

ALAMOSA HOLDINGS INC

Form S-3

February 09, 2005

As filed with the U.S. Securities and Exchange Commission on February 9, 2005

REGISTRATION NO. 333-

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

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ALAMOSA HOLDINGS, INC.

(Exact name of Registrant as specified in its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

75-2890997
(I.R.S. Employer
Identification Number)

5225 S. Loop 289
Lubbock, Texas 79424
(806) 722-1100
(Address, Including Zip Code, and Telephone Number, Including
Area Code, of Registrant's Principal Executive Offices)

David E. Sharbutt
Chief Executive Officer
Alamosa Holdings, Inc.
5225 S. Loop 289
Lubbock, TX 79424
(806) 722-1100
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

copy to:
Fred B. White, III, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
(212) 735-3000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Primary and Secondary Offering				
Common Stock, par value \$0.01 per share, issuable upon exercise of warrants	283,493(1)(2)	— —	\$16,405,499.11(3)	\$1,931
Secondary Offering				
iPCS Warrants to Purchase Common Stock		— —	—(4)	—(4)
Total:				\$1,931

(1)Represents the maximum number of shares of Registrant common stock that may be issued upon the exercise of: (i) 300,000 warrants issued pursuant to the Warrant Agreement, dated as of July 12, 2000, between iPCS, Inc. and ChaseMellon Shareholder Services, L.L.C., as warrant agent (the "iPCS Warrants") and (ii) 8,620 warrants issued pursuant to the Warrant Agreement, dated as of September 30, 1999, between AirGate PCS, Inc. ("AirGate") and Bankers Trust Company, as warrant agent (the "AirGate Warrants" and, together with the iPCS Warrants, the "Warrants"). 272,851 of such shares (issuable upon the exercise of the iPCS Warrants) are also being registered for resale by the holders thereof. The Warrants will be assumed by the Registrant in connection with the proposed merger (the "Merger") of AirGate with and into a wholly-owned subsidiary of the Registrant. Following completion of the Merger, upon exercise of the Warrants, the holders thereof will be entitled to receive from the Registrant an amount of cash and shares of Registrant common stock in the same proportion of cash and shares of Registrant common stock as the aggregate merger consideration received by AirGate common shareholders as a result of the Merger. The number of shares of common stock registered hereunder assumes that all AirGate common shareholders elect to receive Registrant common stock in the Merger such that, following completion of such Merger, all Warrants become exercisable solely for shares of Registrant common stock.

(2)Pursuant to Rule 416, the common stock offered hereby shall be deemed to cover additional securities to be offered or issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.

(3)Based upon the aggregate exercise price of the Warrants.

(4)No registration fee is required pursuant to Rule 457(f)(5) and (g) of the Securities Act of 1933, as amended. The shares of common stock issuable upon exercise of these Warrants are registered by this registration statement.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. Neither we nor the selling securityholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 8, 2005

PROSPECTUS

ALAMOSA HOLDINGS, INC.

Up to 283,493 Shares of Common Stock

300,000 Warrants to Purchase Common Stock

This prospectus relates to the issuance by us from time to time of shares of our common stock issuable upon the exercise of:

- 8,620 warrants initially sold by AirGate PCS, Inc. in its units offering completed on September 30, 1999. We refer to these warrants as the AirGate warrants; and
- 300,000 warrants initially sold by iPCS, Inc., a former subsidiary of AirGate, in its units offering completed on July 12, 2000. We refer to these warrants as the iPCS warrants.

This prospectus also relates to the resale from time to time by the selling securityholders named herein of: (1) the 300,000 iPCS warrants, and (2) up to 272,851 shares of our common stock issuable upon exercise of such iPCS warrants.

The warrants will be assumed by us in connection with our proposed acquisition of AirGate pursuant to the Agreement and Plan of Merger, dated as of December 7, 2004, by and among us, AirGate and A-Co. Merger Sub, Inc., our wholly-owned subsidiary. We currently expect to complete the merger on or about February 15, 2005, subject to obtaining the required approvals of the stockholders of AirGate and Alamosa.

