CLEARWIRE CORP
Form 10-Q
November 14, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: September 30, 2007

o **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 001-33349

CLEARWIRE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**56-2408571**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4400 Carillon Point Kirkland, Washington	**98033**
(Address of principal executive office)	(zip code)

(425) 216-7600

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes o No þ

The number of shares outstanding of the registrant s Class A common stock as of November 9, 2007 was 135,557,147.
The number of shares outstanding of the registrant s Class B common stock as of November 9, 2007 was 28,596,685.

CLEARWIRE CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2007
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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

CLEARWIRE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)
(unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 714,283	$ 438,030
Short-term investments	303,033	663,644
Restricted cash	13,985	10,727
Restricted investments		69,401
Accounts receivable, net of allowance of $1,947 and $753	3,498	2,774
Notes receivable, related party	6,557	4,409
Inventory	3,749	1,398
Prepaids and other assets	34,727	19,219
Total current assets	1,079,832	1,209,602
Property, plant and equipment, net	519,366	302,798
Restricted cash	182	117
Restricted investments		16,269
Prepaid spectrum license fees	426,960	241,151
Spectrum licenses and other intangible assets, net	465,579	222,980
Goodwill	33,424	30,908
Investments in equity investees	15,350	14,983
Other assets	30,777	29,565
TOTAL ASSETS	$ 2,571,470	$ 2,068,373
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses (includes related party balances of $4,289 and $6,799)	$ 111,044	$ 108,216
Deferred rent	16,245	6,986
Deferred revenue	8,801	5,599
Due to affiliate	13	532
Current portion of long-term debt	20,000	1,250
Total current liabilities	156,103	122,583
Long-term debt, net of discount of $0 and $110,007	990,000	644,438
Other long-term liabilities	87,066	42,385
Total liabilities	1,233,169	809,406

MINORITY INTEREST		13,234		1,358
COMMITMENTS AND CONTINGENCIES (NOTE 8)				
STOCKHOLDERS EQUITY				
Preferred stock, par value $0.0001, 5,000,000 shares authorized; no shares issued or outstanding				
Common stock, par value $0.0001, and additional paid-in capital, 350,000,000 shares authorized; Class A, 135,514,463 and 109,325,236 shares issued and outstanding		2,084,173		1,474,759
Class B, 28,596,685 shares issued and outstanding		234,376		234,376
Common stock and warrants payable				166
Deferred compensation				(116)
Accumulated other comprehensive income		4,441		6,990
Accumulated deficit		(997,923)		(458,566)
Total stockholders equity		1,325,067		1,257,609
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	2,571,470	$	2,068,373

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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CLEARWIRE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
REVENUES:				
Service	$ 41,297	$ 18,962	$ 106,056	$ 43,855
Equipment and other (includes related party sales of $0, $3,278, $0 and $15,546)		7,937		32,583
Total revenues	41,297	26,899	106,056	76,438
OPERATING EXPENSES:				
Cost of goods and services (exclusive of items shown separately below):				
Cost of service (includes related party costs of $815, $0, $2,205 and $0)	29,268	13,387	69,316	33,999
Cost of equipment (includes related party costs of $0, $2,222, $0 and $8,914)		5,316		19,674
Selling, general and administrative expense	103,424	52,166	259,456	142,532
Research and development	194	2,603	1,217	8,470
Depreciation and amortization	22,659	9,538	58,558	26,372
Spectrum lease expense	28,278	6,661	56,543	14,649
Gain on sale of NextNet		(19,793)		(19,793)
Total operating expenses	183,823	69,878	445,090	225,903
OPERATING LOSS	(142,526)	(42,979)	(339,034)	(149,465)
OTHER INCOME (EXPENSE):				
Interest income	16,596	6,249	52,006	13,135
Interest expense	(28,813)	(19,312)	(76,542)	(49,741)
Foreign currency translation gains (losses), net	292	(20)	224	(20)
Loss on extinguishment of debt	(159,193)		(159,193)	
Other-than-temporary impairment loss on investments	(14,208)		(14,208)	
Other income (expense), net	453	(821)	2,197	1,426
Total other expense, net	(184,873)	(13,904)	(195,516)	(35,200)
LOSS BEFORE INCOME TAXES, MINORITY INTEREST AND LOSSES FROM EQUITY INVESTEES	(327,399)	(56,883)	(534,550)	(184,665)
Income tax provision	(1,198)	(648)	(3,927)	(1,875)
LOSS BEFORE MINORITY INTEREST AND LOSSES FROM EQUITY INVESTEES	(328,597)	(57,531)	(538,477)	(186,540)
Losses from equity investees, net	(1,034)	(2,042)	(3,841)	(5,757)
Minority interest in net loss (income) of consolidated subsidiaries	994	(190)	2,961	446
NET LOSS	$ (328,637)	$ (59,763)	$ (539,357)	$ (191,851)

Net loss per common share, basic and diluted	$ (2.01)	$ (0.61)	$ (3.44)	$ (2.30)
Weighted average common shares outstanding, basic and diluted	163,586	97,854	156,940	83,595

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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CLEARWIRE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine months ended September 30, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (539,357)	$ (191,851)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for uncollectible accounts	3,631	614
Depreciation and amortization	58,558	26,372
Amortization of prepaid license fees	16,962	4,301
Amortization of deferred financing costs and accretion of debt discount	19,234	13,044
Deferred income taxes	3,901	1,875
Share-based compensation	28,600	8,366
Minority interest	(2,961)	(446)
Losses from equity investees, net	3,841	5,757
Loss on extinguishment of debt	159,193	
Other-than-temporary impairment loss on investments	14,208	
Loss (gain) on other asset disposals	531	(1,885)
Gain on sale of equity investment	(2,213)	
Gain on sale of business		(19,793)
Changes in assets and liabilities, net of effects from acquisitions:		
Prepaid spectrum license fees	(183,776)	(50,510)
Inventory	(2,331)	(1,823)
Accounts receivable	(3,954)	648
Prepaids and other assets	(15,716)	(2,710)
Accounts payable	26,544	(2,584)
Accrued expenses and other liabilities	17,136	31,057
Due to affiliate	(519)	13
Net cash used in operating activities	(398,488)	(179,555)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(279,198)	(129,032)
Payments for acquisitions of spectrum licenses and other	(212,353)	(34,701)
Purchases of short-term investments	(1,144,293)	(655,903)
Sales or maturities of short-term investments	1,478,252	385,389
Purchase of minority interest	(1,173)	
Investments in equity investees	(5,293)	(2,161)
Issuance of notes receivable, related party	(2,000)	(4,105)
Restricted cash	(3,323)	(735)
Restricted investments	85,670	(33,328)
Business acquisitions, net of cash acquired	(7,067)	(44,806)
Proceeds from sale of equity investment	2,250	47,085
Proceeds from sale of other assets	1,000	
Net cash used in investing activities	(87,528)	(472,297)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock for IPO and other, net	556,005	1,031,167
Proceeds from issuance of common stock for option and warrant exercises	4,610	
Proceeds from issuance of debt	1,000,000	495,350
Deferred financing fees	(66,954)	(21,820)
Principal payments on long-term debt	(745,696)	
Contributions from minority interests	15,000	
Net cash provided by financing activities	762,965	1,504,697
Effect of foreign currency exchange rates on cash and cash equivalents	(696)	2,231
Net increase in cash and cash equivalents	276,253	855,076
CASH AND CASH EQUIVALENTS:		
Beginning of period	438,030	29,188
End of period	$ 714,283	$ 884,264
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Common stock and warrants issued for spectrum licenses	$ 21,379	$ 41,981
Common stock and warrants issued for business acquisitions	$ 15	$ 25,022
Cash paid for taxes	$ 24	$
Cash paid for interest	$ 91,229	$ 49,253
Fixed asset purchases in accounts payable	$ 10,672	$ 6,849
Non-cash dividends to related party	$ 1,465	$ 2,384

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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CLEARWIRE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(in thousands)
(unaudited)

	Class A Common Stock, Warrants and Additional Paid In Capital		Class B Common Stock and Additional Paid In Capital		Common stock and warrants	Deferred	Accumulated Other Comprehensive Income	Accumulated	Total Stockholders	Total Comprehensiv Income
	Shares	**Amount**	**Shares**	**Amount**	**payable**	**Compensation**	**(Loss)**	**Deficit**	**Equity**	**(Loss)**
Balances at December 31, 2006	109,325	$ 1,474,759	28,597	$ 234,376	$ 166	$ (116)	$ 6,990	$ (458,566)	$ 1,257,609	$ (276,731)
Net loss								(539,357)	(539,357)	(539,357)
Foreign currency translation adjustment							9,895		9,895	9,895
Unrealized loss on short-term investments							(26,652)		(26,652)	(26,652)
Reclassification adjustment for other-than-temporary impairment loss on investments							14,208		14,208	14,208
Common stock issued from IPO, net	24,000	556,005							556,005	
Common stock issued for spectrum	233	4,200							4,200	
Warrants issued		17,194			(166)				17,028	
Options and warrants exercised	1,884	4,610							4,610	
Cashless option exercises and other stock transactions	39	(618)							(618)	
Deferred stock-based compensation						116			116	
Restricted stock compensation	33	286							286	
Share-based compensation		27,737							27,737	
Balances at September 30, 2007	135,514	$ 2,084,173	28,597	$ 234,376	$	$	$ 4,441	$ (997,923)	$ 1,325,067	$ (541,906)

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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CLEARWIRE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Description of Business and Basis of Presentation

The Business

The condensed consolidated financial statements include the accounts of Clearwire Corporation, a Delaware corporation, and its wholly-owned and majority-owned or controlled subsidiaries (collectively, the Company or Clearwire). Clearwire was formed on October 27, 2003 and is an international provider of wireless broadband services. Clearwire, which operates as one business segment, delivers high-speed wireless broadband services to individuals, small businesses, and others in a growing number of markets through its advanced network. As of September 30, 2007, the Company offered its services in 44 markets throughout the United States and 4 markets internationally.

On March 13, 2007, the Company completed its initial public offering (IPO) of its Class A common stock in which a total of 24,000,000 shares of Class A common shares were sold and issued at a price of $25.00 per share. The Company raised a total of $600.0 million in gross proceeds, or approximately $555.2 million in net proceeds after deducting underwriting discounts, commissions and other IPO fees of $44.8 million. The Company has used these proceeds for market and network expansion, spectrum acquisitions and general corporate purposes.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and note disclosures normally included in annual financial statements have been condensed or omitted for interim financial information in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements contained in the Company s Registration Statement on Form S-1/A (Registration No. 333-139468) dated March 7, 2007 (Form S-1). In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal and recurring adjustments and accruals, necessary for a fair presentation of our financial condition, results of operations and cash flows for the periods presented.

Due to the sale of its former subsidiary, NextNet Wireless, Inc. (NextNet), to Motorola, Inc. (Motorola) on August 29, 2006, the Company modified its segment reporting under the requirements of Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information*, from the two segments previously reported to operating as one reporting segment.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Clearwire and its wholly-owned and majority-owned or controlled subsidiaries. Investments in entities that the Company does not control, but for which it has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. The estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources, as well as identifying and assessing appropriate accrual and disclosure treatment with respect to commitments and contingencies. Actual results may differ significantly from these estimates. To the extent that there are material differences between these estimates and actual results, the presentation of the financial condition or results of operations may be affected.

CLEARWIRE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(continued)

Significant estimates inherent in the preparation of the accompanying financial statements include the application of purchase accounting including the valuation of acquired assets and liabilities, spectrum licenses, valuation of investments, allowance for doubtful accounts, depreciation and the fair value of shares granted to employees and third parties.

Recent Accounting Pronouncements

SFAS No. 159 In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits entities to choose, at specified election dates, to measure eligible items at fair value (fair value option) and to report in earnings unrealized gains and losses on those items for which the fair value option has been elected. SFAS No. 159 also requires entities to display the fair value of those assets and liabilities on the face of the balance sheet. SFAS No. 159 establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

SFAS No. 157 In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this pronouncement on its financial statements.

2. Summary of Significant Accounting Policies

There have been no significant changes in the Company s significant accounting policies during the nine months ended September 30, 2007 as compared to the significant accounting policies described in the Company s Registration Statement on Form S-1/A (Registration No. 333-139468) filed on March 7, 2007.

3. Significant Transactions

On July 3, 2007, the Company entered into a senior term loan facility providing for loans of up to $1.0 billion. The Company borrowed $379.3 million under the senior term loan facility on the date of closing and repaid obligations under the $125.0 million term loan and fees and costs attributable to the senior term loan facility. The remainder is being used for capital expenditures, working capital and general corporate purposes. On August 15, 2007, the Company borrowed the remaining amount of approximately $620.7 million under the senior term loan facility, and fully retired the senior secured notes, originally due 2010, for a price of 102.5% of the aggregate principal amount outstanding of approximately $620.7 million plus accrued and unpaid interest to the date of redemption and the remaining portion of the interest escrow. The new $1.0 billion senior secured term loan facility provides for quarterly amortization payments aggregating an annual amount equal to 1.00% of the original principal amount of the term loans prior to the maturity date, with the remaining balance due on July 3, 2012. In general, borrowings under the new senior term loan facility bear interest based, at the Company s option, at either the Eurodollar rate or an alternate base rate, in each case plus a margin. The initial rate of interest for borrowings under the new senior term loan facility is the Eurodollar rate plus 6.00% or the alternate base rate plus 5.00%, with interest payable quarterly with respect to alternate base rate loans, and with respect to Eurodollar loans, interest is payable in arrears at the end of each applicable period, but at least every three months.

In connection with the repayment of the $125.0 million term loan and the retirement of the $620.7 million senior secured notes due 2010, the Company recorded a $159.2 million loss on extinguishment of debt, which was primarily due to the write-off of the unamortized portion of the proceeds allocated to the warrants originally issued in connection with the senior secured notes and the related deferred financing costs. In connection with the new $1.0 billion debt, the company recorded deferred financing cost of $27.6 million which is being amortized over the

five year term of the loan.

See Note 16. Subsequent Events for an increase in the senior term loan facility of $250.0 million, which closed on November 2, 2007.

CLEARWIRE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(continued)

On June 21, 2007, the Company acquired 100% of the interests of RiverCity Software Solutions, LLC and RiverCity IntraISP, LLC from RiverCity Internet Group, for an aggregate purchase price of $7.9 million. RiverCity Software Solutions, LLC and RiverCity IntraISP, LLC specialize in providing billing, online support services (OSS) and customer relationship management (CRM) software solutions to the communications and services industry. The acquisition was accounted for using the purchase method in accordance with SFAS No. 141, *Business Combinations*.

On May 29, 2007, the Company closed an agreement with BellSouth Corporation to acquire for an aggregate price of $300.0 million all interests in SFT Spectrum, LLC and BWC Spectrum, LLC, which collectively held all of AT&T Inc. s leases and licenses for 2.5 GHz spectrum. These entities were wholly-owned subsidiaries of BellSouth Corporation, which is wholly-owned by AT&T, Inc. as a result of a merger that closed in December 2006. Based on the terms of the agreement, the acquisition was treated as a purchase of assets under Emerging Issues Task Force (EITF) 98-3, *Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business* (EITF 98-3). Of the $300.0 million paid to acquire these spectrum leases and licenses, the Company allocated $196.8 million to the owned licenses and $103.2 million to the leased licenses based on the estimated fair values of the assets acquired.

4. Short-Term Investments

Short-term investments as of September 30, 2007 consist of the following (in millions):

	September 30, 2007				December 31, 2006			
		Gross Unrealized				Gross Unrealized		
Security	**Cost**	**Gains**	**Losses**	**Fair Value**	**Cost**	**Gains**	**Losses**	**Fair Value**
Commercial paper	$ 29,880	$ 8	$ (8)	$ 29,880	$ 90,232	$	$	$ 90,232
Corporate bonds	113,987	19	(114)	113,892	226,316	15	(85)	226,246
Municipal bonds	51,109	25		51,134	156,245	21	(26)	156,240
Auction rate securities	114,575		(12,447)	102,128	116,575			116,575
Other securities	6,000		(1)	5,999	74,351			74,351
	$ 315,551	$ 52	$ (12,570)	$ 303,033	$ 663,719	$ 36	$ (111)	$ 663,644

Marketable debt and equity securities that are available for current operations are classified as short-term available-for-sale investments, and are stated at fair value. Unrealized gains and losses are recorded as a separate component of accumulated other comprehensive income (loss). Unrealized losses are recognized when a decline in fair value is determined to be other-than-temporary. Realized gains and losses are determined on the basis of the specific identification method.

