 8 or otherwise pursuant to this Agreement shall not exceed an amount equal to the Purchase Price actually received by Seller.

(c) The amount of any Losses for which an Indemnified Party claims indemnification under this Agreement shall be reduced by: (i) any insurance proceeds actually received by the Indemnified Party with respect to such Losses, and (ii) any indemnification or reimbursement payments actually received by the Indemnified Party from third parties (other than insurers) with respect to such Losses.

Section 8.4 Indemnification Procedures

(a) An Indemnified Party shall give written notification to the Indemnifying Party of the commencement of any Third Party Claim. Such notification shall be given within thirty days after receipt by the Indemnified Party of notice of such Third Party Claim, and shall describe in reasonable detail (to the extent known by the Indemnified Party) the facts constituting the basis for such Third Party Claim and the amount of damages claimed therein (if specified); *provided, however*, that no delay or failure on the part of the Indemnified Party in so notifying the Indemnifying Party shall relieve the Indemnifying Party of any liability or obligation hereunder except and only to the extent that the Indemnifying Party is actually prejudiced by such delay or failure. Within twenty days after delivery of such notification, the Indemnifying Party shall have the right to, upon written notice thereof to the Indemnified Party, assume control of and conduct, at the Indemnifying Party's sole cost and expense, the defense of such Third Party Claim (with counsel of national standing reasonably satisfactory to the Indemnified Party); *provided*, that (i) as a condition precedent to the Indemnifying Party's right to assume and conduct such defense, within fifteen days after the Indemnified Party has given notice of such Third Party Claim, (A) the Indemnifying Party must notify the Indemnified Party in writing that the Indemnifying Party shall undertake the defense of such Third Party Claim and (B) the Indemnifying Party must agree in writing with the Indemnified Party to unconditionally indemnify the Indemnified Party from and against all such Losses that the Indemnified Party may suffer or incur or to which the Indemnified Party may otherwise become subject and which arise from or as a result of or are connected with such Claim, and (ii) the Indemnifying Party may not assume control of the defense of, or conduct the defense of, any Claim to the extent such Claim constitutes a Third Party Claim (A) involving any criminal or quasi-criminal Proceeding, action, indictment, allegation or investigation or seeking to impose any criminal penalty, fine or other sanction, (B) made by any Governmental Authority or to which any Governmental Authority is a named party, (C) in which relief other than monetary Losses is sought, including any injunctive or other equitable relief, (D) which, if adversely determined, would reasonably be expected, in the good faith judgment of the Indemnified Party, to establish a precedent, custom or practice materially adverse to the continuing business interests or prospects of the Indemnified Party or its Affiliates, or (E) that could, in the good faith judgment of the Indemnified Party, reasonably be expected to result in Losses in excess of the maximum liability of Seller or Purchaser, as applicable under this ARTICLE 8.

(b) If the Indemnifying Party does not so assume or does not have the right to so assume control of the defense of a Third Party Claim, the Indemnified Party shall control such defense. The Non-Controlling Party may participate in such defense, and may hire separate counsel at its own expense. The Controlling Party shall keep the Non-Controlling Party reasonably advised of the status of such Third Party Claim and the defense thereof and shall consider in good faith recommendations made by the Non-Controlling Party with respect thereto. The Non-Controlling Party shall furnish the Controlling Party with such information as it may have with respect to such Third Party Claim (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and shall otherwise reasonably cooperate with and assist the Controlling Party in the defense of such Third Party Claim, including by (i) furnishing and, upon request, procuring the attendance of potential witnesses for interview, preparation, submission of witness statements and the giving of evidence at any related hearing, (ii) promptly furnishing documentary evidence to the extent available to it or its Affiliates, and (iii) providing access to any other relevant party, including any Representatives of the Non-Controlling Party as reasonably needed. Notwithstanding the foregoing, the fees and expenses of counsel to the Indemnified Party with respect to a Third Party Claim shall be considered Losses for purposes of this Agreement only if (A) the Indemnified Party shall have determined in good faith that an actual or potential conflict of interest makes representation by the same counsel or the counsel selected by the Indemnifying Party inappropriate or (B) the Indemnifying Party shall have authorized in writing the Indemnified Party to employ separate counsel at the Indemnifying Party's expense. The Indemnifying Party shall not agree to any settlement of, or the entry of any judgment arising from, any Third Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, delayed or conditioned), unless the relief consists solely of money Losses to be paid by the Indemnifying Party. The Indemnified Party shall not agree to any settlement of, or the entry of any judgment arising from, any such Third Party Claim without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, delayed or conditioned).

