NEXTEL PARTNERS INC
Form S-3/A
November 13, 2003

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As filed with the Securities and Exchange Commission on November 13, 2003

Registration No. 333-110081

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-3

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

NEXTEL PARTNERS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**4813**	**91-1930918**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

4500 Carillon Point, Kirkland, Washington 98033, (425) 576-3600

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

Donald J. Manning, Esq.
4500 Carillon Point
Kirkland, Washington 98033
(425) 576-3600

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

COPIES OF ALL COMMUNICATIONS TO BE SENT TO:

Laura A. Bertin, Esq. **Mark F. Worthington, Esq.** **Summit Law Group, PLLC** **315 Fifth Avenue South, Suite 1000** **Seattle, WA 98104** **(206) 676-7000**	**Peter M. Labonski, Esq.** **Latham & Watkins LLP** **885 Third Avenue** **New York, NY 10022** **(212) 906-1200**

Approximate date of commencement of proposed sale to the public:

As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ______

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ______

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

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

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

PROSPECTUS (Subject to Completion)

Issued November , 2003

33,000,000 Shares

CLASS A COMMON STOCK

Nextel Partners, Inc. is offering 10,000,000 shares of our Class A common stock and certain selling stockholders are offering 23,000,000 shares of our Class A common stock. We will not receive any of the proceeds from the shares of our Class A common stock sold by the selling stockholders.

Our Class A common stock is listed on the Nasdaq National Market under the symbol "NXTP." On November 6, 2003, the reported last sale price of our Class A common stock on the Nasdaq National Market was $12.03 per share.

Investing in our Class A common stock involves risks. See "Risk Factors" beginning on page 9.

PRICE $ A SHARE

	Price to Public	*Underwriting Discounts and Commissions*	*Proceeds to Nextel Partners, Inc.*	*Proceeds to Selling Stockholders*
Per Share	*$*	*$*	*$*	*$*
Total	*$*	*$*	*$*	*$*

The underwriters have an option to purchase a maximum of 4,950,000 additional shares of our Class A common stock to cover over-allotments. Certain of the selling stockholders will sell all of the shares, if any, sold pursuant to the over-allotment option.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on , 2003.

MORGAN STANLEY *JPMORGAN*

UBS INVESTMENT BANK *WACHOVIA SECURITIES*

LEGG MASON WOOD WALKER INCORPORATED *THOMAS WEISEL PARTNERS LLC*

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The information contained in this prospectus is current only as of the date of this prospectus.

PROSPECTUS SUMMARY

This summary highlights important information contained elsewhere in this prospectus but does not contain all of the information that you should consider before investing in our Class A common stock. You should read the entire prospectus carefully, especially "Risk Factors" and our financial statements and related notes, before deciding to invest in our Class A common stock. As used in this prospectus, "we," "us" and "our" refer to Nextel Partners, Inc., "Nextel" refers to Nextel Communications, Inc. (and/or, where appropriate, its subsidiaries), and "Nextel WIP" refers to Nextel WIP Corp., an indirect wholly owned subsidiary of Nextel.

NEXTEL PARTNERS

Overview

We provide digital mobile communications services using the Nextel brand name in mid-sized and tertiary markets throughout the United States. We offer four distinct wireless services fully integrated in a single wireless handset. These services include digital cellular services; Direct Connect® (the nationwide digital walkie-talkie service); text messaging; and Nextel Online Services®, which provide wireless access to the Internet and an organization's internal databases as well as other applications, including email. We hold licenses for wireless frequencies in markets where approximately 53 million people, or Pops, live and work. We have constructed and operate a digital mobile network compatible with the digital mobile network constructed and operated by Nextel in targeted portions of these markets, including 13 of the top 100 metropolitan statistical areas and 57 of the top 200 metropolitan statistical areas in the United States ranked by population. Our combined Nextel Digital Mobile Network constitutes one of the largest fully integrated digital wireless communications systems in the United States, currently covering 293 of the top 300 metropolitan statistical areas in the United States. As of September 30, 2003, our portion of the Nextel Digital Mobile Network covered approximately 38 million Pops and we had approximately 1,144,700 digital handsets in service in our markets.