The terms and conditions of the warrants will generally remain unaffected by our assumption thereof. However, upon exercise of a warrant in accordance with its terms, the warrant holders will be entitled to receive from us an amount in cash and shares of our common stock, instead of shares of AirGate common stock, in the same proportion of cash and shares of our common stock as the aggregate merger consideration received by holders of AirGate common stock as a result of the merger. We will determine following completion of the merger the amount of cash to be paid and shares of our common stock to be issued upon the exercise of each warrant and will include such information in a

supplement to this prospectus.

We will pay all expenses of this offering, other than commissions and discounts of broker-dealers and market makers.

We will not receive any cash proceeds from the resale of iPCS warrants and shares of our common stock by the selling securityholders, but we will receive the proceeds from the exercise of the warrants.

Our common stock is listed on The Nasdaq National Market under the symbol "APCS." The last reported sale price of our common stock on February 8, 2005 was \$12.81 per share.

INVESTING IN OUR SECURITIES INVOLVES RISKS. YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 4 OF THIS PROSPECTUS BEFORE YOU MAKE AN INVESTMENT IN OUR SECURITIES.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated February •, 2005.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement we filed with the SEC using a "shelf" registration process. Under this shelf process, we may issue the shares of our common stock described in this prospectus in one or more offerings as a result of the exercise of the iPCS warrants and the AirGate warrants. The selling securityholders may also sell the iPCS warrants and the shares of our common stock issuable upon exercise of the iPCS warrants under this prospectus. We will not receive any proceeds from any sale of iPCS warrants or shares of our common stock by the selling securityholders. This prospectus provides you with a general description of the securities that we and the selling

securityholders may offer. You should read both this prospectus and the additional information described under the heading "Where You Can Find More Information."

Unless the context otherwise requires, in this prospectus the terms "we," "our" or "us" refer to Alamosa Holdings, Inc, "AirGate" refers to AirGate PCS, Inc. and "iPCS" to iPCS, Inc. "Sprint PCS" refers to Sprint Communications Company, L.P., Sprint Spectrum L.P. and WirelessCo, L.P. "Sprint" refers to Sprint Corporation and its affiliates. A "PCS Affiliate of Sprint" is an entity whose sole or predominant business is operating (directly or through one or more subsidiaries) a personal communications service business pursuant to affiliation agreements with Sprint Spectrum, L.P. and/or its affiliates, or their successors. "Sprint PCS products and services" refers to digital wireless personal communication services, including wireless voice and data services, and related retail products, including handsets, in any case, offered under the Sprint brand name. Statements in this document regarding Sprint or Sprint PCS are derived from information contained in AirGate's and Alamosa's affiliation agreements with Sprint PCS, periodic reports and other documents filed by Sprint and Sprint Spectrum L.P. with the Securities and Exchange Commission, or press releases issued by Sprint or Sprint PCS.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from that contained in or incorporated by reference in this prospectus. We and the selling securityholders are offering shares of our common stock and warrants to purchase common stock, as applicable, and seeking offers to buy such securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock or warrants.

PROSPECTUS SUMMARY

This summary provides a brief overview of Alamosa. For more complete information on Alamosa and our consolidated financial statements, and a more complete understanding of the terms of the offered securities, before making your investment decision you should carefully read this prospectus, the relevant prospectus supplement, if any, and the documents referred to in "Where You Can Find More Information."

Alamosa Holdings, Inc.

We are the largest PCS Affiliate of Sprint in terms of subscribers and have the exclusive right to provide wireless mobility communications services under the Sprint brand name in our licensed territory, which includes portions of Texas, New Mexico, Arizona, Colorado, Wisconsin, Arkansas, Illinois, Oklahoma, Kansas, Missouri, Washington and Oregon. We launched Sprint PCS products and services in our first market in June 1999 and currently operate in the 88 basic trading areas assigned to us under our affiliation agreements with Sprint PCS.