(c) In order to seek indemnification under this ARTICLE 8, an Indemnified Party shall deliver a Claim Notice to the Indemnifying Party.

(d) Within twenty days after delivery of a Claim Notice, the Indemnifying Party shall deliver to the Indemnified Party a written response (the "Response"), in which the Indemnifying Party shall: (i) agree that the Indemnified Party is entitled to receive all of the Claimed Amount (in which case the Response shall be accompanied by a payment by the Indemnifying Party to the Indemnified Party of the Claimed Amount, by check or by wire transfer), (ii) agree that the Indemnified Party is entitled to receive the part, but not all, of the Claimed Amount (the "Agreed Amount") (in which case the Response shall be accompanied by a payment by the Indemnifying Party to the Indemnified Party of the Agreed Amount, by check or by wire transfer), or (iii) dispute that the Indemnified Party is entitled to receive any of the Claimed Amount (whereupon the Indemnifying Party and the Indemnified Party agree that the dispute shall be resolved in accordance with Section 9.8).

Section 8.5 Treatment of Payments

Any payment made pursuant to the indemnification obligations arising under Section 8.2 shall be treated as an adjustment to the Purchase Price to the extent permitted under applicable law.

Section 8.6 <u>Effect of Investigation</u>

Subject to Section 5.9, the representations, warranties, covenants and agreements of the Indemnifying Party, and the Indemnified Party’s right to indemnification with respect thereto, shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnified Party (including by any of its Representatives) or by reason of the fact that the Indemnified Party or any of its Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate or that any such covenant or agreement is, was or might have been breached or not fulfilled or by reason of the Indemnified Party’s waiver of any condition set forth in Section 6.1 or Section 6.2, as applicable.

Section 8.7 <u>Exclusive Remedy</u>

Following the Closing, the Parties acknowledge and agree that the indemnification rights of the Parties and their Affiliates under this ARTICLE 8 are their exclusive remedy with respect to any and all claims arising out of or in relation to this Agreement and the Transaction Documents, provided that the foregoing shall not limit any Party’s rights to specific performance or injunctive relief or any Party’s rights or remedies based on fraud.

ARTICLE 9
<u>MISCELLANEOUS</u>

Section 9.1 <u>Assignment</u>

(a) Subject to Section 9.1(b), this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their successors and permitted assigns. Other than as set forth in Section 9.1(b) and Section 9.1(c) below, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any Party without the prior written consent of Purchaser, in the case of assignment by Seller, and of Seller, in the case of any assignment by Purchaser.

(b) Purchaser may assign its rights, interest or obligations under this Agreement to any of its direct or indirect Subsidiaries, *provided* that (i) no such assignment shall relieve the Purchaser of its obligations to Seller hereunder, (ii) the assignment will not result in any incremental taxes or other costs or expenses for which Seller or any of its Affiliates would be responsible, *provided* that with respect to clause (ii), Seller’s or such Affiliate’s remedy shall be a reimbursement of such costs and expenses, and (iii) the representations and warranties of Purchaser in Section 4.6 shall be true and correct in all respects with respect to such assignee. The term “Purchaser” as used herein shall be deemed to include any and all of Purchaser’s permitted successors or assigns, in addition to DISH Network Corporation.

(c) Seller may assign its rights, interest or obligations under this Agreement to any of its direct or indirect Subsidiaries, *provided* that (i) no such assignment shall relieve Seller of its obligations to Purchaser hereunder and (ii) the assignment will not result in any incremental taxes or other costs or expenses for which Purchaser or any of its Affiliates would be responsible, *provided* that with respect to clause (ii), Purchaser's or such Affiliate's remedy shall be a reimbursement of such costs and expenses.

Section 9.2 Further Assurances

Each Party agrees to use reasonable best efforts to cooperate with the other Party and to take, or cause to be taken, all appropriate action, do or cause to be done all things necessary, proper or advisable under applicable Law, and execute and deliver such documents and other instruments, in each case as may be required to consummate the transactions contemplated hereunder. Notwithstanding anything to the contrary in this Agreement, no requirement to use "reasonable best efforts" under this Agreement shall require a Party or its Subsidiaries to pay any consent or similar fees to a Third Party or to agree to any adverse amendment to any contract or any concession with a Third Party.