Our relationship with Nextel was created to accelerate the build-out and expand the reach of the Nextel Digital Mobile Network. In January 1999, we entered into a joint venture agreement with Nextel WIP. Nextel, through Nextel WIP, contributed to us cash and licenses for wireless frequencies and granted us the exclusive right to use the Nextel brand name in exchange for ownership in us and our commitment to build out our compatible digital mobile network in selected markets and corridors, in most cases adjacent to operating Nextel markets. As of September 30, 2003, Nextel WIP owned 31.4% of our common stock and is our largest stockholder. As of September 30, 2003, on a pro forma basis after giving effect to this offering and the transactions contemplated hereby, Nextel WIP owned 30.2% of our outstanding common stock and would still be our largest stockholder. By the end of 2002, we had successfully built all of the markets we were initially required to build under our 1999 agreement with Nextel. Since 1999 we have acquired licenses from Nextel to expand our network into additional markets. By June 2003, we had completed the construction of all of these additional markets. Through our affiliation with Nextel our customers have seamless nationwide coverage on the entire Nextel Digital Mobile Network.

Our senior management team has substantial operating experience, with most members averaging over 16 years in the telecommunications industry. Most members of senior management have significant experience working at AT&T Wireless, McCaw Cellular and/or Nextel. Key stockholders, in addition to Nextel WIP, include Credit Suisse First Boston through DLJ Merchant Banking Partners II, L.P. and certain of its affiliates ("DLJ Merchant Banking"), Madison Dearborn Capital Partners II, L.P. ("Madison Dearborn Partners"), Cascade Investments, LLC ("Cascade Investments") (an investment company controlled by William H. Gates III), Motorola, Inc. ("Motorola") and Eagle River Investments, LLC ("Eagle River") (an investment company controlled by Craig O. McCaw).

We offer a package of wireless voice and data services under the Nextel brand name targeted primarily to business users. We currently offer the following four services which are fully integrated and accessible through a single wireless handset:

- digital mobile telephone service, including advanced calling features such as speakerphone, conference calling, voicemail, call forwarding and additional line service;
- Direct Connect, sometimes referred to as the long-range walkie-talkie feature, which allows customers to contact each other instantly on private one-to-one calls on a nationwide basis or on group calls involving up to 100 customers in the same geographical region;
- two-way messaging, which allows customers to receive and send short numeric and text messages from their handset; and
- Internet services, marketed as Nextel Online Services, which provide customers with Internet-ready handsets access to the World Wide Web and web-based applications such as email, address books, calendars and advanced Java enabled business applications.

Strategy

Provide Differentiated Package of Wireless Services. Along with Nextel, we offer digital mobile telephone service, Direct Connect, two-way text and numeric messaging and Internet services fully integrated in a single wireless device with no roaming charges nationwide. We believe this "four-in-one" offering is particularly attractive to business users. We further believe that for customers who desire multiple wireless services, the convenience of combining multiple wireless communications options in a single handset for a single package price with a single billing statement is an important feature that helps distinguish us from many of our competitors. Our Direct Connect service has a ten-year history of delivering virtually instantaneous communication and is available to over 13.4 million Nextel and Nextel Partners customers.

Deliver Unparalleled Customer Service. In addition to providing our proven four-in-one service offering, our goal is to differentiate ourselves by delivering the highest quality customer service in the industry, including low rates of dropped and blocked calls. In 2002, a significant part of our employees' bonus was tied to achieving a targeted level of customer satisfaction as measured in monthly surveys conducted by an outside vendor. We believe that this monetary bonus helped focus our entire company on achieving our customer service business objective, and we are providing a similar incentive to our employees in 2003.