At September 30, 2007, the Company held a total of $303.0 million in available for sale, short term investments of which $102.1 million were auction rate securities. Auction rate securities are variable rate debt instruments whose interest rates are reset approximately every 28 days through an auction process with the underlying securities that have contractual maturities greater than ten years. The auction rate securities are classified as available for sale and are recorded at fair value. Typically, the carrying value of auction rate securities approximates fair value due to the frequent resetting of the interest rates through the auction rate process. At September 30, 2007, the Company held auction rate securities that recently failed to settle in the auction process. While the Company continues to earn interest on these investments at the maximum contractual rate, the estimated market value of these auction rate securities no longer approximates par value. Accordingly, the Company has recorded these investments at their estimated fair value and recorded an unrealized loss on these securities of $12.4 million in other comprehensive income, reflecting the decline in the estimated fair value of these securities. With the exception of one auction rate

security that we determined losses to be other than temporary, the Company has concluded that no other-than-temporary impairment losses occurred in the auction rate securities in the three and nine months ended September 30, 2007 due to the fact that the decline in market value is due to general market conditions, these investments are of high credit quality with credit ratings of AA or higher, and the Company has the intent and ability to hold these investments until the anticipated recovery in market value occurs. Given the current market volatility, the Company will continue to monitor its short-term investments for substantive changes in relevant market conditions, substantive changes in financial condition and/or performance of the investments' issuers or other substantive changes in these investments. The Company may be required to record additional realized loss for impairment if the decline in fair value is determined to be other-than-temporary.

During the three months ended September 30, 2007, the Company incurred other-than-temporary impairment losses of $14.2 million related to a decline in values of investment securities which were determined to be other than

CLEARWIRE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(continued)

temporary. The Company estimated the fair value of these securities mainly based on prices provided by broker-dealers. These prices could change significantly based on market conditions. There were no realized gains and losses for the three and nine months ended September 30, 2006.

5. Property, Plant and Equipment

Property, plant and equipment as of September 30, 2007 and December 31, 2006 consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Network and base station equipment	$ 262,026	$ 161,875
Customer premise equipment	78,952	47,700
Furniture, fixtures and equipment	44,567	20,546
Leasehold improvements	12,324	8,340
Construction in progress	221,993	112,669
	619,862	351,130
Less: accumulated depreciation	(100,496)	(48,332)
	$ 519,366	$ 302,798

Interest capitalized for the quarters ended September 30, 2007 and 2006 was $4.9 million and $5.1 million, respectively. For the nine months ended September 30, 2007 and 2006 interest capitalized was $13.8 million and $11.2 million, respectively. Depreciation expense for the quarters ended September 30, 2007 and 2006 was $21.5 million and $8.5 million, respectively. Depreciation expense for the nine months ended September 30, 2007 and 2006 was $55.4 million and $24.6 million, respectively.

6. Spectrum Licenses, Goodwill, and Other Intangible Assets

Spectrum licenses, which are issued on both a site-specific and a wide-area basis, authorize wireless carriers to use radio frequency spectrum to provide service to certain geographical areas in the United States and internationally. These licenses are generally acquired by the Company either directly from the governmental authority in the applicable country, which in the United States is the Federal Communications Commission (FCC), or through a business combination or an asset purchase, and are considered indefinite-lived intangible assets, except for the licenses acquired in Poland, Spain, Germany and Romania which are considered definite-lived intangible assets due to limited license renewal history within these countries.

The Company also leases spectrum from third parties who hold the spectrum licenses. These leases are accounted for as executory contracts, which are treated like operating leases. Consideration paid to third-party holders of these leased licenses at the inception of a lease agreement is accounted for as prepaid spectrum license fees and is expensed over the term of the lease agreement, including renewal terms, as applicable.

During the quarter ended September 30, 2007 the Company paid cash consideration of $17.4 million relating to purchased spectrum rights. During the nine months ended September 30, 2007, the Company paid consideration relating to purchased spectrum rights of $216.3 million, which was comprised of $212.1 million in cash, of which $196.8 million related to the purchased spectrum rights acquired from BellSouth, and $4.2 million in the form of warrants and common stock. Also, during the nine months ended September 30, 2007, the Company paid $250,000 in cash relating to other intangible assets.

During the quarter ended September 30, 2007, cash consideration paid relating to leased spectrum was $18.4 million. During the nine month period ended September 30, 2007, the Company paid consideration relating to

leased spectrum rights of $206.7 million, which was comprised of $189.6 million in cash, of which $103.2 million related to the purchase of leased spectrum from BellSouth and $17.1 million in the form of warrants and common stock. Also, during the nine months ended September 30, 2007, the Company received $6.0 million in cash relating to sale of leased spectrum.

For the quarters ended September 30, 2007 and 2006, the Company recorded amortization of $11.6 million and $1.7 million, respectively, on prepaid spectrum license fees and $1.2 million and $1.0 million, respectively, on spectrum licenses and other intangibles. For the nine months ended September 30, 2007 and 2006, the Company recorded

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amortization of $17.0 million and $4.3 million, respectively, on prepaid spectrum license fees and $3.2 million and $1.8 million, respectively, on spectrum licenses and other intangibles.

During the second quarter ended 2007, the Company acquired spectrum from BellSouth Corporation for an aggregate price of $300.0 million. Of these amounts, the Company preliminarily allocated $180.0 million to purchased spectrum rights and $120.0 million to leased spectrum. During the third quarter 2007, the Company finalized the allocation estimates and recorded $196.8 million as purchased spectrum rights and $103.2 million as leased spectrum.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2007 and December 31, 2006 consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Accounts payable	$ 56,189	$ 41,710
Accrued interest	6,788	27,272
Salaries and benefits	18,635	12,095
Other	29,432	27,139
	$ 111,044	$ 108,216

8. Commitments and Contingencies

The Company s commitments for non-cancellable operating leases consist mainly of leases of spectrum licenses, office space, equipment and certain of its network equipment situated on leased sites, including land, towers and rooftop locations. Certain of the leases provide for minimum lease payments, additional charges and escalation clauses and generally have initial terms, including renewal options, of up to 30 years.

Future cash payments under spectrum license and operating lease obligations (including optional renewal periods) as of September 30, 2007 for the nine months remaining in 2007 and subsequent calendar years are as follows (in thousands):

Years Ending December 31,	Leased Spectrum	Operating Lease	Total
2007, remaining as of September 30	$ 8,438	$ 15,870	$ 24,308
2008	34,581	62,502	97,083
2009	34,522	62,724	97,246
2010	35,005	62,116	97,121
2011	34,867	61,896	96,763
Thereafter, including all renewal periods	1,364,337	1,195,203	2,559,540
	$ 1,511,750	$ 1,460,311	$ 2,972,061

Clearwire has various legal claims and other contingent matters outstanding. Management believes that any ultimate liability arising from these actions will not have a material adverse impact on Clearwire s financial condition or results of operations.

9. Income Taxes

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), on January 1, 2007. FIN No. 48 clarifies the accounting for income taxes by prescribing a recognition

threshold that a tax position is required to meet before being recognized in the financial statements. FIN No. 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

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As of January 1, 2007, the Company had no unrecognized tax benefits and there was no effect on its financial condition or results of operations as a result of implementing FIN 48. There have been no changes to the Company s liability for unrecognized tax benefits during the nine months ended September 30, 2007.

The Company has recorded a valuation allowance against a significant portion of its deferred tax assets. Management has reviewed the facts and circumstances, including the limited history and the projected future tax losses and determined that it is appropriate to record a valuation allowance for deferred tax assets that will not be reduced by schedulable deferred tax liabilities.

The Company and its subsidiaries file income tax returns in the US federal jurisdiction and various state and foreign jurisdictions. As of the date of adoption of FIN 48, the tax returns for 2003 through 2006 remain open to examination by the Internal Revenue Service and various state tax authorities. In addition, the Company has acquired US and foreign entities which operated prior to 2003. Most of the acquired entities generated losses for income tax purposes and remain open to examination by US and foreign tax authorities as far back as 1998. The Company does not anticipate any material affect to the financial statements as a result of these examinations.

The Company s policy is to recognize any interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of the date of adoption of FIN 48, the Company had accrued no interest or penalties related to uncertain tax positions.

10. Stockholders Equity

On January 19, 2007, the Company s Board of Directors approved a reverse stock split, which was approved by the Company s stockholders on February 16, 2007. The reverse stock split became effective March 1, 2007. Upon the effectiveness of the reverse stock split, each three shares of Class A common stock were combined into one share of Class A common stock and each three shares of Class B common stock were combined into one share of Class B common stock. All share and per share amounts in the accompanying condensed consolidated financial statements have been retroactively adjusted for all periods presented to give effect to the reverse stock split.

On March 13, 2007, the Company completed the sale of 24,000,000 shares of its Class A common stock in its IPO. The shares were sold in the offering at a price of $25.00 per share, and the Company received net proceeds of $555.2 million, net of underwriters discount, commissions and other IPO fees of $44.8 million. The Company has used these proceeds for market and network expansion, spectrum acquisitions and general corporate purposes.

As a result of its IPO, the Company filed a Registration Statement on Form S-1 (Registration No. 333-144357), that went effective on August 28, 2007, covering the resale of up to 14,973,024 shares of the Company s Class A common stock. All 14,973,024 shares of Class A common stock are issuable on exercise of warrants registered and are offered by the selling stockholders. The Company does not receive any part of the proceeds from the sale of common stock by the selling stockholders. If all the shares of common stock are issued upon exercise of outstanding warrants without using any applicable cashless exercise provisions, we will receive $224,595,360 in cash from the warrant holders, assuming the exercise price of the warrants is not adjusted. Any proceeds received by us from the exercise of the warrants will be used by us for general corporate purposes as provided. All such warrants include net exercise, or cashless exercise, provisions that may reduce or eliminate the cash proceeds we receive upon exercise of such warrants; however, any such reduction also will have the effect of reducing the number of shares of Class A common stock issued in net exercise transactions.

11. Share-Based Payments

On January 19, 2007, Clearwire s Board of Directors adopted the 2007 Stock Compensation Plan (the 2007 Plan), which authorizes the Company to grant incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock awards to its employees, directors and consultants. The 2007 Plan was adopted by the Company s stockholders on February 16, 2007. There are 15,000,000 shares of Class A common stock authorized under the 2007 Plan. Options granted under the 2007 Plan generally vest ratably over four years and expire no later than ten years after the date of grant. Shares to be awarded under the 2007 Plan will be made available at the discretion of the Compensation Committee of the Board of Directors from authorized but unissued

shares, authorized and issued shares reacquired and held as treasury shares, or a combination thereof. At September 30, 2007 there were 8,645,336 shares available for grant under the 2007 Stock Option Plan.

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Stock Options

The Company applies SFAS No. 123 (revised 2004*), Share-Based Payment* (SFAS 123(R)), to new awards and to awards modified, repurchased, or cancelled after January 1, 2006. Share-based compensation expense is based on the estimated grant-date fair value and is recognized net of a forfeiture rate on those shares expected to vest over a graded vesting schedule on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

Compensation cost recognized for these plans for the three months and nine months ended September 30, 2007 and 2006 is presented as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Cost of service	$ 21	$ 31	$ 53	$ 717
Selling, general and administrative	10,378	4,357	28,547	7,649
	$ 10,399	$ 4,388	$ 28,600	$ 8,366

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model using the following assumptions for the three and nine months ended September 30, 2007 and 2006:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Expected volatility	58.28%	68.44%	57.07% - 64.68%	68.44% - 78.62%
Expected dividend yield				
Expected life (in years)	6.25	6.25	6.25	6.25
Risk-free interest rate	4.80%	4.72% - 4.87%	4.46% - 5.00%	4.45% - 4.92%
Weighted average fair value per option at grant date	$ 13.91	$11.95	$15.06	$11.53

During the third quarter of 2007, an estimate of 7.5% was used for the annual forfeiture rate based on the Company s historical experience since inception. Prior to third quarter 2007, the estimated annual forfeiture rate was 6.4%.

During the three and nine months ended September 30, 2007, the Company granted 2,942,950 options and 6,456,662 options, respectively, at a weighted average exercise price of $23.59 and $24.29, respectively. During the three and nine months ended September 30, 2006, the Company granted 2,458,246 options and 3,832,474 options, respectively, at a weighted average exercise price of $18.00 and $16.92, respectively.

As of September 30, 2007, a total of 16,392,768 options were outstanding at a weighted average exercise price of $14.95, of which 5,391,598 options were exercisable at a weighted average exercise price of $6.67. The total unrecognized share-based compensation costs related to non-vested stock options outstanding at September 30, 2007 was $90.0 million and is expected to be recognized over a weighted average period of 2.2 years.

The Company also granted stock options to employees of entities under common control who performed services to purchase shares of the Company s Class A common stock. For the three and nine months ended September 30, 2007, the Company recorded dividends of $401,000 and $1.5 million, respectively. For the three and nine months ended September 30, 2006 the Company recorded dividends of $1.6 million and $2.4 million, respectively.

Restricted Stock Awards

There were no grants of restricted stock during the three months ended September 30, 2007. During the nine months ended September 30, 2007, the Company issued 33,333 shares of restricted stock to a certain senior officer at a valuation price of $25.00 per share, which vests over a four-year period. Compensation expense related to restricted stock grants was $187,000 and $234,000 for the quarters ended September 30, 2007 and 2006, respectively. For the nine months ended September 30, 2007 and 2006, compensation expense related to restricted stock awards was $628,000 and $797,000, respectively. As of September 30, 2007, the number of restricted shares outstanding was 449,999 shares and

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there was $674,000 of total unrecognized compensation cost related to the unvested restricted stock, which is expected to be recognized over a weighted-average period of 1.3 years.

Restricted Stock Units

During the three months ended September 30, 2007, the Company granted 400,000 restricted stock units to certain officers and employees under the 2007 Plan. All restricted stock units vest over a four-year period. Under SFAS 123(R), the fair value of the Company s restricted stock units is based on the grant-date fair market value of the common stock, which equals the grant date market price of $23.30 per share. The total fair value was $9.3 million. Compensation expense related to the restricted stock units during the quarter end September 30, 2007 was $168,000, net of forfeitures. As of September 30, 2007, there were 400,000 units outstanding and total unrecognized compensation cost of $9.1 million, which is expected to be recognized over a weighted-average period of 2.7 years.

SAR Plan

The Company accounts for stock appreciation rights (SARs) under SFAS No. 123(R) and, as settlement is anticipated to be in cash, records these grants as liability awards. The SARs are remeasured at fair value each reporting period until the awards are settled using the same assumptions as a stock option granted under the 2003 Stock Option Plan.

There were no grants during the first nine months of 2007. The Company recorded $119,000 and $34,000, net of forfeitures, of share-based compensation expense related to SARs during the quarters ended September 30, 2007 and 2006, respectively. For the nine months ended September 30, 2007 and 2006 the share-based compensation expense related to SARs was $398,000 and $67,000, respectively. The share-based compensation liability at September 30, 2007 for the requisite service that has been rendered was $577,000 and was included in other long-term liabilities. As of October 1, 2007, all outstanding SARs were converted to non-qualified stock options under the 2007 Stock Option Plan.

Warrants

There were no warrants granted during the three months ended September 30, 2007. During the nine months ended September 30, 2007, the Company issued 1,407,139 warrants at a weighted average exercise price of $37.99 to purchase the Company s Class A common stock in connection with business acquisitions and the acquisition of spectrum or assets. At September 30, 2007 there were 17,806,217 warrants outstanding and exercisable with a weighted average exercise price of $16.57.

The fair value of warrants granted is estimated on the date of grant using the Black-Scholes option pricing model using the following average assumptions for the three and nine months ended September 30, 2007 and 2006:

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2006**	**2007**	**2006**
Expected volatility	N/A	73.76% to 88.54%	64.68% to 88.54%	73.76% to 88.54%
Expected dividend yield	N/A			
Contract life (in years)	N/A	5-10	5-10	5-10
Risk-free interest rate	N/A	3.98% - 5.16%	3.05% - 4.81%	3.05% - 5.16%
Weighted average fair value per warrant at issuance date	N/A	$10.31	$12.07	$9.84

12. Net Loss Per Share

Basic and diluted loss per share has been calculated in accordance with SFAS No. 128, *Earnings Per Share,* for the three and nine months ended September 30, 2007 and 2006. As the Company had a net loss in each of the periods presented, basic and diluted net loss per common share are the same.