Section 9.3 Entire Agreement; Amendment

(a) This Agreement, including its Schedules and Exhibits, which are specifically incorporated herein, sets forth the entire understanding of the Parties hereto with respect to the transactions contemplated hereby and supersedes any and all previous agreements and understandings, oral or written, between or among the Parties regarding the transactions contemplated hereby.

(b) This Agreement shall not be amended, modified or supplemented except by written instrument duly executed by both Parties.

Section 9.4 Waiver

No waiver of any term or provision of this Agreement shall be effective unless in writing, signed by the Party against whom enforcement of the same is sought. The grant of a waiver in one instance does not constitute a continuing waiver in all similar instances. No failure or delay in exercising any right, remedy, power or privilege under this Agreement or the documents referred to in this Agreement shall be deemed to or shall constitute a waiver of such right, remedy, power or privilege, and no single or partial exercise of any such right, remedy power, or privilege shall be deemed to or shall preclude any other or further exercise of such right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege hereof.

Section 9.5 Notices

All notices and other communications required or permitted hereunder shall be in writing and given as follows:

If to Purchaser, to:
DISH Network Corporation
9601 S. Meridian Boulevard
Englewood, CO 80112
Attn: General Counsel
Email: [***]

with a required copy (which shall not itself constitute proper notice) to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attn: Scott Miller and Scott Crofton
Email: [***]

If to Seller, to:
T-Mobile US, Inc.
12920 SE 38th Street
Bellevue, Washington 98006
Attention: Dave Miller
Email: [***]

with a required copy (which shall not itself constitute proper notice) to:

Latham & Watkins LLP
885 Third Avenue
New York, New York 10022
Attention: David Allinson, Josh Dubofsky, Tom Malone
Email: [***]

or to such other address or facsimile number as the addressee may have specified in a notice duly given to the sender as provided herein. Such notice or other communication shall be deemed to have been duly given or made: (i) upon receipt if delivered personally, (ii) upon confirmation of successful transmission if sent by facsimile transmission (which confirmation shall be sufficient if shown on the journal produced by the facsimile machine used for such transmission), (iii) upon receipt of an electronic transmission, upon confirmation of such receipt in writing (which may be via email) by the recipient thereof, (iv) three Business Days after deposit in the mail, if sent by registered or certified mail, postage prepaid, or (v) on the next Business Day after deposit with an overnight courier, if sent by overnight courier.

Section 9.6 Governing Law

This Agreement, and all claims or causes of action based upon, arising out of, or related to this Agreement or the transactions contemplated hereby, shall be governed by, and construed in accordance with, the Laws of the State of New York, without giving effect to principles or rules of conflict of laws to the extent such principles or rules would require or permit the application of Laws of another jurisdiction.

Section 9.7 Waiver of Jury Trial

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF ANY ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 9.7.

Section 9.8 Submission to Jurisdiction

Any lawsuit, arbitration, claim, action, hearing, suit, investigation, demand, administrative or regulatory challenge or proceeding ("Proceedings") based upon, arising out of or related to this Agreement or the transactions contemplated hereby shall be brought exclusively in the federal courts located in the State of New York, and, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York located therein, *provided*, *however*, that if such federal courts have finally determined that they do not have jurisdiction over such Proceeding, such Proceeding shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of The City of New York, and, in each case, appellate courts therefrom. Each of the Parties hereto irrevocably submits to the exclusive jurisdiction of each such court in any such Proceedings, waives any objection it may now or hereafter have to personal jurisdiction, venue or to convenience of forum, agrees that all claims in respect of the Proceedings shall be heard and determined only in any such court, and agrees not to bring any Proceedings arising out of or relating to this Agreement or the transactions contemplated hereby in any other court (including state court prior to the time that a final determination of non-jurisdiction has occurred). Nothing herein contained shall be deemed to affect the right of any Party to serve process in any manner permitted by Law or to commence Proceedings or otherwise proceed against any other Party in any other jurisdiction, in each case, to enforce judgments obtained in any Proceeding brought pursuant to this Section 9.8.