Target Business Customers. We focus on business customers, particularly those customers who employ a mobile workforce. We have initially concentrated our sales efforts on a number of distinct groups of mobile workers, including personnel in the transportation, delivery, real property and facilities management, construction and building trades, landscaping, government, public safety and other service sectors. We expect to gradually expand our target customer groups to include additional industry groups. We believe this focus on business customers has resulted in higher monthly average revenue per unit, or ARPU, and lower average monthly service cancellations than industry averages. For the third quarter of 2003, our ARPU was $70 (or $80, including roaming revenues received from Nextel) compared to an industry average of $49 as of June 30, 2003. In addition, the average monthly rate at which our customers canceled service with us, or "churn," was approximately 1.5% during the third quarter of 2003 compared to an industry average of over 2% in 2002. Our third quarter 2003 ARPU and churn rate equate to lifetime revenue per subscriber, or LRS, of approximately $4,667, which we believe is one of the highest in the industry. See "Selected Consolidated Financial Data Additional Reconciliations of Non-GAAP Financial Measures (Unaudited)" for more information regarding our use of ARPU and LRS as non-GAAP financial measures.

Maintain a Robust, Reliable Network. Our objective is to maintain a robust and reliable network in our markets that covers all key population areas in those markets and operates seamlessly with Nextel's network. We have constructed our portion of the Nextel Digital Mobile Network using the same Motorola-developed iDEN technology used by Nextel. As required, we built and now operate our portion of the Nextel Digital Mobile Network in accordance with Nextel's standards, which enables both companies to achieve a consistent level of service throughout the United States. Our customers have access to digital quality and advanced features whether they are using our or Nextel's portion of the Nextel Digital Mobile Network. This capability contrasts with the hybrid analog/digital networks of cellular competitors, which do not support all features in the analog-only portions of their networks.

Maintain Effective Pricing Strategy with Focus on Mid-Sized and Tertiary Markets. We operate in mid-sized and tertiary markets, which we believe have demographics similar to markets served by Nextel. We believe our targeted customer base in these markets has historically been underserved and thus finds our differentiated service offering very attractive. We believe our focus on high quality, underserved customers, coupled with our differentiated service offering, helps allow us to rapidly increase penetration within our targeted customer base while maintaining an effective pricing strategy.

Recent Developments

On November 12, 2003, we announced that our wholly owned subsidiary, Nextel Partners Operating Corp., is launching a new $475 million senior secured credit facility, consisting of a $100 million, six-year revolving credit facility maturing in 2009 and a $375 million, seven-year term loan maturing in 2010. The credit facilities will be guaranteed by us and our subsidiaries and will be secured by a pledge of all of the assets of our subsidiaries. We have received commitments from a syndicate of lenders led by J.P. Morgan Securities Inc. and Morgan Stanley Senior Funding, Inc. for the $100 million revolving credit facility. We intend to use borrowings under the new credit facility to repay borrowings under our existing $475 million senior secured credit facility and for general corporate purposes.

In October 2003, we delivered a notice to Nextel WIP stating our intent to redeem all of the 13,110,000 shares of our outstanding Series B preferred stock currently held by Nextel WIP. The Series B preferred stock accretes at a rate of 12% per annum, and as of September 30, 2003, the redemption value of the Series B preferred stock was approximately $38.3 million. We intend to consummate the redemption in the fourth quarter of 2003. Following such redemption, we will no longer have any shares of preferred stock outstanding.

In July 2003, we, along with Nextel, completed the launch in all of our respective markets of Nationwide Direct Connect. With the Nationwide Direct Connect feature, our customers and Nextel customers are able to use the Push to Talk[SM] nationwide digital walkie-talkie capability anywhere in the continental United States and Hawaii on the Nextel Digital Mobile Network with any other Nextel or Nextel Partners subscriber.