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The computations of diluted loss per share for the three and nine months ended September 30, 2007 and 2006, did not include the effects of the following options, shares of nonvested restricted stock, restricted stock units and warrants as the inclusion of these securities would have been antidilutive.

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2006**	**2007**	**2006**
Stock options	14,394,765	9,946,257	13,535,389	9,341,131
Nonvested restricted stock	74,999	83,333	76,800	65,018
Restricted Stock Units	73,533		24,780	
Warrants	18,153,770	17,545,558	18,150,917	15,889,739
	32,697,067	27,575,148	31,787,886	25,295,888

13. Comprehensive Loss

Comprehensive loss consists of two components, net loss and other comprehensive loss. Other comprehensive income refers to revenue, expenses, gains and losses that under generally accepted accounting principles are recorded as an element of stockholders equity but are excluded from net loss. The Company s other comprehensive income is comprised of foreign currency translation adjustments from the Company s subsidiaries not using the U.S. dollar as their functional currency, unrealized gains and losses on marketable securities categorized as available-for-sale, and other-than-temporary impairment losses on available-for-sale securities.

Total comprehensive loss was $334.6 million and $53.2 million for the three months ended September 30, 2007 and 2006, respectively. For the nine months ended September 30, 2007 and 2006 total comprehensive loss was $541.9 million and $187.6 million, respectively. The primary differences between net loss as reported and comprehensive loss are foreign currency translation adjustments, unrealized losses and other-than-temporary losses from available-for-sale investments.

The components of accumulated other comprehensive income were as follows (in thousands):

	September 30, 2007	December 31, 2006
Net unrealized loss on available-for-sale investments	$ (26,726)	$ (74)
Other-than-temporary impairment loss on investments	14,208	
Cumulative foreign currency translation adjustment	16,959	7,064
Total accumulated other comprehensive income	$ 4,441	$ 6,990

14. Geographic Information

The Company reports geographical information for revenue and long-lived assets as follows (in thousands):

	Revenue (a) Three months ended September 30,		Revenue (a) Nine months ended September 30,		Long-lived Assets (b)	
	2007	**2006**	**2007**	**2006**	**September 30, 2007**	**December 31, 2006**
United States	$ 33,424	$ 22,120	$ 85,598	$ 65,150	$ 1,273,452	$ 661,444

Europe	7,873	4,779	20,458	11,288	128,925	103,782
	$ 41,297	$ 26,899	$ 106,056	$ 76,438	$ 1,402,377	$ 765,226

(a) Revenues are attributed to geographic areas based on the location of the customer.

(b) Consists of property, plant and equipment and prepaid spectrum and spectrum licenses attributable to the geographic area based on location.

15. Related Party Transactions

Clearwire has a number of strategic and commercial relationships with third-parties that have had a significant impact on Clearwire s business, operations and financial results. These relationships have been with Eagle River Holdings, LLC (ERH), Motorola, Inc. (Motorola), Intel Corporation (Intel), Hispanic Information and

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Telecommunications Network, Inc. (HITN), ITFS Spectrum Advisors, LLC (ISA), ITFS Spectrum Consultants LLC (ISC) and Bell Canada (Bell), all of which are or have been related parties.

Relationships among Certain Stockholders, Directors, and Officers of Clearwire As of September 30, 2007, ERH is the holder of approximately 65% of Clearwire s outstanding Class B common stock and approximately 13% of Clearwire s outstanding Class A common stock. Eagle River Inc. (ERI) is the manager of ERH. Each entity is controlled by Craig McCaw. Mr. McCaw and his affiliates have significant investments in other telecommunications businesses, some of which may compete with Clearwire currently or in the future. Mr. McCaw and his affiliates will likely continue to make additional investments in telecommunications businesses.

ERH also held 3.1% of the Company s long-term debt as of December 31, 2006 and 0% as of September 30, 2007 as a result of the retirement of all senior secured notes on August 15, 2007 as described in Note 3. As of December 31, 2006, the notes held by ERH consisted of $23.0 million face value, or $19.3 million net of discounts for warrants. As of September 30, 2007 and December 31, 2006 ERH held warrants entitling it to purchase 613,333 shares of the Company s Class A common stock. The exercise price of the warrant is $15.00 per share.

ERH earned interest relating to the notes in the amount of $316,000 and $673,000 for the three months ended September 30, 2007 and 2006, respectively. For the nine months ended September 30, 2007 and 2006, ERH earned interest relating to the notes in the amount of $1.6 million and $3.2 million, respectively. ERH received payments in the amount of $1.3 million and $1.3 million for accrued interest during the quarter ended September 30, 2007 and 2006. During the nine months ended September 30, 2007 and 2006, ERH received payments of $2.5 million and $3.8 million, respectively, for accrued interest.

Certain officers and directors of Clearwire provide additional services to ERH, ERI and their affiliates for which they are separately compensated by such entities. Any compensation paid to such individuals by ERH, ERI and/or their affiliates for their services is in addition to the compensation paid by Clearwire.

Advisory Services Agreement Clearwire and ERI were parties to an Advisory Services Agreement, dated November 13, 2003 (the Advisory Services Agreement). Under the Advisory Services Agreement, ERI provided Clearwire with certain advisory and consulting services, including without limitation, advice as to the development, ownership and operation of communications services, advice concerning long-range planning and strategy for the development and growth of Clearwire, advice and support in connection with its dealings with federal, state and local regulatory authorities, advice regarding employment, retention and compensation of employees and assistance in short-term and long-term financial planning. The parties terminated this agreement effective January 31, 2007.

In exchange for the services, Clearwire historically paid ERI an annual advisory fee of $800,000 plus any out-of-pocket expenses incurred by ERI. The annual advisory fee covered certain overhead expenses incurred by ERI on behalf of Clearwire, including expenses related to providing administrative support and office space to Messrs. McCaw, the Company s Chairman, and Wolff, the Company s Chief Executive Officer, and compensation for services provided to Clearwire by certain personnel of ERI. During the three months ended September 30, 2007 and 2006, the Company paid ERI fees of $0 and $200,000, respectively, and expense reimbursements of $142,000 and $127,000, respectively, under this agreement. During the nine months ended September 30, 2007 and 2006, the Company paid ERI fees of $67,000 and $600,000, respectively, and expense reimbursements of $257,000 and $679,000, respectively, under this agreement. Beginning February 2007, Mr. McCaw has received annual compensation directly from Clearwire in his capacity as the Company s Chairman of $300,000 per year, plus expense reimbursements.

Pursuant to the origination of the Advisory Services Agreement in 2003, Clearwire also issued to ERH warrants to purchase 375,000 shares of the Company s Class A common stock at an exercise price of $3.00 per share, which may be exercised any time within 10 years of the issuance of the warrants. As of September 30, 2007, the remaining life of the warrant was 6.1 years.

Nextel Undertaking Clearwire and Mr. McCaw entered into an agreement and undertaking in November 2003, pursuant to which Clearwire agreed to comply with the terms of a separate agreement between Mr. McCaw and

Nextel Communications, Inc. (Nextel), so long as the Company was a controlled affiliate of Mr. McCaw as defined therein, certain terms of which were effective until October 2006. Under the agreement with Mr. McCaw, Nextel had the right to swap certain channels of owned or leased Broadband Radio Service (BRS) or Educational Broadband Service (EBS) spectrum with entities controlled by Mr. McCaw, including Clearwire. While the agreement was still

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CLEARWIRE CORPORATION AND SUBSIDIARIES
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effective, Nextel notified the Company of its request to swap certain channels, which is currently pending. There were no payments made to Nextel under this agreement in the first nine months of 2007.

Intel Collaboration Agreement On June 28, 2006, Clearwire entered into a collaboration agreement with Intel, to develop, deploy and market a co-branded mobile WiMAX service offering in the United States, that will target users of certain WiMAX enabled notebook computers, ultramobile PCs, and other mobile computing devices containing Intel microprocessors. Both parties have committed to make certain contributions to the development, promotion and marketing of this service, which will be available only over the Company s mobile WiMAX network.

The Company and Intel have agreed to share the revenues received from subscribers using Intel mobile computing devices on the Company s domestic mobile WiMAX network. Intel will also receive a one time fixed payment for each new Intel mobile computing device activated on the Company s domestic mobile WiMAX network once the Company has successfully achieved substantial mobile WiMAX network coverage across the United States. Through September 30, 2007, Clearwire has not been required to make any payments to Intel under this agreement.

Motorola Agreements Simultaneously with the sale of NextNet to Motorola, Clearwire and Motorola entered into commercial agreements pursuant to which the Company agreed to purchase certain infrastructure and supply inventory from Motorola. Under these agreements, Clearwire is committed to purchase no less than $150.0 million of network infrastructure equipment, modems, PC Cards and other products from Motorola on or before August 29, 2008, subject to Motorola continuing to satisfy certain performance requirements and other conditions. The Company is also committed to purchase certain types of network infrastructure products, modems and PC Cards it provides to its subscribers exclusively from Motorola for a period of five years and, thereafter, 51% until the term of the agreement is completed on August 29, 2014, as long as certain conditions are satisfied. For the three and nine months ended September 30, 2007, total purchases from Motorola under these agreements were $30.4 million and $64.1 million, respectively. The remaining commitment was $60.5 million at September 30, 2007.

HITN and its Affiliates In November 2003, the Company entered into a Master Spectrum Agreement (MSA) with a third-party EBS license holder, the Hispanic Information and Telecommunications Network, Inc. The founder and president of HITN was formerly a member of Clearwire s Board of Directors. The MSA provides for terms under which HITN leases excess capacity on certain of its EBS spectrum licenses to Clearwire. The licenses covered under the MSA include all of the spectrum rights acquired in the Clearwire Spectrum Corporation acquisition, plus access to an additional twelve markets in the United States. For each market leased by HITN to the Company under the MSA, the Company and HITN enter into a separate lease agreement which contains additional lease terms. The initial lease term is 15 years with one renewal for an additional 15 years. The MSA also provides for additional shares of Class A common stock to be issued to HITN upon Clearwire reaching certain financial milestones.

In March 2004, the MSA between Clearwire and HITN was amended to provide, among other things, additional leased EBS spectrum capacity in an additional major metropolitan market. Clearwire and HITN also entered into a spectrum option agreement (the Option Agreement) whereby Clearwire has an option to enter into leases of spectrum for which HITN has pending EBS license applications upon grant of those licenses by the FCC. The lease terms and conditions would be similar to those under the MSA.

Subsequent to the MSA, the Company entered into two other related agreements with ISA and ISC. The founder and president of HITN, was formerly a member of Clearwire s Board of Directors, is an owner of ISA and ISC, which are also affiliates of HITN. The agreements provided for payment to be provided to ISA and ISC in the form of warrants to purchase additional shares of Class A common stock in exchange for ISA and ISC providing opportunities for Clearwire to purchase or lease additional spectrum. Each of the agreements specifies a maximum consideration available under the agreement and, in 2005, the maximum consideration under the agreement with ISA has been reached.

For the three and nine months ended September 30, 2007, ISC earned no revenues in each period, respectively, and received cash of $0 and $39,000, respectively. During the three months ended September 30, 2006, ISC earned no revenues. For the nine months ended September 30, 2006, ISC earned approximately $250,000, of which $63,000 was

payable in cash and the remainder payable in warrants to purchase 12,491 shares of Class A common stock valued at $187,000.

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Agreements with Bell Canada In March 2005, Bell, a Canadian telecommunications company which is a subsidiary of BCE Inc. (BCE), purchased 8,333,333 shares of Clearwire s Class A common stock for $100.0 million. At the time of the investment, Bell and BCE Nexxia Corporation (BCE Nexxia), an affiliate of Bell, entered into a Master Supply Agreement (Master Supply Agreement) dated March 16, 2005 with Clearwire. Under the Master Supply Agreement, Bell and BCE Nexxia provide or arrange for the provision of hardware, software, procurement services, management services and other components necessary for Clearwire to provide Voice over Internet Protocol (VoIP) services to their subscribers in the United States and provide day-to-day management and operation of the components and services necessary for Clearwire to provide these VoIP services. Clearwire will pay to Bell Canada or BCE Nexxia a flat fee for each new subscriber of its VoIP telephony services. Clearwire has agreed to use Bell Canada and BCE Nexxia exclusively to provide such service unless such agreement violates the rights of third parties under its existing agreements. The Master Supply Agreement can be terminated for convenience on twelve months notice by either party at any time beginning on or after October 1, 2007. Total payments to Bell for the nine months ended September 30, 2007 and 2006 were $53,000 and $0, respectively. On October 19, 2007, the Company delivered a notice of termination of the Master Supply Agreement to BCE Nexxia and the agreement should terminate on October 29, 2008 unless it is extended by the parties.

As required under the Master Supply Agreement with Bell and BCE Nexxia and in order to assist funding capital expenses and start-up costs associated with the deployment of VoIP services, BCE agreed to make available to Clearwire financing in the amount of $10.0 million. BCE funded the entire amount on June 7, 2006. The loan is secured by a security interest in the telecommunications equipment and property related to VoIP and bears interest at 7% per annum and is due and payable in full on July 19, 2008.

16. Subsequent Events

On November 2, 2007, the Company entered into an Incremental Facility Amendment (the Amendment) with Morgan Stanley Senior Funding, Inc, as administrative agent, term lender and co-lead arranger, Wachovia Bank N.A. as term lender, and Wachovia Capital Markets, LLC, as co-lead arranger, which amended the Credit Agreement dated July 3, 2007 (the Credit Agreement) to provide the Company with an additional $250.0 million in senior secured term loans. This additional funding, which closed on the same date, increases the size of the Company s senior secured term loan facility to $1.25 billion. The company will use the additional net proceeds of $247.5 million, after expenses and fees payable in connection with the loan, to further support its expansion plans, spectrum acquisitions and for general corporate purposes. The material terms of the additional senior secured term loans are the same as the terms of the loans under the original senior secured term loan facility.

On July 19, 2007 Clearwire and Sprint Nextel entered into a letter of intent to jointly construct a nationwide mobile broadband network using mobile WiMAX technology. Over the course of the parties discussions on definite documents, Clearwire and Sprint concluded that the joint build transaction originally contemplated by the letter of intent was likely to introduce a level of additional complexity to each party s business that would be inconsistent with each company s focus on simplicity and the customer experience. Consequently, the parties agreed to terminate their obligations under the letter of intent. While the parties continue their discussions regarding the best means to accomplish the benefits that were expected under the letter of intent, there can be no assurance that such discussions between Clearwire and Sprint will continue or that any transaction or agreement between the parties will be concluded.

CLEARWIRE CORPORATION AND SUBSIDIARIES

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

The following discussion and analysis summarizes the significant factors affecting our consolidated results of operations, financial condition and liquidity position for the three and nine months ended September 30, 2007 and 2006 and should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this filing. The following discussion and analysis contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this quarterly report on Form 10-Q, particularly in the section entitled Risk Factors.

Forward-Looking Statements

Statements and information included in this Quarterly Report on Form 10-Q by Clearwire Corporation (Clearwire, we, us, or our) that are not purely historical are forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements in this Quarterly Report on Form 10-Q represent our beliefs, projections and predictions about future events. These statements are necessarily subjective and involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievement described in or implied by such statements. Actual results may differ materially from the expected results described in our forward-looking statements, including with respect to the correct measurement and identification of factors affecting our business or the extent of their likely impact, the accuracy and completeness of publicly available information relating to the factors upon which our business strategy is based or the success of our business.

When used in this report, the words believe, expect, anticipate, intend, estimate, evaluate, opinion, ma future, potential, probable, if, and similar expressions generally identify forward-looking statements.

Overview and Recent Developments

We build and operate wireless broadband networks that enable fast, simple, portable, reliable and affordable communications. Our networks cover entire communities, delivering a wireless high-speed Internet connection and enabling other services and features that create a new communications path into the home or office. We provide a portable broadband connection that delivers high speed Internet access and enables premium services, such as Voice over Internet Protocol (VoIP) telephony, anytime and anywhere within our coverage area

Our network currently relies on network infrastructure equipment that is based on proprietary non-line-of-sight, or NLOS, Orthogonal Frequency Division Multiplexing, or OFDM Expedience technologies, from Motorola, Inc. We have committed to deploy networks based on the IEEE mobile Worldwide Interoperability of Microwave Access 802.16e-2005, or mobile WiMAX, standard once mobile WiMAX equipment is commercially available and meets our requirements. As with our current Expedience network infrastructure equipment, we expect mobile WiMax technology, once it becomes commercially available and meets certain standards, to support fixed, portable and mobile service offerings using a single network architecture. In addition, as mobile WiMAX is a standards-based technology, we expect manufacturers to eventually offer a number of handheld communications and consumer electronic devices that will be enabled to communicate using our mobile WiMAX network, including notebook computers, ultramobile personal computers, or PCs, personal data assistants, or PDAs, gaming consoles, MP3 players, and other handheld devices. However, because mobile WiMAX technologies are not yet commercially available, we cannot provide any assurance that we will be able to deploy mobile WiMAX technologies in our network or that mobile WiMAX will be competitive with other available technologies.