At September 30, 2004, our territory had a total population, which we refer to as "POPs," of approximately 15.8 million, of which our network covered approximately 12.3 million. For the nine months ended September 30, 2004, we generated \$581.4 million in revenue, \$88.4 million in cash flows from operating activities and reported a net loss of approximately \$35.8 million. As of September 30, 2004, we had approximately 866,000 subscribers, representing a market penetration rate of approximately 7.0%.

The principal office of Alamosa is located at 5225 S. Loop 289, Lubbock, TX, telephone number (806) 722-1100.

Merger with AirGate PCS, Inc.

On December 7, 2004, we entered into an Agreement and Plan of Merger with AirGate and A-Co. Merger Sub, Inc., our wholly-owned subsidiary, which we refer to as Merger Sub. Pursuant to the merger agreement, AirGate will merge with and into Merger Sub, with Merger Sub surviving the merger. Under the terms of the merger agreement, AirGate shareholders will receive 2.87 shares of our common stock for every share of AirGate common stock they hold. In addition, AirGate shareholders will have the option to elect cash consideration in lieu of our common stock, up to an aggregate amount of \$100 million, with the per share cash consideration based on the average closing price of our common stock during the ten trading days immediately prior to the completion of the transaction multiplied by 2.87. We currently expect to complete the merger on or about February 15, 2005, subject to obtaining the required approvals of the stockholders of AirGate and Alamosa.

The merger will create the largest PCS affiliate of Sprint as measured by total POPs (23.2 million at September 30, 2004), covered POPs (18.4 million at September 30, 2004) and subscribers (1.25 million at September 30, 2004, representing over 40% of total subscribers in the Sprint PCS affiliate program at September 30, 2004). On a pro forma consolidated basis, for the nine months ended September 30, 2004, the combined company would have had approximately \$837 million of total revenues.

Recent Developments.

Sprint/Nextel Merger

On December 15, 2004, Sprint Corporation and Nextel Communications, Inc. announced that their boards of directors unanimously approved a definitive agreement for a merger of equals. Nextel Communications currently operates a wireless mobility communications network in certain territories in which Alamosa and AirGate also provide digital wireless mobility communications network services under the Sprint or affiliated brands.

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Alamosa and Sprint have had only very preliminary communications regarding the potential impact on Alamosa and AirGate of the pending Sprint-Nextel transaction. Alamosa believes that, based on currently available information, and assuming that no changes are effected with respect to Sprint's agreements with Alamosa and AirGate, Sprint could be in violation of the exclusivity provisions of AirGate's agreements with Sprint upon completion of the Sprint-Nextel transaction and Sprint could be in violation of the exclusivity provision of Alamosa's agreements with Sprint at some point following completion of the Sprint-Nextel transaction.

Sprint's agreements with each of Alamosa and AirGate provide for specific remedies in the event of a material violation by Sprint of such agreements. Neither Alamosa nor any of its executives has made any determination as to the impact on the value of Alamosa or AirGate or their respective businesses of any of such remedies or whether any such remedy would be more or less favorable to Alamosa or AirGate or their respective shareholders than are their existing arrangements with Sprint or any renegotiated arrangements with Sprint.

Alamosa is committed to working with Sprint to reach mutually agreeable arrangements with respect to these matters. However, there can be no assurances that Alamosa and Sprint will be able to reach mutually acceptable arrangements or as to the terms of any such arrangements or the likely impact on Alamosa or AirGate of any such arrangements.

Fourth Quarter Operating Results

On January 10, 2005, we announced customer results for the fourth quarter relating to net subscriber additions, total direct subscribers and average monthly customer churn. Net subscriber additions totaled approximately 49,000 for the fourth quarter, which represents a 44 percent increase compared to 34,000 net additions in the fourth quarter of 2003. Gross activations were up over 33 percent from the same period one year before and increased 25 percent on an annual basis. Total direct subscribers were approximately 915,000 at December 31, 2004, an increase of approximately 6 percent from the prior quarter-end and approximately 26 percent from the same date one year before. The customer churn rate was 2.3 percent for the fourth quarter, an improvement from the third quarter rate of 2.4 percent and 2.5 percent in the same period one year before. For the year, the average monthly customer churn rate was 2.3 percent, within previous guidance of customer churn at 2.4 percent or less for the year.