Corporate Information

We were incorporated in the State of Delaware in July 1998. Our principal executive offices are located at 4500 Carillon Point, Kirkland, Washington 98033. Our telephone number is (425) 576-3600.

THE OFFERING

Class A common stock offered by us	10,000,000 shares
Class A common stock offered by the selling stockholders	23,000,000 shares
Class A common stock to be outstanding after this offering	182,598,480 shares
Total common stock to be outstanding after this offering	261,654,708 shares
Over-allotment option	4,950,000 shares
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $115 million, assuming an offering price of $12.03 per share, which was the reported last sale price of our Class A common stock on the Nasdaq National Market on November 6, 2003. We intend to use the net proceeds of this offering for (i) our proposed repurchase of approximately $67.7 million (principal amount at maturity) of our outstanding $12^1/_2$% senior discount notes due 2009 and (ii) our working capital and general corporate purposes.
	We will not receive any of the proceeds from the sale of shares of Class A common stock sold in this offering by the selling stockholders. See "Use of Proceeds."
Dividend policy	We have never paid cash dividends on any of our capital stock, including our Class A common stock. We currently intend to retain any future earnings to fund the development and growth of our business.
Risk factors	See "Risk Factors" beginning on page 9 and other information included in this prospectus for a discussion of factors that you should carefully consider before deciding to invest in shares of our Class A common stock.
Nasdaq National Market symbol	NXTP

Unless we indicate otherwise, all information in this prospectus assumes that the underwriters' over-allotment option is not exercised. The figures above are based on 172,598,480 shares of Class A common stock and 79,056,228 shares of Class B common stock outstanding as of September 30, 2003 and assume no exercise of outstanding options since that date. The number of shares of common stock estimated to be outstanding after this offering excludes shares of Class A common stock reserved for issuance under our stock option plan, of which 18,815,960 shares were subject to outstanding options at a weighted average exercise price of $7.26 per share as of September 30, 2003, and an additional 32,872,584 shares of Class A common stock issuable upon conversion of our outstanding convertible senior notes.

"Nextel", "Nextel Direct Connect" and "Nextel Online Services" are trademarks or service marks of Nextel Communications, Inc. "Motorola" and "iDEN" are trademarks or service marks of Motorola, Inc.

SUMMARY CONSOLIDATED FINANCIAL DATA

The summary consolidated financial data set forth below should be read in conjunction with the sections entitled "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes included elsewhere in this prospectus. Our historical financial results discussed throughout this prospectus include the operations we acquired from Nextel WIP on January 29, 1999 in connection with our initial capitalization, which operations had previously been managed by Nextel. The as adjusted balance sheet information set forth below reflects:

- our proposed redemption of all of the 13,110,000 shares of our outstanding Series B preferred stock currently held by Nextel WIP, the redemption value of which as of September 30, 2003 was approximately $38.3 million;

- our proposed repurchase of approximately $67.7 million (principal amount at maturity), including a call premium of approximately $8.5 million, of our outstanding 12$^{1}/_{2}$% senior discount notes due 2009 with proceeds from this offering; and

- our receipt of the estimated net proceeds of approximately $115 million from the sale by us of our Class A common stock in this offering.

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
						(unaudited)	
	(dollars in thousands)						
Consolidated Statements of Operations Data:							
Operating revenues:							
Service revenues[(1)]	$ 3,745	$ 28,136	$ 130,125	$ 363,573	$ 646,169	$ 455,616	$ 687,699
Equipment revenues[(1)]	1,564	4,584	5,745	13,791	24,519	19,311	35,293
Total revenues	5,309	32,720	135,870	377,364	670,688	474,927	722,992
Operating expenses:							
Cost of service revenues (excludes depreciation of $4,586, $11,309, $35,148, $71,346, $100,138, $71,491 and $95,938, respectively)	6,108	18,807	84,962	192,728	267,266	196,493	232,331