We launched our first market in August 2004 and are growing rapidly in terms of the number of markets served, number of people covered by our network, and number of total subscribers. As of September 30, 2007 we offered our service for sale to an estimated 12.2 million people, or POPs, and we also offered our service for sale to nearly 2.6 million POPs internationally in Ghent and Brussels, Belgium, Dublin, Ireland and Seville, Spain.

We believe that our subscriber growth rates reflect robust customer demand of our services. We ended the quarter with approximately 348,000 total subscribers worldwide representing a 16% increase in subscribers or approximately 49,000 net new subscribers from the approximately 299,000 total subscribers we had as of the end of the second

quarter of

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2007, and a 69% or approximately 142,000 net increase in subscribers from the approximately 206,000 total subscribers we had as of December 31, 2006. We experienced a 115% or an approximate 186,000 net increase in subscribers from the approximately 162,000 total subscribers we had as of September 30, 2006. Net subscriber additions represent the number of new subscribers added less subscribers deactivated from our network.

We ended the third quarter of 2007 with approximately 312,000 customers in the United States, representing a 42,000 or 16% increase from the approximately 270,000 U.S. subscribers we had as of the end of the second quarter of 2007 and a 168,000 or 117% increase from the approximately 144,000 U.S. subscribers we had as of September 30, 2006.

Internationally, we ended the third quarter of 2007 with approximately 36,000 customers, representing a 7,000 or 24% increase from the approximately 29,000 subscribers we had as of the end of the second quarter of 2007 and a 18,000 or 100% increase from the approximately 18,000 subscribers we had as of September 30, 2006.

For the quarters ended September 30, 2007 and September 30, 2006, we experienced an average monthly churn of approximately 2.3% and 2.4%, respectively. Churn refers to the percentage of our existing customers who terminate service in a given month, in each case excluding those who subscribe for and terminate our service within 30 days for any reason or in the first 90 days of service under certain circumstances. For the nine months ended September 30, 2007 and September 30, 2006, the average monthly churn was approximately 2.0% and 1.9%, respectively. Given our limited operating history, our current rate of churn may not be representative of the churn we may experience in the future.

We are investing heavily in building networks and growing our subscriber base. Our efforts also include offering premium services and applications in order to make our service more attractive, such as VoIP telephony and our recently introduced PC cards. This expansion will require significant capital expenditures as well as increased sales and marketing expenses, and will likely be accompanied by significant operating losses over the next five years or more as we expand the area covered by our network and invest to build our brand and develop subscriber loyalty. We expect to launch additional markets in the United States and in Europe during the remainder of 2007 and 2008. We believe our operations could result in as many as 375,000 to 400,000 total subscribers in both our U.S. and international markets by the end of 2007.

We believe that we have the second largest spectrum position in the 2.5 GHz (2495-2690 MHz) band in the United States with a spectrum portfolio that as of September 30, 2007 includes approximately 14.5 billion MHz-POPs, an industry metric that represents the amount of spectrum in a given area, measured in Megahertz, multiplied by the estimated population of that area. In Europe, as of September 30, 2007, we held approximately 8.7 billion MHz-POPs of spectrum, predominantly in the 3.5 GHz band, in Belgium, Germany, Ireland, Poland, Romania and Spain. We plan to continue acquiring spectrum in markets that we believe is attractive for our service offerings. If demand increases for spectrum rights, our spectrum acquisition costs may increase, which may afford an advantage to competitors with greater capital resources.

We engineer our networks to optimize both the service that we offer and the number of subscribers to whom we can offer service. Consequently, we currently will not launch our services in a market using our current technology unless we control a minimum of six channels of spectrum that contain at least 5 MHz of spectrum each, thus we will not launch our services today in many of the markets in which we hold spectrum. However, we expect the spectral efficiency of technologies we deploy to continue to evolve, and as a result, we may decide to deploy our services in some markets with less spectrum. Alternatively, we could find that new technologies and subscriber usage patterns require us to have more spectrum available in our markets.

As a result of continued expansion and ongoing spectrum acquisitions, we expect to require significant additional capital, which we intend to raise through subsequent equity offerings, by increasing our debt, or a combination of the two. As of September 30, 2007, our total assets were $2.6 billion and our stockholders equity was $1.3 billion, which compares to total assets of $2.1 billion and stockholders equity of $1.3 billion at December 31, 2006. Our cash and cash equivalents and short-term unrestricted investments at September 30, 2007 was $1.0 billion and $1.1 billion at

December 31, 2006. We cannot offer assurances that the necessary capital to achieve our current plan will be available on attractive terms or at all, and we plan to manage our uses of capital by adjusting the rate at which we build our network, acquire spectrum and deploy our services. Additionally, our current plans may be revised or modified depending on the outcome of the negotiations with Sprint regarding the creation of a joint nationwide mobile WiMAX network.

As we have concentrated our financial and management resources on expanding the geographic footprint of our network and the availability of our services, we have incurred net losses of $328.6 million and $59.8 million for the

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three months ended September 30, 2007 and 2006, respectively, and $539.4 million and $191.9 million for the nine months ended September 30, 2007 and 2006, respectively.

On July 3, 2007, we entered into a senior term loan facility providing for loans of up to $1.0 billion. We borrowed $379.3 million under the senior term loan facility on the date of closing and repaid obligations under the $125.0 million term loan and fees and costs attributable to the senior term loan facility. The remainder will be used for capital expenditures, working capital and general corporate purposes. On August 15, 2007, we borrowed the remaining amount of approximately $620.7 million under the senior term loan facility, and fully retired our senior secured notes, originally due 2010, for a price of 102.5% of the aggregate principal amount outstanding of approximately $620.7 million plus accrued and unpaid interest to the date of redemption and the remaining portion of the interest escrow. The new $1.0 billion senior secured term loan facility provides for quarterly amortization payments aggregating an annual amount equal to 1% of the original principal amount of the term loans prior to the maturity date, with the remaining balance due on July 3, 2012. In general, borrowings under the new senior term loan facility bear interest based, at our option, at either the Eurodollar rate or an alternate base rate, in each case plus a margin. The initial rate of interest for borrowings under the new senior term loan facility is the Eurodollar rate plus 6.00% or the alternate base rate plus 5.00%, with interest payable quarterly with respect to alternate base rate loans, and with respect to Eurodollar loans, interest is payable in arrears at the end of each applicable period, but at least every three months. In connection with the repayment of the $125.0 million term loan and the retirement of the $620.7 million senior secured notes due 2010, we recorded a $159.2 million loss on extinguishment of debt, which was primarily due to the write-off of the unamortized portion of the proceeds allocated to the warrants originally issued in connection with the senior secured notes and the related deferred financing costs. In connection with the new $1.0 billion debt, the company recorded a deferred financing cost of $27.6 million which is being amortized over the five year term of the loan.

On November 2, 2007, the Company entered into an Incremental Facility Amendment (the Amendment) with Morgan Stanley Senior Funding, Inc, as administrative agent, term lender and co-lead arranger, Wachovia Bank N.A. as term lender, and Wachovia Capital Markets, LLC, as co-lead arranger, which amended the Credit Agreement dated July 3, 2007 (the Credit Agreement) to provide the Company with an additional $250.0 million in term loans. This additional funding, which closed on the same date, increases the size of the Company s senior secured term loan facility to $1.25 billion. The company will use the additional proceeds to further support its expansion plans and for general corporate purposes. The material terms of the incremental term loans are the same as the terms of the loans under the original senior secured term loan facility.

At September 30, 2007, the Company held a total of $303.0 million in available for sale, short term investments, of which $102.1 million were auction rate securities. Auction rate securities are variable rate debt instruments whose interest rates are reset approximately every 28 days through an auction process with the underlying securities that have contractual maturities greater than ten years. The auction rate securities are classified as available for sale and are recorded at fair value. Typically, the carrying value of auction rate securities approximates fair value due to the frequent resetting of the interest rates through the auction rate process. At September 30, 2007, the Company held auction rate securities that recently failed to settle in the auction process. While the Company continues to earn interest on these investments at the maximum contractual rate, the estimated market value of these auction rate securities no longer approximates par value. Accordingly, the Company has recorded these investments at their estimated fair value of and recorded an unrealized loss on these securities of $12.4 million in other comprehensive income, reflecting the decline in the estimated fair value of these securities.

With the exception of one noted auction rate securities for which we determined losses to be other than temporary, the Company has concluded that no other-than-temporary impairment losses occurred in the auction rate securities in the three and nine months ended September 30, 2007 due to the fact that the decline in market value is due to general market conditions, these investments are of high credit quality with credit ratings of AA or higher, and the Company has the intent and ability to hold these investments until the anticipated recovery in market value occurs. Given the

current market volatility, the Company will continue to monitor its short-term investments for substantive changes in relevant market conditions, substantive changes in financial condition and/or performance of the investments' issuers or other substantive changes in those investments. The Company may be required to record additional realized loss for impairment if the decline in fair value is determined to be other-than-temporary.

During the three months ended September 30, 2007, the Company incurred other-than-temporary impairment losses of $14.2 million related to a decline in values of investment securities. The Company estimated the fair value of these securities mainly based on prices provided by broker-dealers. These prices could change significantly based on market conditions.

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Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates used, including those related to the valuation of investments, long-lived assets, goodwill and intangible assets, including spectrum, share-based compensation, and deferred tax asset valuation allowance.

Our accounting policies require management to make complex and subjective judgments. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Additionally, changes in accounting estimates are reasonably likely to occur from period to period. These factors could have a material impact on our financial statements, the presentation of our financial condition, changes in financial condition or results of operations.

Note 2 to the Consolidated Financial Statements in our Registration Statement on Form S-1 (Registration No. 333-139468) includes a summary of the significant accounting policies or methods used in the preparation of our condensed consolidated financial statements. We believe the following items require the most significant judgments and often involve complex estimates.

Revenue Recognition

We recognize revenue in accordance with Staff Accounting Bulletin No. 104, *Revenue Recognition*, (SAB No. 104) when all of the following conditions exist: (i) persuasive evidence of an arrangement exists in the form of an accepted purchase order; (ii) delivery has occurred, based on shipping terms, or services have been rendered; (iii) the price to the buyer is fixed or determinable, as documented on the accepted purchase order; and (iv) collectibility is reasonably assured.

We apply Emerging Issues Task Force (EITF) Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*, (EITF No. 00-21) to account for revenue arrangements with multiple deliverables. These arrangements are allocated among the separate units of accounting based on the relative fair values if the deliverables in the arrangement meet certain criteria.

Service revenue from customers for the wireless broadband and other optional services are billed in advance and recognized over the service period. Activation fees charged to the customer are deferred and recognized as service revenue on a straight-line basis over the expected life of the customer relationship, which we have estimated to be 3.5 years. This expected life was determined based on our assessment of historical industry averages. Given our limited history we believe that these averages represent the best indicator of our future duration of customer life. As we develop more history of contract renewals, our estimate of the expected life of our customer relationship may change. Any change will be reflected prospectively beginning in the period that the change in estimate occurs.

Sales discounts, primarily discounts on list prices of equipment sold, are generally classified as a reduction of revenues in accordance with EITF Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products)*, and are recognized when the related revenue is recognized.

With the NextNet arrangements that included multiple elements including software, such as the sale of a base station with a software maintenance contract, we applied the accounting guidance in accordance with Statement of Position No. 97-2, *Software Revenue Recognition* (SOP No. 97-2). Revenue was allocated to each element of the transaction based upon its fair value as determined by vendor specific objective evidence. Vendor specific objective evidence of fair value for all elements of an arrangement was based upon the normal pricing and discounting practices for those products and services when sold separately.

Revenue was deferred for any undelivered elements and revenue was recognized when the product was delivered or over the period in which the service is performed. If we could not objectively determine the fair value of any

undelivered element included in the bundled product and software maintenance arrangements, revenue was deferred until all elements were delivered and services performed, or until fair value could objectively be determined for any remaining undelivered elements. If the fair value of a delivered element had not been established, we used the residual method to record revenue if the fair value of all undelivered elements was determinable. Under the residual method, the

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fair value of the undelivered elements was deferred and the remaining portion of the arrangement fee was allocated to the delivered elements and was recognized as revenue.

Software maintenance services included technical support and the right to receive unspecified upgrades and enhancements on a when-and-if available basis. Fees for software maintenance services were typically billed annually in advance of performance of the services with provisions for subsequent annual renewals. We deferred the related revenues and recognized them ratably over the respective maintenance terms, which typically were one to two years.

Share-Based Compensation

We recognize share-based compensation costs in accordance with Statement of Financial Accounting Standards (SFAS) No. 123 (R), *Share-Based Payment*, (SFAS No. 123(R)), which established the use of the fair value based method of accounting for share-based compensation arrangements as of the date of grant. We recognize compensation costs, net of a forfeiture rate, for those shares expected to vest, which is generally the option vesting term of four years. We use the Black-Scholes valuation model to estimate the fair value of stock awards. See Note 10, Share-Based Payments to our condensed consolidated financial statements for additional information.

Accounting for Spectrum Licenses and Leases

We have two types of arrangements for spectrum licenses in the United States, purchase of direct licenses issued by the FCC which we own and leases or subleases from third parties that own or lease one or more FCC licenses. The owned FCC licenses and our licenses for spectrum in Ireland and Belgium are accounted for as intangible assets with indefinite lives in accordance with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets,* (SFAS No. 142). In accordance with SFAS No. 142, intangible assets with indefinite useful lives are not amortized but must be assessed for impairment annually or more frequently if an event indicates that the asset might be impaired. We perform our annual impairment test of indefinite lived intangible assets as of October 1 of each year.

We account for the spectrum lease arrangements as executory contracts which are similar to operating leases. For leases containing scheduled rent escalation clauses we record minimum rental payments on a straight-line basis over the terms of the leases, including the renewal periods as applicable. For leases involving significant up-front payments, we account for such payments as prepaid spectrum license fees and they are expensed over the term of the lease agreement including renewal terms as applicable.

Deferred Tax Asset Valuation Allowance

A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before we are able to realize their benefit, or that future deductibility is uncertain. In accordance with SFAS No. 109, *Accounting for Income Taxes* (SFAS No. 109), we record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including our limited operating history, scheduled reversals of deferred tax liabilities, projected future taxable income/loss, tax planning strategies and recent financial performance. The Company has recorded a valuation allowance against a significant portion of the deferred tax assets.

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Results of Operations

The following table sets forth certain operating data for the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
REVENUES:				
Service	$ 41,297	$ 18,962	$ 106,056	$ 43,855
Equipment and other (includes related party sales of $0, $3,278, $0 and $15,546)		7,937		32,583
Total revenues	41,297	26,899	106,056	76,438
OPERATING EXPENSES:				
Cost of goods and services (exclusive of items shown separately below):				
Cost of service (includes related party costs of $815, $0, $2,205 and $0)	29,268	13,387	69,316	33,999
Cost of equipment (includes related party costs of $0, $2,222, $0 and $8,914)		5,316		19,674
Selling, general and administrative expense	103,424	52,166	259,456	142,532
Research and development	194	2,603	1,217	8,470
Depreciation and amortization	22,659	9,538	58,558	26,372
Spectrum lease expense	28,278	6,661	56,543	14,649
Gain on sale of NextNet		(19,793)		(19,793)
Total operating expenses	183,823	69,878	445,090	225,903
OPERATING LOSS	(142,526)	(42,979)	(339,034)	(149,465)
OTHER INCOME (EXPENSE):				
Interest income	16,596	6,249	52,006	13,135
Interest expense	(28,813)	(19,312)	(76,542)	(49,741)
Foreign currency translation gains (losses), net	292	(20)	224	(20)
Loss on extinguishment of debt	(159,193)		(159,193)	
Other-than-temporary impairment loss on investments	(14,208)		(14,208)	
Other income (expense), net	453	(821)	2,197	1,426
Total other expense, net	(184,873)	(13,904)	(195,516)	(35,200)
LOSS BEFORE INCOME TAXES, MINORITY INTEREST AND LOSSES FROM EQUITY INVESTEES	(327,399)	(56,883)	(534,550)	(184,665)
Income tax provision	(1,198)	(648)	(3,927)	(1,875)
	(328,597)	(57,531)	(538,477)	(186,540)

LOSS BEFORE MINORITY INTEREST AND LOSSES FROM EQUITY INVESTEES				
Losses from equity investees, net	(1,034)	(2,042)	(3,841)	(5,757)
Minority interest in net loss (income) of consolidated subsidiaries	994	(190)	2,961	446
NET LOSS	$ (328,637)	$ (59,763)	$ (539,357)	$ (191,851)
Net loss per common share, basic and diluted	$ (2.01)	$ (0.61)	$ (3.44)	$ (2.30)
Weighted average common shares outstanding, basic and diluted	163,586	97,854	156,940	83,595

Revenue. Service revenue is primarily generated from subscription and modem lease fees for our wireless broadband service. Revenue from our acquired businesses, activation fees and fees for other services such as email, VoIP, and web hosting services are also included in service revenue. Our equipment and other revenue include sales of NextNet equipment through the date of sale of NextNet in August 2006.