Section 9.9 Specific Performance

The Parties acknowledge that, in view of the uniqueness of the transactions contemplated by this Agreement, each of Seller and Purchaser would not have an adequate remedy at law for money damages in the event that this Agreement has not been performed in accordance with its terms, and therefore agrees that, in addition to all other remedies available at law or in equity, the other Party shall be entitled to an injunction or injunctions to prevent or restrain breaches or threatened breaches of this Agreement by the other (as applicable), and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other (as applicable). Each of Seller and Purchaser agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that any other Party has an adequate remedy at law or that any award of specific performance is not an appropriate remedy for any reason at law or in equity. Any Party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide any bond or other security in connection with any such order or injunction. Notwithstanding the foregoing or any other provision of this Agreement or any Transaction Document, the Parties acknowledge and agree that Seller shall have no right to seek a remedy of specific performance prior to the Closing, and in the event that Purchaser fails to consummate the transactions contemplated hereunder when required by this Agreement or otherwise breaches its obligations hereunder prior to the Closing, then payment by Purchaser to Seller of the Termination Fee (when due and payable as provided in Section 7.1(c)) shall be the sole and exclusive remedy of Seller.

Section 9.10 <u>Bulk Transfer Laws</u>

Purchaser hereby waives compliance by Seller and its Affiliates with the provisions of any bulk sales, bulk transfer or other similar Laws of any jurisdiction in connection with the transactions contemplated by this Agreement.

Section 9.11 <u>No Benefit to Others</u>

The representations, warranties, covenants and agreements contained in this Agreement are for the sole benefit of the Parties hereto and their heirs, executors, administrators, legal representatives, successors and assigns, and they shall not be construed as conferring any rights on any other Persons.

Section 9.12 <u>Headings, Gender, "Person," and "including"</u>

All section headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. Unless otherwise specified, any reference herein to a Section, Article, Schedule or Exhibit shall be a reference to such Section or Article of, or Schedule or Exhibit to, this Agreement. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context requires. Any reference to a "Person" herein shall include an individual, firm, corporation, partnership, limited liability company, trust, governmental authority or body, association, unincorporated organization or any other entity. Whenever used in this Agreement, the word "including," and variations thereof, even when not modified by the phrase "but not limited to" or "without limitation," shall not be construed to imply any limitation and shall mean "including but not limited to."

Section 9.13 <u>Severability</u>

Any provision of this Agreement that is determined to be invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction. Moreover, the Parties agree that any such invalid or unenforceable provision shall be enforced to the maximum extent permitted by law in accordance with the intention of the Parties as expressed by such provision.

Section 9.14 Counterparts, Facsimile and Electronic Signatures

This Agreement may be executed in any number of counterparts and any Party hereto may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. This Agreement shall become binding when one or more counterparts taken together shall have been executed and delivered by all of the Parties. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts. The Parties intend to sign and deliver this Agreement by facsimile transmission or by electronic transmission in PDF format. Each Party agrees that the delivery of this Agreement by facsimile or PDF shall have the same force and effect as delivery of original signatures and that each Party may use such facsimile or PDF signatures as evidence of the execution and delivery of this Agreement by all Parties to the same extent that an original signature could be used.

Section 9.15 Expenses

Except as otherwise provided in this Agreement or the Asset Purchase Agreement, including Section 14.1 thereof, each Party shall pay its own expenses incidental to the preparation of this Agreement, the carrying out of the provisions of this Agreement and the consummation of the transactions contemplated hereby. This Section shall survive termination of this Agreement, and shall apply irrespective of whether the Closing occurs, except as provided in Section 7.1(b).

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

T-MOBILE USA, INC.

By: /s/ G. Michael Sievert_______________

Name: G. Michael Sievert
Title: Chief Executive Officer & President

DISH NETWORK CORPORATION

By: /s/ John Swieringa_______________

Name: John Swieringa
Title: Chief Operating Officer, EVP and Group President, Retail Wireless

[*Signature Page to License Purchase Agreement*]

EXHIBIT 31.1

Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, G. Michael Sievert, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of T-Mobile US, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 5, 2020

/s/ G. Michael Sievert

G. Michael Sievert
Chief Executive Officer

EXHIBIT 31.2

Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter Osvaldik, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of T-Mobile US, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 5, 2020

/s/ Peter Osvaldik

Peter Osvaldik
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of T-Mobile US, Inc. (the “Company”), on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission (the “Report”), G. Michael Sievert, Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 5, 2020

/s/ G. Michael Sievert

G. Michael Sievert
Chief Executive Officer

EXHIBIT 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of T-Mobile US, Inc. (the “Company”), on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission (the “Report”), Peter Osvaldik, Executive Vice President and Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 5, 2020

/s/ Peter Osvaldik

Peter Osvaldik
Executive Vice President and Chief Financial Officer