	Year Ended December 31,					Nine Months Ended September 30,	
Cost of equipment revenues[1]	2,935	10,742	26,685	59,202	87,130	65,839	82,011
Selling, general and administrative	13,531	34,862	117,975	210,310	313,668	228,358	292,177
Stock-based compensation (primarily selling, general and administrative related)	447	27,256	70,144	30,956	12,670	9,110	740
Depreciation and amortization[2]	4,586	12,689	38,044	76,491	101,185	71,801	99,521
Total operating expenses	27,607	104,356	337,810	569,687	781,919	571,601	706,780
Operating income (loss)	(22,298)	(71,636)	(201,940)	(192,323)	(111,231)	(96,674)	16,212
Other income (expense):							
Interest expense, net		(65,362)	(102,619)	(126,096)	(164,583)	(123,211)	(116,835)
Interest income		24,585	63,132	32,473	7,091	6,071	1,930
Gain (loss) on early extinguishment of debt[3]			(23,485)		4,427		(74,417)
Loss from disposal of assets			(228)				
Total other income (expense)		(40,777)	(63,200)	(93,623)	(153,065)	(117,140)	(189,322)
Loss before deferred income tax provision and cumulative effect of change in accounting principle	(22,298)	(112,413)	(265,140)	(285,946)	(264,296)	(213,814)	(173,110)
Income tax provision					(18,188)	(15,788)	(6,975)
Loss before cumulative effect of change in accounting principle	(22,298)	(112,413)	(265,140)	(285,946)	(282,484)	(229,602)	(180,085)
Cumulative effect of change in accounting principle				(1,787)			
Net loss	(22,298)	(112,413)	(265,140)	(287,733)	(282,484)	(229,602)	(180,085)
Mandatorily redeemable preferred stock dividends[4]			(5,667)	(3,504)	(3,950)	(2,909)	(2,141)
Loss attributable to common stockholders	$ (22,298)	$ (112,413)	$ (270,807)	$ (291,237)	$ (286,434)	$ (232,511)	$ (182,226)

6

	As of December 31,					As of September 30,	
	1998	1999	2000	2001	2002	2003	2003
						Actual	As Adjusted
						(unaudited)	
	(dollars in thousands)						
Consolidated Balance Sheet Data:							
Cash and cash equivalents and short-term investments[5]	$ 16	$ 568,729	$ 928,346	$ 557,285	$ 195,029	$ 262,535	$ 260,789
Property, plant and equipment, net	107,948	252,223	532,702	845,934	1,000,076	1,030,099	1,030,099
FCC operating licenses, net[2]	133,180	151,056	245,295	283,728	348,440	369,720	369,720
Total assets	247,666	1,015,327	1,793,084	1,821,721	1,735,925	1,874,368	1,871,414
Current liabilities	8,995	58,503	120,423	127,972	161,567	149,382	149,382
Long-term debt		785,484	1,067,684	1,327,829	1,424,600	1,756,296	1,654,045

	As of December 31,					As of September 30,	
Series B redeemable preferred stock[4]			27,517	31,021	34,971		
Total stockholders' equity (deficit)	238,671	170,616	570,215	319,504	76,379	(95,035)	4,262
Total liabilities and stockholders' equity	$ 247,666	$ 1,015,327	$ 1,793,084	$ 1,821,721	$ 1,735,925	$ 1,874,368	$ 1,871,414

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
						(unaudited)	
			(dollars in thousands)				
Consolidated Statements of Cash Flows Data:							
Cash flows from operating activities	$ (14,791)	$ (66)	$ (116,028)	$ (153,894)	$ (116,469)	$ (115,859)	$ 29,452
Cash flows from investing activities	$ (104,334)	$ (365,851)	$ (514,003)	$ (260,249)	$ (201,648)	$ (163,285)	$ (178,238)
Cash flows from financing activities	$ 119,141	$ 520,174	$ 969,310	$ 224,950	$ 81,280	$ 66,198	$ 199,489