Service revenues were $41.3 million in the third quarter of 2007 compared to $19.0 million in the third quarter of 2006. For the nine months ended September 30, 2007 and 2006 service revenues were $106.1 million and $43.9 million, respectively. These increases were primarily due to the increase in our subscriber base. As of September 30, 2007, we operated in 44 U.S. markets and four international markets covering a geographic area containing approximately 14.8 million people. This is compared to 32 U.S. and two international markets covering approximately 6.6 million people as of September 30, 2006. Total subscribers in all markets grew from approximately 162,000 as of September 30, 2006 to

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approximately 348,000 as of September 30, 2007, primarily due to continued subscriber growth in existing markets and the addition of 12 markets launched during the first nine months of 2007. Equipment and other revenue in the third quarter 2007 decreased from the third quarter 2006 due to the sale of NextNet in August 2006. Service revenue from our acquired businesses was approximately $4.4 million in the third quarter of 2007 compared to $3.3 million in the third quarter of 2006. For the nine months ended September 30, 2007 and 2006 service revenue from our acquired businesses was approximately $11.3 million and $8.3 million, respectively.

Cost of goods and services. Service costs primarily include costs associated with tower rents, network costs and traffic back haul, which is the transporting of data traffic between distributed sites and a central point in the market or Point of Presence (POP). Our cost of equipment consists of costs incurred for equipment manufactured by NextNet through August 2006.

Cost of services were $29.3 million in the third quarter of 2007 compared to $13.4 million in the third quarter of 2006, and $69.3 million and $34.0 million, respectively, for the nine months ended September 30, 2007 and 2006. These increases were primarily due to an increase in the number of towers leased and related traffic back haul costs, the number of subscribers using our service, and additional markets served. Service gross margin was 29.1% in the third quarter of 2007 compared to 29.4% in third quarter of 2006. Service gross margin for the nine months ended September 31, 2007 increased to 34.6% for the nine months ending September 30, 2007 from 22.5% for the nine months ending 2006, primarily as a result of our costs of services rising at a slower rate as compared to our revenues generated from our increased subscriber base.

Overall gross profit increased to $12.0 million for the three months ended September 30, 2007 from $8.2 million for the third quarter of 2006 and to $36.7 million for the nine months ended September 30, 2007 from $22.8 million for the nine months ended September 30, 2006. Overall gross margin was 29.1% for the third quarter of 2007 compared to 30.5% for the third quarter 2006. For the nine months ended September 30, 2007 and 2006, overall gross margin was 34.6% and 29.8% respectively. These increases were primarily due to growth in our subscriber base. We anticipate that gross margin will fluctuate due to new market launches, while our cost of service will increase as we continue to expand our network. There were no costs related to equipment in the third quarter or the first nine months of 2007 due to the sale of NextNet in August 2006.

Selling, general and administrative expense. Selling, general and administrative expense includes primarily salaries and benefits, sales commissions, travel expenses and related facilities costs for our sales, marketing, network deployment, executive, finance, information technology, human resource and legal personnel. It also includes costs associated with advertising, trade shows, public relations and other market development programs and third-party professional service fees.

Selling, general and administrative expense was $103.4 million for the quarter ended September 30, 2007 as compared to $52.2 million for the quarter ended September 30, 2006. The increase of $51.2 million was due primarily to a $30.5 million increase in employee compensation and related costs, including facilities costs, resulting from higher employee headcount of approximately 1,900 employees at September 30, 2007 compared to approximately 1,075 employees at September 30, 2006. These additional employees were hired to support the overall growth of our business. In addition for the quarter ended September 30, 2007 as compared to the quarter ended September 30, 2006, there was a $9.1 million increase in professional fees resulting from legal and accounting fees related to work performed on business development projects and costs associated with our compliance with Sarbanes Oxley; a $6.3 million increase in advertising expenses related to the expansion of our business; and $2.4 million increase in third party commissions as we sold more services through third party providers. The remaining increase of $2.9 million resulted from increases in other miscellaneous expenses primarily arising out of growth in the company's business.

For the nine months ended September 30, 2007 and 2006, selling, general and administrative expense was $259.5 million and $142.5 million, respectively, resulting in an increase of $117.0 million. The increase was due primarily to a $77.3 million increase in employee compensation and related costs, including facilities costs, resulting

from higher employee headcount to support the overall growth of our business. In addition, there was a $11.4 million increase in professional fees related to increased filings and business development activities as well as an increase in audit related fees and costs related to Sarbanes Oxley compliance efforts; advertising expense increased $10.5 million related to increased advertising as we increase sales; third party commissions increased $6.7 million as sales increased; increased costs related to credit card processing, collections and bad debt expense of $4.0 million; an increase of $1.1 million in

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inventory obsolescence; and other miscellaneous expenses which increased by $6.0 million, primarily as a result of growth in the Company's business.

We expect that our selling, general, and administrative expenses will increase in future periods. We expect that these increases will primarily be related to wages and related employment costs, facility costs and marketing expenses necessary to support our growth and our efforts to build brand awareness through advertising and promotional activities, and our network expansion.

Research and development. Research and development expenses consist of salaries and related benefits for our development personnel. Research and development expense was $194,000 and $1.2 million for the three and nine months ended September 30, 2007 compared to $2.6 million and $8.5 million for the three and nine months ended September 30, 2006. These decreases were due to prior period expenses related to NextNet product research that were not recurring in 2007 due to the sale of NextNet in August 2006.

Depreciation and amortization. Depreciation and amortization expense increased to $22.7 million and $58.6 million for the three and nine months ended September 30, 2007, respectively, from $9.5 million and $26.4 million for the three and nine months ended September 30, 2006, respectively. These increases were primarily due to the additional network build-out and the cost of customer premise equipment (CPE) related to our expansion into new markets and associated subscriber growth. Capital expenditures for depreciable property, plant and equipment increased to $114.6 million and $279.2 million, respectively, for the three and nine months ended September 30, 2007 from $45.8 million and $129.0 million, respectively, for the three and nine months ended September 30, 2006. The majority of these expenditures relate to the construction of our network and purchases of base station equipment.

Changes in technology used in our business, such as a transition to mobile WiMAX, may result in an impairment in the value or a change in the estimated useful life of our Expedience network equipment already placed in service. If and when such a change occurs, we may be required to record an impairment charge to reduce the carrying amount of equipment in service to its fair value, and/or to accelerate the useful life of the respective equipment. This may result in an increase in periodic depreciation expense over the remaining useful life of the equipment, or, in appropriate instances, to write off a portion of the entire net book value of the equipment.

Spectrum lease expense. Spectrum lease expense increased to $28.3 million and $56.5 million for the three and nine months ended September 30, 2007 from $6.7 million and $14.6 million for the three and nine months ended September 30, 2006. As certain of our leases include escalation clauses, we are required to record expense on a straight-line basis over the term of these leases, including renewal periods where appropriate. Total spectrum lease expense increased as a direct result of an increase in the number of spectrum licenses leased by us. We expect spectrum lease expense to continue to increase.

Interest income. We recognized $16.6 million and $52.0 million of interest income for the three and nine months ended September 30, 2007 compared to $6.2 million and $13.1 million for the three and nine months ended September 30, 2006. These increases were primarily due to the higher balances of short-term investments held during the three and nine months of 2007 compared to the three and nine months of 2006.

Interest expense. We incurred $28.8 million of interest expense in the third quarter of 2007 compared to $19.3 million for the third quarter of 2006 and $76.5 million in the first nine months of 2007 compared to $49.7 million in the first nine months of 2006. These increases in interest expenses were primarily due to an increase in debt from the $1.0 billion senior term loan obtained during third quarter 2007.

We recorded interest expense totaling $28.8 million and $71.1 million related to our secured notes for the three and nine months ended September 30, 2007, respectively, compared to $18.2 million and $47.9 million related to our secured notes for the three and nine months ended September 30, 2006, respectively. We recorded amortization of original issuance discount of $2.9 million and $14.0 million for the three and nine months ended September 30, 2007, respectively, compared to $4.9 million and $10.6 million for the three and nine months ended September 30, 2006, respectively. We recorded amortization of original deferred financing costs related to our secured notes of $2.0 million

and $5.2 million, respectively, for the three and nine months ended September 30, 2007 and $1.3 million and $2.4 million, respectively, for the three and nine months ended September 30, 2006. These amounts were partially offset

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CLEARWIRE CORPORATION AND SUBSIDIARIES
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by capitalized interest of $4.9 million and $13.8 million for the three and nine months ended September 30, 2007, respectively, and $5.1 million and $11.2 million for the three and nine months ended September 30, 2006, respectively.

Loss on extinguishment of debt. In connection with the repayment of the $125.0 million term loan and the retirement of the $620.7 million senior secured notes due 2010, the Company recorded a $159.2 million loss on extinguishment of debt, which was primarily due to the write-off of the unamortized portion of the proceeds allocated to the warrants originally issued in connection with the senior secured notes and the related deferred financing costs.

Other-than-temporary impairment losses on investments The increase in the other-than-temporary impairment loss on investment securities of $14.2 million for the three and nine months ended September 30, 2007, as compared to September 30, 2006, is primarily due to the recognition of a decline in value of investment securities which we determined to be other than temporary.

Other income (expense), net. In the third quarter of 2007, we had approximately $453,000 in other income compared to approximately $821,000 in other expenses in the third quarter of 2006. For the nine months ended September 30, 2007 and 2006, we had other income of approximately $2.2 million and $1.4 million, respectively.

Losses from equity investees, net. In the third quarter of 2007, we had approximately $1.0 million in losses from equity investees compared to approximately $2.0 million in losses in the third quarter of 2006. For the nine months ended September 30, 2007 and 2006, we had losses from equity investees of approximately $3.8 million and $5.8 million, respectively. These decreases were primarily due to the growth in the aggregate subscriber base and related business performance of the equity investees.

Cash Flow Analysis

The following table presents a summary of our cash flows and beginning and ending cash balances for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30,	
	2007	**2006**
Cash used in operating activities	$ (398,488)	$ (179,555)
Cash used in investing activities	(87,528)	(472,297)
Cash provided by financing activities	762,965	1,504,697
Effect of foreign currency exchange rates on cash and cash equivalents	(696)	2,231
Net increase in cash and cash equivalents	276,253	855,076
Cash and cash equivalents at beginning of period	438,030	29,188
Cash and cash equivalents at end of period	$ 714,283	$ 884,264

Operating Activities

Net cash used in operating activities increased by $218.9 million to $398.5 million in the nine months ended September 30, 2007, from $179.6 million in the nine months ended September 30, 2006. Cash received from customers was $108.5 million in the first nine months of 2007 compared to $84.4 million in the first nine months of 2006, which was primarily from our NextNet operations, resulting in a $24.1 million increase in cash provided. This increase was due to an increase in our subscriber base as we continued to increase subscribers in our existing markets as well as we added 12 new markets in the first nine months of 2007. This addition to cash was offset by increases in all operating expenses, most significantly general and administrative, and sales and marketing expenses. These increases included employee compensation, professional fees, facilities and advertising expense, due to the expansion of our wireless broadband network as well as an increase in the number of markets served.

Investing Activities

During the nine months ended September 30, 2007, net cash used in investing activities was $87.5 million compared to $472.3 million during the nine months ended September 30, 2006, resulting in a decrease of $384.8 million. This decrease in cash used was due primarily to an increase in proceeds received from sales and maturities of short-term and restricted investments, net of purchases, of $721.0 million as short-term and restricted investments decreased from $743.8 million at December 31, 2006 to $317.0 million at September 30, 2007. In addition there was a $37.7 million decrease in cash used to acquire businesses, $2.1 million reduction in related party notes issued and $1.0 million in proceeds received from sale of other assets. This decrease in cash used in investing activities was partially

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CLEARWIRE CORPORATION AND SUBSIDIARIES
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offset by an increase of $327.9 million in cash invested in building our wireless broadband network and acquiring additional spectrum licenses in the first nine months of 2007 as compared to the first nine months of 2006 as we launched 12 new markets in the first nine months of 2007. Adding to this partial offset is a decrease of $44.8 million in proceeds received from the sale of an equity investment, as well as, increases in investments made in equity investees of $3.1 million as we continue to invest in our international subsidiaries, and purchase of minority interest in one of our subsidiaries of $1.2 million.

Financing Activities

Net cash provided by financing activities decreased by $741.7 million to $763.0 million for the nine months ended September 30, 2007 from $1.5 billion for the nine months ended September 30, 2006. This reduction is due primarily to payments made on long-term debt of $745.7 million as the Company fully retired the senior secured notes and paid related interest. Also contributing to the reduction in cash provided from financing activities is a reduction of cash received of $470.6 million resulting from fewer proceeds received from stock issuances. The reduction in cash received from financing was offset partially by an increase of $459.6 million from $933.1 million net proceeds received from the issuance of a $1.0 billion senior term loan facility entered into during the first nine months of 2007 compared to net proceeds of $473.5 million from the issuance of the senior secured and other notes in the first nine months of 2006. In addition there was $15.0 million received from a minority partner in the first nine months of 2007 and none during the first nine months of 2006.

Liquidity and Capital Resource Requirements

Based upon our current plans, we believe that our existing cash, cash equivalents and marketable securities together with the incremental proceeds from our senior term loan facility will be sufficient to cover our estimated liquidity needs for at least the next twelve months, although we may raise additional capital during that period if available on terms we believe are attractive. Our long-term economic model is designed to allow replicable, scalable individual market builds so that we can increase or decrease our market deployment schedule based on available funds. As a result, the amount and timing of our long-term capital needs will depend on the extent of our network deployment and, to a lesser degree, on the schedule on which mobile WiMAX technologies become commercially available, which factors are difficult to estimate at this time. As our business is in its early stages, we regularly evaluate our plans and strategy, and these evaluations often result in changes, some of which may be material and may significantly modify our cash requirements. These changes in our plans or strategy may include the introduction of new features or services, significant or enhanced distribution arrangements, investments in infrastructure, acquisition of other companies, or any combination of the foregoing. We will likely seek significant additional debt financing, in both the short-term and the long-term, to continue to fund our liquidity needs and capital resource requirements.

Recent Accounting Pronouncements

SFAS No. 159 In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits entities to choose, at specified election dates, to measure eligible items at fair value (fair value option) and to report in earnings unrealized gains and losses on those items for which the fair value option has been elected. SFAS No. 159 also requires entities to display the fair value of those assets and liabilities on the face of the balance sheet. SFAS No. 159 establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. We are currently evaluating the impact of this pronouncement on our consolidated financial statements.

SFAS No. 157 In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for

financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of this pronouncement on our consolidated financial statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and changes in the market value of investments.

Interest Rate Risk

Our primary interest rate risk is associated with our new senior term loan facility. We have a total outstanding balance on our new senior term loan facility of $1.0 billion at September 30, 2007. The interest rate on the new senior term loan facility is based, at our option, at either the Eurodollar rate, indexed to the LIBOR or an ABR indexed to the higher of 0.5% in excess of the federal funds rate or the rate that the administrative agent announces from time to time as its prime or base commercial lending rate. The weighted average interest rate under the new senior term loan facility was 11.57% at September 30, 2007. A one percent increase in the interest rate on the outstanding principal balance at September 30, 2007, would increase our annual interest expense by approximately $10.0 million per year.

We have short-term investments that are subject to interest rate risk that may impact the return on those investments. We do not expect our operating results, financial condition or cash flows to be materially affected by changes in market interest rates.

Foreign Currency Exchange Rates

We are exposed to foreign currency exchange rate risk as it relates to our international operations. We currently do not hedge our currency exchange rate risk and, as such, we are exposed to fluctuations in the value of the U.S. dollar against other currencies. Our international subsidiaries and equity investees generally use the currency of the jurisdiction in which they reside, or local currency, as their functional currency. Assets and liabilities are translated at exchange rates in effect as of the balance sheet date and the resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss). Income and expense accounts are translated at the average monthly exchange rates during the reporting period. The effects of changes in exchange rates between the U.S. Dollar and the currency in which a transaction is denominated are recorded as foreign currency transaction gains (losses) as a component of net loss. We do not expect the effects of changes in exchange rates to be material.

Investment Risk

At September 30, 2007, our recorded basis in our short-term available-for-sale investments was $303.0 million of which $102.1 million was auction rate securities and $200.9 million was bonds, commercial paper and other securities. We regularly review the carrying value of our investments and identify and record losses when events and circumstances indicate that declines in the fair value of such assets below our accounting basis are other-than-temporary, which we experienced with an auction rate securities during the three months ended September 30, 2007. The fair values of our investments are subject to significant fluctuations due to volatility of the credit markets in general, company-specific circumstances, and changes in general economic conditions. Based on the fair value of the auction rate securities we held at September 30, 2007 of $102.1 million, an assumed 15%, 30%, and 50% adverse change to market prices of these securities would result in a corresponding decline in total fair value of approximately $15.3 million, $30.6 million, or $45.9 million.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Company management, along with our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation and in light of our material weaknesses noted in our Registration Statement on Form S-1/A dated March 7, 2007, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are not effective; however, we have performed detailed account reconciliation reviews and additional analyses of the balance sheet and income statement accounts as well as closing and other post-closing procedures to ensure the condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the condensed consolidated financial statements included in this report do fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Changes in Internal Controls

As previously disclosed in connection with the audit of our consolidated financial statements for the years ended December 31, 2006 and 2005 included in our Registration Statement on Form S-1/A dated March 7, 2007, both we and our independent public accountants identified material weaknesses, as well as significant deficiencies, with respect to our internal controls over financial reporting. In light of the material weaknesses and significant deficiencies noted, we have taken a number of steps to address and improve our internal controls over financial reporting.

During the first nine months of 2007 and through the filing of this Quarterly Report, we have continued our remediation efforts to address the material weaknesses and significant deficiencies from prior years.

With respect to the material weaknesses, we have undertaken the following actions:

In order to address the material weakness identified in 2005 relating to the accounts payable cutoff, we have identified several areas for improvement. We centralized the receipt and processing of invoice transactions in the accounts payable department. Our month end close procedures have been modified to include a review of vendor invoices to ensure completeness of accounts payable. Additionally, we have established a cross departmental team to implement improved policies and procedures for the procurement and payment processes that is also addressing the proper recording of accounts payable and accrued expenses.

With respect to financial reporting and complex accounting issues, we have increased the total number of staff within our department as well as the technical capability of that team. We hired a Chief Accounting Officer during 2007 who has significant experience in leading an accounting function at a publicly held company and in overseeing the internal controls over financial reporting. He also has thorough knowledge and experience with technical accounting and US GAAP reporting requirements. To improve the quality of our month end close process, we have implemented several policies and procedures that are required to be followed by the accounting staff to ensure that all transactions are recorded consistently, are authorized and reviewed by higher level accounting personnel and include the appropriate level of supporting documentation.

We have also significantly increased management oversight and review of the financial information and engaged a nationally recognized accounting firm to advise us, as necessary, with respect to accounting for complex and unusual transactions.

With respect to the significant deficiencies, we have undertaken the following actions:

In the third quarter, we implemented a software program to automate the accounting for share based payments and the modifications of stock option grants. Additionally, the accounting for leases has been automated and procedures have been implemented to ensure we have properly accounted for all leases as of a month end.

With the information technology department, we continue to enhance our resources and control environment. Related to information security, we have implemented stronger front end controls to address authentication and responsibilities within significant applications. Our technology group and internal compliance team, working

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with our third party providers, has completed an evaluation of access control procedures such as user access reviews and segregation of duties analysis, within and across applications.

Additionally, we have completed an annual assessment process which includes fraud risk and enterprise risk assessments where we have documented risks that are unique to our business for our domestic and international operations. We are evaluating our existing controls to mitigate those risks and have examined whether there are gaps or deficiencies in these controls that require remediation. For the remainder of 2007, we are remediating those gaps or deficiencies and controls to help reduce the underlying risks.

We believe that the changes in accounting, processes and people as described above will address and ultimately remedy the material weaknesses and the significant deficiencies in our internal control over financial reporting. We continue to review processes, procedures and systems and will implement additional measures as appropriate. Our remediation plan is expected to be accomplished over time and we cannot offer any assurances that our initiatives will ultimately be successful.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are a party to various pending judicial and administrative proceedings. Our management and legal counsel have reviewed the probable outcome of these proceedings, the costs and expenses reasonably expected to be incurred, the availability and limits of our insurance coverage, and our established liabilities. While the outcome of the pending proceedings cannot be predicted with certainty, based on our review, we believe that any unrecorded liability that may result will not to have a material adverse effect on our liquidity, financial condition or results of operations.

Item 1A. Risk Factors

We are an early stage company, we have a history of operating losses and we expect to continue to realize significant net losses for the foreseeable future.

We have only recently begun to implement our business strategy. We have recorded a net loss in each reporting period since our inception. As Clearwire is at an early stage of development, we cannot anticipate with certainty what our earnings, if any, will be in any future period. However, we expect to incur significant net losses as we develop and deploy our network in new and existing markets, expand our services and pursue our business strategy. We intend to invest significantly in our business before we expect cash flow from operations will be adequate to cover our anticipated expenses. In addition, at this stage of our development we are subject to the following risks:

- our results of operations may fluctuate significantly, which may adversely affect the value of an investment in our Class A common stock;

- we may be unable to develop and deploy our network, expand our services, meet the objectives we have established for our business strategy or grow our business profitably, if at all;

- it may be difficult to predict accurately our key operating and performance metrics because of our limited operating history; and

- our network and related technologies may fail or the quality and number of services we are able to provide may decline if our network operates at maximum capacity for an extended period of time.

If we are unable to execute our business strategy and grow our business, either as a result of the risks identified in this section or for any other reason, our business, prospects, financial condition and results of operations will be materially and adversely affected.

If we do not obtain additional financing, our business prospects, financial condition and results of operations will be adversely affected.

We believe our cash, cash equivalents and marketable securities, together with the incremental cash provided by our senior term loan facility, afford us adequate liquidity for at least the next 12 months, although we may raise additional capital during this period if acceptable terms are available. In addition to our cash needs for the next 12 months to fund operating losses, capital expenditures, working capital and acquisition commitments, we also expect to enter into additional spectrum acquisition agreements in the future. We also expect to require substantial additional capital in the long-term to fund our business, and our success and viability will depend on our ability to raise additional capital on reasonable terms.

The amount and timing of our long-term capital needs will depend on the extent of our network deployment, which we may adjust based on available capital and, to a lesser degree, based on the schedule on which mobile WiMAX technologies become available, which factors are difficult to estimate at this time. We may not be able to secure adequate additional financing when needed on acceptable terms or at all. To execute our business strategy, we may issue additional equity securities in public or private offerings, potentially at a price lower than the market price of our Class A common stock at the time of such issuance. We will likely seek significant additional debt financing, in the short-term and the long-term, and, as a result, will likely incur significant interest expense. Our existing level of debt may make it more difficult for us to obtain this debt financing, may reduce the amount of money available to finance our operations and other business activities, may expose us to the risk of increasing interest rates, may make us more

vulnerable to general economic downturns and adverse industry conditions, and may reduce our flexibility in planning

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for, or responding to, changing business and economic conditions. We also may decide to sell additional debt or equity securities in our domestic or international subsidiaries, which may dilute our ownership interest in or reduce or eliminate our income, if any, from those entities. If we cannot secure sufficient additional funding we may forego strategic opportunities or delay, scale back and eliminate network deployments, operations, spectrum acquisitions and investments.

Certain holders of our warrants are entitled to pre-emptive rights in unregistered equity offerings completed within one year after the date of our initial public offering, which may delay or otherwise adversely affect our ability to raise additional funds.

We have committed to deploy a wireless broadband network using mobile WiMAX technologies under certain circumstances, even if there are alternative technologies available in the future that would be technologically superior or more cost effective.

Under the terms of our strategic collaboration agreement with Intel, we have committed to use commercially reasonable efforts to deploy a mobile WiMAX based network once mobile WiMAX equipment is commercially available and satisfies certain technical performance criteria. While vendors currently expect mobile WiMAX equipment to be commercially available in the near term, we cannot assure you that commercial quantities of mobile WiMAX equipment meeting our requirements will be available on this schedule or that they will be successfully developed at all. Other competing technologies may be developed that have advantages over mobile WiMAX, and operators of other networks based on these competing technologies may be able to deploy their networks at a lower cost than that incurred in deploying a mobile WiMAX network, which may allow those operators to compete more effectively. Additionally, if other network operators do not adopt and deploy mobile WiMAX, equipment manufacturers may be unwilling to invest the time and money necessary to develop infrastructure equipment and end user devices that meet our business needs. Furthermore, we are depending on the wide scale deployment of mobile WiMAX networks to drive an adequate volume of demand which we expect will support reasonably priced equipment. As a result, our commitment to deploy mobile WiMAX technology on our network may lead to problems acquiring new subscribers and dissatisfaction among our existing subscribers, either of which would harm our prospects, financial condition and results of operations.

Additionally, mobile WiMAX may not perform as we expect, or as well as our existing Expedience technology, and therefore we may not be able to deliver the quality or types of service we expect. We also may discover unanticipated costs associated with deploying and maintaining our network or delivering services we must offer in order to remain competitive. These risks could reduce our subscriber growth, increase our costs of providing services or increase our churn. Churn is an industry term we use to measure the rate at which subscribers terminate service. We calculate this metric by dividing the number of subscribers who terminate their service in a given month by the average number of subscribers during that month, in each case excluding those who subscribe for and terminate our service within 30 days for any reason or in the first 90 days of service under certain circumstances.

If third parties fail to develop and deliver the equipment that we need for both our existing and future networks, we may be unable to execute our business strategy or operate our business.

We currently depend on third parties to develop and deliver complex systems, software and hardware products and components for our network in a timely manner, at a high level of quality. Motorola is our sole supplier of equipment and software for the Expedience system currently deployed on our network, which was developed by NextNet. The Expedience system consists of network components used by us and subscriber equipment used by our subscribers. To successfully execute our business strategy, Motorola must not only continue to produce the Expedience system, including the software and hardware components, and deliver it when needed by us, but must also continue to further upgrade and evolve the technology for our business to remain competitive until we deploy mobile WiMAX technologies. Any failure by Motorola to meet these needs may impair our ability to execute our business strategy and our ability to operate our business.

For our planned mobile WiMAX deployment, we are relying on third parties, including Motorola and Intel, to develop the network components and subscriber equipment necessary to build and operate our mobile WiMAX networks. As mobile WiMAX is a new and highly sophisticated technology, we cannot be certain that these third

parties will be successful in their development efforts. Even if these parties are successful, the development process for mobile WiMAX network components and subscriber equipment may be lengthy and subject to significant delays. If these third parties are unable to develop mobile WiMAX network components and subscriber equipment on a timely basis that perform according to our expectations, we may be unable to deploy mobile WiMAX on our networks when we expect,

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or at all. If we are unable to deploy mobile WiMAX in a timely manner, we may be unable to execute our business strategy and our prospects and results of operations would be harmed.

Many of our competitors are better established and have significantly greater resources than we have, which may make it difficult to attract and retain subscribers.

The market for broadband, voice and related services is highly competitive, and we compete with several other companies within each of our markets. Many of our competitors are well established with larger and better developed networks and support systems, longer-standing relationships with customers and suppliers, greater name recognition and greater financial, technical and marketing resources than we have. Our competitors may subsidize competing services with revenue from other sources and, thus, may offer their products and services at prices lower than ours. Our competitors may also reduce the prices of their services significantly or may offer broadband connectivity packaged with other products or services. We may not be able to reduce our prices or otherwise combine our services with other products or services, which may make it more difficult to attract and retain subscribers.

Many of our competitors are better established or have greater financial resources than we have. Our competitors include:

- cable operators offering high-speed Internet connectivity services and voice communications;
- incumbent and competitive local exchange carriers providing DSL services over their existing wide, metropolitan and local area networks;
- 3G cellular, PCS and other wireless providers offering wireless broadband services and capabilities, including developments in existing cellular and PCS technology that may increase network speeds or have other advantages over our services;
- Internet service providers offering dial-up Internet connectivity;
- municipalities and other entities operating WiFi networks, some of which are free or subsidized;
- providers of VoIP and other telephony services;
- wireless Internet service providers using licensed or unlicensed spectrum;
- satellite and fixed wireless service providers offering or developing broadband Internet connectivity and VoIP telephony;
- electric utilities and other providers offering or planning to offer broadband Internet connectivity over power lines; and
- resellers providing wireless Internet or other wireless services using infrastructure developed and operated by others.

We expect other existing and prospective competitors to adopt technologies or business plans similar to ours, or seek other means to develop services competitive with ours, particularly if our services prove to be attractive in our target markets. For example, Sprint Nextel has announced its intention to deploy a mobile WiMAX network. Sprint has substantially greater resources than we do, giving them certain advantages over us. Sprint may deploy their network in some of the same markets in which we have deployed or plan to deploy our network. In either case, Sprint or other operators may deploy their network faster or more broadly than we do, thereby obtaining a time to market advantage over us. There can be no assurances that there will be sufficient customer demand for services offered over mobile WiMAX networks in the same markets to allow multiple operators, if any, to succeed.

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Our substantial indebtedness and restrictive debt covenants could limit our financing options and liquidity position and may limit our ability to grow our business.

On July 3, 2007, we entered into a senior term loan facility providing for loans of up to $1.0 billion. We borrowed $379.3 million under the senior term loan facility on the date of closing and repaid our obligations under our $125.0 million term loan, the fees and costs attributable to the senior term loan facility and the remainder will be used for general working capital purposes. We borrowed the remaining amount of approximately $620.7 million under the new senior term loan facility on August 15, 2007, to retire our senior secured notes due 2010. Our senior term loan facility provides for quarterly principal payments, with the remaining balance due on the final maturity date. In general, borrowings under the new senior term loan facility bear interest based, at our option, at either the Euro dollar rate or on an alternate base rate, in each case plus margin. On November 2, 2007, we amended the senior term loan facility to provide the Company with an additional $250 million in term loans. This additional funding increases the size of our senior secured term loan facility to an aggregate of $1.25 billion. We plan to use the additional proceeds to further support our expansion plans, spectrum acquisition and for general corporate purposes.

We also borrowed $10.0 million from BCE Nexxia, an affiliate of Bell Canada, in June 2006 in connection with the build-out and deployment of our VoIP infrastructure.

Our substantial indebtedness could have important consequences to the holders of our common stock, such as:

- we may not be able to obtain additional financing to fund working capital, operating losses, capital expenditures or acquisitions on terms acceptable to us or at all;
- we may be unable to refinance our indebtedness on terms acceptable to us, or at all;
- our substantial indebtedness may make us more vulnerable to economic downturns and limit our ability to withstand competitive pressures; and
- cash flows from operations and investing activities have been negative since inception and will continue to be so for some time, and our remaining cash, if any, may be insufficient to operate our business.

Additionally, covenants in the credit agreement governing our term loan facility impose operating and financial restrictions on us. These restrictions prohibit or limit our ability, and the ability of our subsidiaries, to, among other things:

- pay dividends to our stockholders;
- incur, or cause certain of our subsidiaries to incur, additional indebtedness;
- permit liens on or conduct sales of any assets pledged as collateral;
- sell all or substantially all of our assets or consolidate or merge with or into other companies;
- repay existing indebtedness; and
- engage in transactions with affiliates.

A breach of any of these covenants could result in a default under our senior term loan facility. If a default causes our debt repayment obligations to be accelerated, our assets may be insufficient to repay the amount due in full. If we are unable to repay or refinance those amounts, the collateral agent for our senior term loan facility, could proceed against the assets pledged to secure these obligations, which include substantially all of our assets.