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
				(unaudited)			
				(dollars in thousands)			
Other Data:							
Covered Pops (end of period) (millions)		6	24	33	36	36	38
Subscribers (end of period)	10,200	46,100	227,400	515,900	877,800	784,700	1,144,700
Adjusted EBITDA[6]	$ (17,265)	$ (31,691)	$ (93,752)	$ (84,876)	$ 2,624	$ (15,763)	$ 116,473
Net capital expenditures[7]	$ 98,034	$ 151,743	$ 303,573	$ 374,001	$ 250,841	$ 203,393	$ 129,212

(1)
Effective July 1, 2003, we adopted Emerging Issues Task Force, or EITF, Issue No. 00-21, "*Accounting for Revenue Arrangements with Multiple Deliverables*," and elected to apply the provisions prospectively to our existing customer arrangements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a more detailed description of the impact of our adoption of this policy.

(2)
Effective January 2002, we no longer amortize the cost of FCC licenses as a result of implementing Statement of Financial Accounting Standards (SFAS) No. 142, "*Goodwill and Other Intangible Assets*." See Note 1 of the Notes to Consolidated Financial Statements included elsewhere herein under the caption "FCC Licenses" for a more detailed description of the impact and adoption of SFAS No. 142.

(3)
Effective December 31, 2002, we adopted SFAS No. 145, "*Rescission of Financial Accounting Standards Board (FASB) Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections*." As a result of the rescission of SFAS No. 4, the extraordinary loss from early extinguishment of debt presented in our financial statements during 2000 was reclassified into other income (expense). See Note 1 of the Notes to Consolidated Financial Statements included elsewhere herein under the caption "Recently Issued Accounting Pronouncements" for a more detailed description.

(4)
In May 2003, the FASB issued SFAS No. 150, "*Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*." This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within the scope of the statement as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. This statement was effective for all freestanding financial instruments entered into or modified after May 31, 2003; otherwise it was effective at the beginning of the first interim period beginning after June 15, 2003. We identified that our Series B mandatorily redeemable preferred stock is within the scope of this statement and

reclassified it to long-term debt and began recording the Series B mandatorily redeemable preferred stock dividends as interest expense beginning July 1, 2003.

(5) Short-term investments include marketable securities and corporate commercial paper with original purchase maturities greater than three months.

(6) The term "EBITDA" refers to a financial measure that is defined as earnings (loss) before interest, taxes, depreciation and amortization; we use the term "Adjusted EBITDA" to reflect that our financial measure also excludes cumulative effect of change in accounting principle, loss from disposal of assets, gain (loss) from early extinguishment of debt and stock-based compensation. Adjusted EBITDA is commonly used to analyze companies on the basis of leverage and liquidity. However, Adjusted EBITDA is not a measure determined under generally accepted accounting principles, or GAAP, in the United States of America and may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA should not be construed as a substitute for operating income or as a better measure of liquidity than cash flow from operating activities, which are determined in accordance with GAAP. We have presented Adjusted EBITDA to provide additional information with respect to our ability to meet future debt service, capital expenditure and working capital requirements. The following schedule reconciles Adjusted EBITDA to net cash provided by (used in) operating activities reported on our Consolidated Statements of Cash Flows, which we believe is the most directly comparable GAAP measure:

	Year Ended December 31,					Nine Months Ended September 30,		Three Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003	2002	2003
	(unaudited)								
	(dollars in thousands)								
Net cash provided by (used in) operating activities (as reported on Consolidated Statements of Cash Flows)	$ (14,791)	$ (66)	$ (116,028)	$ (153,894)	$ (116,469)	$ (115,859)	$ 29,452	$ (22,070)	$ 50,111
Adjustments to reconcile to Adjusted EBITDA:									
Cash paid interest expense, net of capitalized amount		17,302	43,176	70,138	98,777	77,288	93,676	29,183	42,317
Interest income		(24,585							