These restrictions may limit our ability to obtain additional financing, withstand downturns in our business and take advantage of business opportunities. Moreover, we may seek additional debt financing on terms that include more restrictive covenants, may require repayment on an accelerated schedule or may impose other obligations that limit our ability to grow our business, acquire needed assets, or take other actions we might otherwise consider

appropriate or desirable.

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We and our independent public accountants have both identified material weaknesses and other significant deficiencies in our internal control over financial reporting during 2005 and 2006. If we fail to establish and maintain an effective system of internal control, we may not be able to report our financial results accurately or to prevent fraud. Any inability to report and file our financial results in an accurate and timely manner could harm our business and adversely impact the trading price of our Class A common stock.

Prior to our initial public offering in March 2007, we were a private company and did not file reports with the SEC. As a public reporting company we are required, among other things, to maintain a system of effective control over financial reporting. We produce our consolidated financial statements in accordance with the requirements of generally accepted accounting principles in the United States (U.S. GAAP), but our internal control may not currently meet all of the standards applicable to companies with publicly traded securities.

Effective internal controls are necessary to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business, brand and reputation with investors may be harmed. As a result, our current internal control deficiencies may adversely affect our financial condition, results of operation and access to capital. We have in the past discovered, and may in the future discover, areas of our internal control that need improvement.

We and our independent public accountants have identified material weaknesses in our internal controls during 2005 and 2006. A material weakness is a significant deficiency that, by itself or in combination with other control deficiencies, results in more than a remote likelihood that a material misstatement in our annual or interim financial statements will not be prevented or detected.

In 2005, we determined that there were material weaknesses related to our lack of sufficient review of our accounting for nonroutine and complex transactions and a lack of proper cutoff of accounts payable and accrued expenses. The weakness for nonroutine and complex transactions specifically included accounting for equity-method investments and issuance of debt with detachable warrants. During 2006, we determined that a material weakness in internal controls existed because of a lack of properly designed internal control over the preparation and review of the financial statements. We have also identified other significant deficiencies in our internal controls.

If we do not establish and maintain an effective system of internal control and address and remediate our material weaknesses and other significant deficiencies, the reliability of our periodic reports on Form 10-Q and annual report on Form 10-K may be compromised. This may result in a restatement of our financial statements, such as past restatements of our financial statements for the nine months ended September 30, 2005 and 2006 and for the years ended December 31, 2004 and 2005. In addition, reporting any material weakness may negatively impact investors perception of us. We have allocated, and will continue to allocate, significant additional resources to remediating any deficiencies in our internal control. We are in the process of addressing and remedying the identified material weaknesses in internal control over financial reporting, as well as all other identified significant deficiencies. However, elements of our remediation plan can only be accomplished over time, and our initiatives ultimately may not result in an effective internal control environment.

Acquisitions, investments and other strategic transactions could result in operating difficulties, dilution and distractions from our core business.

We have entered, and may in the future enter, into strategic transactions, including strategic supply and service agreements and acquisitions of other assets and businesses. Any such transactions can be risky, may require a disproportionate amount of our management and financial resources and may create unforeseen operating difficulties or expenditures, including:

- difficulties in integrating acquired technologies and operations into our business while maintaining uniform standards, controls, policies and procedures;

- obligations imposed on us by counterparties in such transactions that limit our ability to obtain additional financing, our ability to compete in geographic areas or specific lines of business, or other aspects of our operational flexibility;

increasing cost and complexity of assuring the implementation and maintenance of adequate

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internal control and disclosure controls and procedures, and of obtaining the reports and attestations required under the Securities Exchange Act of 1934;

difficulties in consolidating and preparing our financial statements due to poor accounting records, weak financial controls and, in some cases, procedures at acquired entities not based on U.S. GAAP particularly those entities in which we lack control; and

inability to predict or anticipate market developments and capital commitments relating to the acquired company, business or technology.

In the past, some of our business acquisitions have given rise to significant deficiencies in financial reporting controls in certain areas such as cash, inventory, fixed assets, prepaid site rentals, value-added tax receivables and depreciation expense, as well as inconsistent preparation of monthly routine elimination entries that resulted in intercompany transactions not properly eliminated in consolidation at year end.

In addition, acquisitions of, and investments in, businesses organized outside the United States often can involve additional risks, including:

difficulties, as a result of distance, language, legal or culture differences, in developing, staffing and managing foreign operations;

lack of control over our equity investees and other business relationships;

currency exchange rate fluctuations;

longer payment cycles;

credit risk and higher levels of payment fraud;

foreign exchange controls that might limit our control over, or prevent us from repatriating, cash generated outside the United States;

potentially adverse tax consequences;

expropriation or nationalization of assets;

differences in regulatory requirements that may make it difficult to offer all of our services;

unexpected changes in regulatory requirements;

difficulties in foreign corporate law that have and may create additional administrative burdens and legal risks;

increased management time and resources to manage overseas operations;

trade barriers and import and export restrictions; and

political or social unrest and economic instability.

The anticipated benefit of any of our strategic transactions may never materialize. Future investments, acquisitions or dispositions, or similar arrangements could result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of goodwill, any of which could harm our financial

condition. Any such transactions may require us to obtain additional equity or debt financing, which may not be available on favorable terms, or at all. We have experienced certain of these risks in connection with our acquisitions and investments in the past, and the occurrence of any of these risks in the future may have a material effect on our business. Additionally, the uncertainty in the credit markets may adversely affect the value and liquidity of some of our short-term investments. For a more detailed discussion of this issue, see Note 4 Short-Term Investments on page 8.

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We may experience difficulties in constructing, upgrading and maintaining our network, which could adversely affect customer satisfaction, increase subscriber churn and reduce our revenues.

Our success depends on developing and providing services that give subscribers a high quality experience. We expect to expend significant resources in constructing, maintaining and improving our network. Additionally, as the number of subscribers using our network increases, as the usage habits of our subscribers change and as we increase our service offerings, we may need to upgrade our network to maintain or improve the quality of our services. If we do not successfully implement upgrades to our network, the quality of our services may decline and the rate of our subscriber churn may increase.

We may experience quality deficiencies, cost overruns and delays with our construction, maintenance and upgrade projects including the portions of those projects not within our control. The construction of our network requires permits and approvals from numerous governmental bodies, including municipalities and zoning boards. Such entities often limit the expansion of transmission towers and other construction necessary for our network. Failure to receive approvals in a timely fashion can delay system rollouts and raise the cost of completing construction projects. In addition, we typically are required to obtain rights from land, building and tower owners to install the antennas and other equipment that provide our service to our subscribers. We may not be able to obtain, on terms acceptable to us or at all, the rights necessary to construct our network and expand our services.

We also may face challenges in managing and operating our network. These challenges include ensuring the availability of subscriber equipment that is compatible with our network and managing sales, advertising, customer support, and billing and collection functions of our business while providing reliable network service that meets our subscribers expectations. Our failure in any of these areas could adversely affect customer satisfaction, increase subscriber churn, increase our costs, decrease our revenues and otherwise have a material adverse effect on our business, prospects, financial condition and results of operations.

If we do not obtain and maintain rights to use licensed spectrum in one or more markets, we may be unable to operate in these markets, which could adversely affect our ability to execute our business strategy.

To offer our services using licensed spectrum both in the United States and internationally, we depend on our ability to acquire and maintain sufficient rights to use spectrum through ownership or long-term leases in each of the markets in which we operate or intend to operate. Obtaining the necessary amount of licensed spectrum can be a long and difficult process that can be costly and require a disproportionate amount of our resources. We may not be able to acquire, lease or maintain the spectrum necessary to execute our business strategy. In addition, we may spend significant resources to acquire spectrum, even if the amount of spectrum actually acquired in certain markets is not adequate to deploy our network on a commercial basis in all such markets.

Using licensed spectrum, whether owned or leased, poses additional risks to us, including:

- inability to satisfy build-out or service deployment requirements upon which our spectrum licenses or leases are, or may be, conditioned;

- adverse changes to regulations governing our spectrum rights;

- inability to use the spectrum we have acquired or leased due to interference from licensed or unlicensed operators in our band or in adjacent bands;

- refusal by the FCC or one or more foreign licensing authorities to recognize our acquisition or lease of spectrum licenses from others or our investments in other license holders;

- inability to offer new services or to expand existing services to take advantage of new capabilities of our network resulting from advancements in technology due to regulations governing our spectrum rights;

- inability to control leased spectrum due to contractual disputes with, or the bankruptcy or other reorganization of, the license holders, or third parties;

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failure of the FCC or other regulators to renew our spectrum licenses as they expire and our failure to obtain extensions or renewals of spectrum leases on acceptable terms before they expire;

potentially significant increases in spectrum prices, because of increased competition for the limited supply of licensed spectrum both in the United States and internationally; and

invalidation of our authorization to use all or a significant portion of our spectrum, resulting in, among other things, impairment charges related to assets recorded for such spectrum.

We expect the FCC to make additional spectrum available from time to time, including 60 MHz of spectrum in the 700 MHz band. Congress has directed that the FCC conduct an auction for the 700 MHz band spectrum no later than January 28, 2008. Additionally, other companies hold spectrum rights that could be made available for lease or sale. The availability of additional spectrum in the marketplace could change the market value of spectrum rights generally and, as a result, may adversely affect the value of our spectrum assets.

Interruption or failure of our information technology and communications systems could impair our ability to provide our services, which could damage our reputation and harm our operating results.

We have experienced service interruptions in some markets in the past and may experience service interruptions or system failures in the future. Any service interruption adversely affects our ability to operate our business and could result in an immediate loss of revenues. If we experience frequent or persistent system or network failures, our reputation and brand could be permanently harmed. We may make significant capital expenditures to increase the reliability of our systems, but these capital expenditures may not achieve the results we expect.

Our services depend on the continuing operation of our information technology and communications systems. Any damage to or failure of these systems could result in interruptions in our service. Interruptions in our service could reduce our revenues and profits, and our brand could be damaged if people believe our network is unreliable. Our systems are vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, telecommunications failures, computer viruses, computer denial of service attacks or other attempts to harm our systems, and similar events. Some of our systems are not fully redundant, and our disaster recovery planning may not be adequate. The occurrence of a natural disaster or unanticipated problems at our network centers could result in lengthy interruptions in our service and adversely affect our operating results.

A number of our significant business arrangements are between us and parties that have an investment in or a fiduciary duty to our company, and the terms of those arrangements may not be beneficial to us.

We are party to a number of services, development, supply and licensing agreements with parties that have an ownership or fiduciary relationship with us, including agreements between us and Intel, Motorola, and Bell Canada. These relationships may create actual or potential conflicts of interest, and may cause the parties to these arrangements to make decisions or take actions that do not reflect your best interests.

We pay Mr. McCaw, in his capacity as our Chairman, annual compensation of $300,000 per year plus expense reimbursements. In addition, Mr. McCaw and his affiliates face only limited restrictions on their ability to compete with us. Because these limitations are not universal, there may arise conflicts of interest that restrict or inhibit our ability to operate our business, make acquisitions and obtain financing. Furthermore, in addition to Mr. McCaw, certain members of our management team are also employed by, or have interests in, ERH or its affiliates or one of Mr. McCaw s other investments, including Mr. Wolff, our Chief Executive Officer who serves as President of ERH.

Our commercial agreements with Motorola, Intel and Bell Canada were entered into concurrently with purchases of our shares of capital stock by each of these entities or their affiliates. None of these agreements restricts these parties from entering into similar arrangements with other parties. Neither Mr. McCaw, ERH, Intel, Motorola or any of our other debt or equity security holders, nor any of their respective affiliates, are obligated to purchase equity from, or contribute or lend funds to, us or any of our subsidiaries or equity investees.

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The industries in which we operate are continually evolving, which makes it difficult to evaluate our future prospects and increases the risk of your investment. Our products and services may become obsolete, and we may not be able to develop competitive products or services on a timely basis or at all.

The broadband services industry is characterized by rapid technological change, competitive pricing, frequent new service introductions, evolving industry standards and changing regulatory requirements. For example, we introduced a PC Card compatible with our current Expedience technology in October 2007. Additionally, our planned deployment of mobile WiMAX depends on the development of network equipment and subscriber devices based on the mobile WiMAX standard. Each of these development efforts faces a number of continuing technological and operational challenges. We believe that our success depends on our ability to anticipate and adapt to these and other challenges and to offer competitive services on a timely basis. We face a number of difficulties and uncertainties associated with our reliance on future technological development, such as:

- existing service providers may use more traditional and commercially proven means to deliver similar or alternative services;

- new service providers may use more efficient, less expensive technologies, including products not yet invented or developed;

- consumers may not subscribe to our services;

- we may not be able to realize economies of scale;

- we may be unable to respond successfully to advances in competing technologies in a timely and cost-effective manner;

- we may lack the financial and operational resources necessary to enable migration toward mobile WiMAX technology and the development and deployment of network components and software that do not currently exist and that may require substantial upgrades to or replacements of existing infrastructure; and

- existing, proposed or undeveloped technologies may render our existing or planned services less profitable or obsolete.

As our services and those offered by our competitors develop, businesses and consumers may not accept our services as an attractive alternative to other means of receiving wireless broadband services.

We rely on highly skilled executives and other personnel. If we cannot retain and motivate key personnel, we may be unable to implement our business strategy.

Our future success depends largely on the expertise and reputation of Mr. McCaw and the members of our senior management team, including Benjamin G. Wolff, Chief Executive Officer, Perry S. Satterlee, President and Chief Executive Officer of our operations in the United States, John Saw, our Chief Technology Officer, Scott Richardson, our Chief Strategy Officer, R. Gerard Salemme, our Executive Vice President for Strategy, Policy and External Affairs, and John A. Butler, our Chief Financial Officer. In addition, we intend to hire additional highly skilled individuals to staff our operations in the United States and internationally. Loss of any of our key personnel or the inability to recruit and retain qualified individuals for our domestic and international operations could adversely affect our ability to implement our business strategy and operate our business.

In addition, to successfully introduce our services in new markets and grow our business in existing markets, we rely on the skills of our general managers in these markets. If we cannot hire, train and retain motivated and well-qualified individuals to serve as general managers in our markets, we may face difficulties in attracting, recruiting and retaining various sales and support personnel in those markets, which may lead to difficulties in growing our subscriber base.

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Certain aspects of our VoIP telephony services differ from traditional telephone service, which may limit the attractiveness of our services.

We intend to continue to offer VoIP telephony as a value added service with our wireless broadband Internet service. Our VoIP telephony services differ from traditional phone service in several respects, including:

- our subscribers may experience lower call quality than they experience with traditional wireline telephone companies, including static, echoes and transmission delays;
- our subscribers may experience higher dropped-call rates than they experience with traditional wireline telephone companies;
- a power loss or Internet access interruption may cause our service to be interrupted; and
- at this time we do not offer local number portability to our subscribers.

If our subscribers do not accept the differences between our VoIP telephony services and traditional telephone service, they may not adopt or keep our VoIP telephony services or our other services, or may choose to retain or return to service provided by traditional telephone companies.

Additionally, although we are compliant with the Federal Communication Commission s (FCC), November 28, 2005 mandate that all interconnected VoIP providers transmit all 911 calls to the appropriate public safety answering point (PSAP), our VoIP emergency calling service is significantly more limited than the emergency calling services offered by traditional telephone companies. Our VoIP emergency calling service can transmit to a dispatcher at a PSAP only the location information that the subscriber has registered with us, which may at times be different from the actual location at the time of the call due to the portability of our services. As a result, if our subscribers fail to properly register or update their registered locations, our emergency calling systems may not assure that the appropriate PSAP is reached and may cause significant delays, or even failures, in callers receipt of emergency assistance. Our failure to develop or operate an adequate emergency calling service could subject us to substantial liabilities and may result in delays in subscriber adoption of our VoIP services or our other services, abandonment of our services by subscribers, and litigation costs, damage awards and negative publicity, any of which could harm our business, prospects, financial condition or results of operations. Furthermore, potential changes by the FCC to current intercarrier compensation mechanisms could result in significant changes to our costs of providing VoIP telephony, thereby eliminating pricing benefits between VoIP telephony services and traditional telephone services and our potential profitability.

Our activities outside the United States operate in a competitive environment different than the environment within the United States. Any difficulties in managing these businesses could occupy a disproportionate amount of our management s attention and disrupt our operations.

We operate or hold spectrum outside of the United States through our subsidiaries in Belgium, Ireland, Germany, Poland, Romania and Spain and through equity investees in Denmark and Mexico. We intend to continue to pursue opportunities in certain international markets through acquisitions and strategic alliances. Our activities outside the United States operate in different environments than we face in the United States, particularly with respect to competition. In addition, we have only recently begun to assemble a management team dedicated to addressing our international business operations. Due to these differences, our activities outside the United States may require a disproportionate amount of our management and financial resources, which could disrupt our operations and adversely affect our business.

In a number of international markets, we face substantial competition from local service providers that offer or may offer their own wireless broadband or VoIP telephony services and from other companies that provide Internet connectivity services. We may face heightened challenges in gaining market share, particularly in certain European countries, where a large portion of the population already has broadband Internet connectivity and incumbent companies already have a dominant market share in their service areas. Furthermore, foreign providers of competing services may have a substantial advantage over us in attracting subscribers due to a more established brand, greater

knowledge of local subscribers preferences and access to significant financial or strategic resources.

In addition, in some international markets, foreign governmental authorities may own or control the incumbent telecommunications companies operating under their jurisdiction. Established relationships between government-owned

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or government-controlled telecommunications companies and their traditional local telecommunications providers often limit access of third parties to these markets. The successful expansion of our international operations in some markets may depend on our ability to locate, form and maintain strong relationships with established local communication services and equipment providers. Failure to establish these relationships or to market or sell our products and services successfully could limit our ability to attract subscribers to our services.

We may be unable to protect our intellectual property, which could reduce the value of our services and our brand.

Our ability to compete effectively depends on our ability to protect our proprietary network and system designs. We may not be able to safeguard and maintain our proprietary rights. We rely on patents, trademarks and policies and procedures related to confidentiality to protect our intellectual property. Some of our intellectual property, however, is not covered by any of these protections.

Our pending patent applications may not be granted or, in the case of patents issued or to be issued, the claims allowed may not be sufficiently broad to protect our intellectual property. Even if all of our patent applications were issued and were sufficiently broad, our patents may be challenged or invalidated. In addition, the United States Patent and Trademark Office may not grant federal registrations based on our pending trademark applications. Even if federal registrations are granted, these trademark rights may be challenged. Moreover, patent and trademark applications filed in foreign countries may be subject to laws, rules and procedures that are substantially different from those of the United States, and any foreign patents may be difficult and expensive to obtain and enforce. We could, therefore, incur substantial costs in prosecuting patent and trademark infringement suits or otherwise protecting our intellectual property rights.

We could be subject to claims that we have infringed on the proprietary rights of others, which claims would likely be costly to defend, could require us to pay damages and could limit our ability to use necessary technologies in the future.

Competitors or other persons may independently develop or patent technologies or processes that are substantially equivalent or superior to ours or that are necessary to permit us to deploy and operate our network, whether based on Expedience or mobile WiMAX technology, or to offer additional services, such as VoIP. These persons may claim that our services and products infringe on these patents or other proprietary rights. For instance, certain third parties claim that they hold patents relating to certain aspects of mobile WiMAX and VoIP technology. These third parties may seek to enforce these patent rights against the operators of mobile WiMAX networks and VoIP telephony service providers, such as us. Defending against infringement claims, even meritless ones, would be time consuming, distracting and costly. If we are found to be infringing the proprietary rights of a third party, we could be enjoined from using such third party s rights, may be required to pay substantial royalties and damages, and may no longer be able to use the intellectual property subject to such rights on acceptable terms or at all. Failure to obtain licenses to intellectual property held by third parties on reasonable terms, or at all, could delay or prevent the development or deployment of our services and could cause us to expend significant resources to develop or acquire non-infringing intellectual property.

If our data security measures are breached, subscribers may perceive our network and services as not secure.

Our network security and the authentication of our subscriber credentials are designed to protect unauthorized access to data on our network. Because techniques used to obtain unauthorized access to or to sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate or implement adequate preventive measures against unauthorized access or sabotage. Consequently, unauthorized parties may overcome our network security and obtain access to data on our network, including on a device connected to our network. In addition, because we operate and control our network and our subscribers Internet connectivity, unauthorized access or sabotage of our network could result in damage to our network and to the computers or other devices used by our subscribers. An actual or perceived breach of network security, regardless of our responsibility, could harm public perception of the effectiveness of our security measures, adversely affect our ability to attract and retain subscribers, expose us to significant liability and adversely affect our business prospects.

Our business depends on a strong brand, and if we do not maintain and enhance our brand, our ability to attract and retain subscribers may be impaired and our business and operating results harmed.

We believe that our brand is a critical part of our business. Maintaining and enhancing our brand may require us to make substantial investments with no assurance that these investments will be successful. If we fail to promote and

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maintain the Clearwire brand, or if we incur significant expenses in this effort, our business, prospects, operating results and financial condition may be harmed. We anticipate that maintaining and enhancing our brand will become increasingly important, difficult and expensive.

We are subject to extensive regulation that could limit or restrict our activities and adversely affect our ability to achieve our business objectives. If we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations.

Our acquisition, lease, maintenance and use of spectrum licenses are extensively regulated by federal, state, local and foreign governmental entities. These regulations are subject to change over time. In addition, a number of other federal, state, local and foreign privacy, security and consumer laws also apply to our business, including our interconnected VoIP telephony service. These regulations and their application are subject to continual change as new legislation, regulations or amendments to existing regulations are adopted from time to time by governmental or regulatory authorities, including as a result of judicial interpretations of such laws and regulations. For example, it is also possible that the FCC could subject our capital stock to foreign ownership limitations. If our capital stock were to become subject to such limitations, owners of our capital stock may become subject to obligatory redemption provisions, such as those in our certificate of incorporation. Such restrictions may also decrease the value of our stock by reducing the pool of potential investors in our company and making the acquisition of control of us by potential foreign investors more difficult. Current regulations directly affect the breadth of services we are able to offer and may impact the rates, terms and conditions of our services. Regulation of companies that offer competing services, such as cable and DSL providers and incumbent telecommunications carriers, also affects our business indirectly.

In order to provide interconnected VoIP service we need to obtain, on behalf of our customers, North American Numbering Plan telephone numbers, the availability of which may be limited in certain geographic areas of the United States and subject to other regulatory restrictions. As an interconnected VoIP and facilities-based wireless broadband provider, we were required under FCC rules, by May 2007, to comply with the Communications Assistance for Law Enforcement Act (CALEA), which requires service providers to build certain capabilities into their networks and to accommodate wiretap requests from law enforcement agencies.

In addition, the FCC or other regulatory authorities may in the future restrict our ability to manage subscribers use of our network, thereby limiting our ability to prevent or manage subscribers excessive bandwidth demands. To maintain the quality of our network and user experience, we limit the bandwidth used by our subscribers applications, in part by restricting the types of applications that may be used over our network. Some providers and users of these applications have objected to this practice. If the FCC or other regulatory authorities were to adopt regulations that constrain our ability to employ bandwidth management practices, excessive use of bandwidth-intensive applications would likely reduce the quality of our services for all subscribers. A decline in the quality of our services could harm our business, or even results in litigation from dissatisfied subscribers.

In certain of our international markets, we may require a license for the use of regulated radio frequencies from national, provincial or local regulatory authorities before providing our services. Where required, regulatory authorities may have significant discretion in granting the licenses and in determining the conditions for use of the frequencies covered by the licenses, and are often under no obligation to renew the licenses when they expire. Additionally, even where we currently hold a license or successfully obtain a license in the future, we may be required to seek modifications to the license or the regulations applicable to the license to implement our business strategy. For example, in certain international markets, the licenses we hold, and the applicable rules and regulations, currently do not specifically permit us to provide mobile services. Thus, prior to offering mobile services to our subscribers in those markets, absent action by the regulatory authorities to modify the licenses and applicable rules, we may need to obtain the approval of the proper regulatory authorities.

The breach of a license or applicable law, even if inadvertent, can result in the revocation, suspension, cancellation or reduction in the term of a license or the imposition of fines. In addition, regulatory authorities may grant new licenses to third parties, resulting in greater competition in territories where we already have rights to licensed spectrum. In order to promote competition, licenses may also require that third parties be granted access to our bandwidth, frequency capacity, facilities or services. We may not be able to obtain or retain any required license, and

we may not be able to renew our licenses on favorable terms, or at all.

Our wireless broadband and VoIP telephony services may become subject to greater state or federal regulation in the future. The scope of the additional regulations that may apply to VoIP telephony services providers and the impact of such regulations on providers competitive position are presently unknown.

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We are a controlled company within the meaning of the Nasdaq Marketplace Rules and, as a result, rely on, exemptions from certain corporate governance requirements.

As of September 30, 2007, Mr. McCaw and Intel Capital Corporation, a wholly owned subsidiary of Intel Corporation, and their respective affiliates together beneficially own shares representing a majority voting power of our outstanding capital stock. Affiliates of Mr. McCaw and Intel Capital are parties to a voting agreement that effectively permits Mr. McCaw, through ERH, to designate four of our directors and Intel Capital to designate two of our directors as long as Intel Capital and its affiliates hold at least 15% of our outstanding capital stock and one of our directors as long as Intel Capital and its affiliates hold at least 7.5% of our outstanding capital stock. Because of the voting agreement and their aggregate voting power, Mr. McCaw and Intel Capital share the ability to elect a majority of our directors.

As a result of the combined voting power of Mr. McCaw and Intel Capital and their voting agreement, we rely on exemptions from certain Nasdaq corporate governance standards. Under the Nasdaq Marketplace Rules, a company of which more than 50% of the voting power is held by a single person or a group of people is a controlled company and may elect not to comply with certain Nasdaq Global Select Market corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that the compensation of officers be determined, or recommended to the board of directors for determination, by a majority of the independent directors or a compensation committee comprised solely of independent directors and (3) the requirement that director nominees be selected, or recommended for the board of directors selection, by a majority of the independent directors or a nominating committee comprised solely of independent directors with a written charter or board resolution addressing the nomination process. Unless we no longer rely on these exemptions, you will not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq Global Select Market corporate governance requirements.

Mr. McCaw and Intel Capital are our largest stockholders, and as a result they can exert control over us and may have actual or potential interests that may diverge from yours.

As of September 30, 2007, Mr. McCaw and his affiliates own Class A common stock and Class B common stock representing approximately 48% of our combined voting power. Intel Capital and its affiliates own Class A common stock and Class B common stock representing approximately 30% of our combined voting power as of that date. By virtue of a voting agreement, Mr. McCaw, and Intel Capital, along with their respective affiliates, collectively own Class A common stock and Class B common stock representing approximately 78% of our combined voting power. Mr. McCaw and Intel Capital may have interests that diverge from those of other holders of our capital stock. As a result, ERH and Intel Capital may vote their shares of capital stock to cause us to take actions that may conflict with your best interests as a stockholder, which could adversely affect our results of operations and the trading price of our Class A common stock. Further, under the provisions of our fourth amended and restated certificate of incorporation, Mr. McCaw and Intel Capital, along with their respective affiliates, may, without causing conversion to Class A common stock, transfer their shares of Class B common stock to certain affiliated parties or to any unaffiliated party that provides a voting proxy over the transferred shares of Class B common stock. This would allow Mr. McCaw and Intel Capital, along with their respective affiliates, to retain the right to exercise the voting power attributed to any shares of Class B common stock which they sell or transfer so long as they have been granted a proxy associated with such shares. Moreover, subject to their fiduciary duty obligations, the directors appointed by Mr. McCaw, Intel Capital and Bell Canada, so long as they represent a majority of directors present at any meeting at which an action is taken, acting together could cause us to issue shares of Class B common stock or other classes of common or preferred stock to persons or in a manner that would further concentrate the voting control of or, in the case of preferred stock, that could convey economic preferences over, our Class A common stock.

Through his control of ERH, Mr. McCaw has the ability to exert significant influence over our management, affairs and all matters requiring stockholder approval, including the approval of significant corporate transactions, a sale of our company, decisions about our capital structure and, subject to our agreements with Bell Canada and Intel Capital, the composition of our board of directors. Under the voting agreement between Intel Capital and ERH, each party has agreed to vote its shares in favor of four directors designated by ERH and for two directors designated by Intel

Capital, for so long as Intel Capital holds at least 15% of our outstanding capital stock, and for one director designated by Intel Capital, for so long as Intel Capital holds at least 7.5% of our outstanding capital stock. ERH s right to cause Intel to vote its shares in favor of four individuals designated by ERH is not subject to any minimum share ownership requirement. Under the voting agreement, ERH will retain these rights even if ERH no longer holds any shares of our capital stock. In addition, if all of ERH s shares of our Class B common stock were to convert into Class A common

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stock and Intel Capital did not convert any of their shares of our Class B common stock to Class A common stock, Intel Capital would beneficially own shares of common stock representing approximately 50% of our voting power. As a result, Intel Capital would be able to exercise effective control over our company, subject to Intel Capital s voting agreement with ERH.

Since our initial public offering in March 2007, the market price of our common stock has been and may continue to be volatile.

The trading price of our Class A common stock following the offering has been volatile and could be subject to further fluctuations in price in response to various factors, some of which are beyond our control. These factors include:

- quarterly variations in our results of operations or those of our competitors, either alone or in comparison to analyst s expectations;
- announcements by us or our competitors of acquisitions, new products, significant contracts, commercial relationships or capital commitments;
- announcements by us regarding the entering into, or termination of, material transactions;
- disruption to our operations or those of other companies critical to our network operations;
- the emergence of new competitors or new technologies;
- our ability to develop and market new and enhanced products on a timely basis;
- seasonal or other variations in our subscriber base;
- commencement of, or our involvement in, litigation;
- availability of additional spectrum;
- dilutive issuances of our stock or the stock of our subsidiaries, or the incurrence of additional debt including upon the exercise of outstanding warrants and options;
- changes in our board or management;
- adoption of new or different accounting standards;
- changes in governmental regulations or the status of our regulatory approvals;
- changes in earnings estimates or recommendations by securities analysts;
- announcements regarding mobile WiMAX and other technical standards; and
- general economic conditions and slow or negative growth of related markets.

In addition, the stock market in general, and the market for shares of technology companies in particular, has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. We expect the price of our Class A common stock will be subject to continued volatility. In addition, in the past, following periods of volatility in the trading price of a company s securities, securities class action litigation or shareholder derivative suits have often been instituted against those companies.

Such litigation, if instituted against us, could result in substantial costs and divert our management s attention and resources.

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Item 6. Exhibits

EXHIBIT INDEX

3.1 Fourth Amended and Restated Certificate of Incorporation of Clearwire Corporation.*

3.2 Amended and Restated Bylaws.*

4.1 Form of stock certificate for Class A common stock.*

4.2 Amended and Restated Stockholders Agreement dated March 16, 2004 among Clearwire Corporation and the parties thereto.*

4.3 Registration Rights Agreement dated November 13, 2003 among Flux U.S. Corporation, Clearwire Holdings, Inc. and Hispanic Information and Telecommunications Network, Inc.*

4.4 Registration Rights Agreement dated March 16, 2004 among Clearwire Corporation and the parties thereto.*

4.5 Registration Rights Agreement dated August 5, 2005 among Clearwire Corporation and certain buyers of the Senior Secured Notes.*

4.6 Investor Rights Agreement dated August 29, 2006 among Clearwire Corporation, Intel Pacific, Inc. and Motorola, Inc.*

4.7 Securities Purchase Agreement dated August 5, 2005 among Clearwire Corporation and the buyers of the Senior Secured Notes, as amended February 16, 2006.*

4.8 Indenture dated August 5, 2005 among Clearwire Corporation, Clearwire LLC, Fixed Wireless Holdings, LLC, NextNet Wireless, Inc. and The Bank of New York, as Trustee, as supplemented February 16, 2006.**

4.10 Form of Warrant.*

10.1 Form of Stock Option Agreement

10.2 Form of Restricted Stock Unit Award Agreement

31.1 Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(a) and Section 302 of the Sarbanes Oxley Act of 2002.

31.2 Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(a) and Section 302 of the Sarbanes Oxley Act of 2002.

32.1 Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. Section 1350.

32.2 Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. Section 1350.

* Incorporated by Reference to

Clearwire s Registration Statement on Form S-1 (Registration No. 333-139468), as amended.

** Incorporated by reference to Clearwire s Registration Statement on Form S-1 (Registration No. 333-144357) as amended.

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CLEARWIRE CORPORATION AND SUBSIDIARIES
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.

CLEARWIRE CORPORATION

Date: November 14, 2007

/s/ JOHN A. BUTLER
John A. Butler
Chief Financial Officer

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