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The Offering.

Securities offered by Alamosa
Securities offered by the selling
securityholders

Up to 283,493 shares of our common stock.

Up to 300,000 iPCS warrants to purchase shares of our common stock and up to 272,851 shares of our common stock issuable upon the exercise of such iPCS warrants.

Use of Proceeds

We estimate that our net proceeds from the exercise of all the warrants will be approximately \$16.4 million. We intend to use the proceeds for general corporate purposes, which may include:

- providing working capital;
- purchasing or repaying debt; and
- funding capital expenditures, including paying for acquisitions.

We will not receive any proceeds from the resale of the 300,000 iPCS warrants or any shares of our common stock issuable upon the exercise of such iPCS warrants by the selling securityholders. All such proceeds will be received by the selling securityholders.

The Nasdaq National Market symbol

"APCS"

Risk Factors

Before investing in our common stock or the iPCS warrants, you should carefully read and consider the information set forth in "Risk Factors" beginning on page 4 of this prospectus and all other information appearing elsewhere and incorporated by reference in this prospectus and any accompanying prospectus supplement.

Summary of Terms of the iPCS Warrants.

Warrants Offered

Up to 300,000 iPCS warrants. Following the completion of the Alamosa-AirGate merger, upon exercise of a warrant in accordance with its terms, the warrant holders will be entitled to receive from us an amount in cash and

Expiration Date	shares of our common stock, instead of shares of AirGate common stock, in the same proportion of cash and shares of our common stock as the aggregate merger consideration received by holders of AirGate common stock as a result of the merger. We will determine following completion of the merger the amount of cash to be paid and shares of our common stock to be issued upon the exercise of each warrant and will include such information in a supplement to this prospectus. Any iPCS warrant not exercised prior to July 15, 2010 will expire.
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RISK FACTORS

Risks Related to the Offering of the iPCS Warrants

Because the iPCS warrants are not listed on a securities exchange and because we can give no assurance that they will be so listed, purchasers of the iPCS warrants may not be able to sell their warrants at the price they desire, if at all.

We cannot assure you that a liquid market will develop for the iPCS warrants, that you will be able to sell the iPCS warrants at a particular time or at all, or that the prices you receive when you sell will be favorable. There is currently no public market for the iPCS warrants. Any market-making activity will be subject to limits imposed by the Securities Act of 1933 and other regulations, and may be limited during the pendency of any shelf registration statement. We do not intend to apply (and are not obligated to apply) for listing of the warrants on any securities exchange or any automated quotation system. Therefore, we cannot make any assurances as to the liquidity of any trading market for the warrants. Future trading prices of the warrants will depend on many factors, including our operating performance and financial condition and the market for similar securities.

You may not receive a return on investment in the iPCS warrants through dividends paid on the shares of our common stock issuable upon the exercise of the iPCS warrants.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Instead, we intend to retain future earnings to fund our growth. In addition, our existing indebtedness restricts, and we anticipate our future indebtedness may restrict, our ability to pay dividends. Therefore, you will not receive a return on your investment in the warrants by exercising the warrants and receiving a payment of dividends on the shares of our common stock issuable thereunder.

Risks Related to the AirGate Merger

We may fail to realize the anticipated benefits of the merger.

The success of the merger will depend, in part, on our ability to realize the anticipated growth opportunities, economies of scale and other benefits from combining our business with AirGate's business. To realize the anticipated benefits of this combination, our management team must develop strategies and implement a business plan that will:

- effectively manage the networks and markets of AirGate and Alamosa;
- effectively manage the marketing and sales of the services of AirGate and Alamosa;
- successfully retain and attract key employees of the combined company, including management, during a period of transition and in light of the competitive employment market; and
- maintain adequate focus on existing businesses and operations while working to integrate the two companies.

If we do not realize economies of scale and other anticipated benefits as a result of the merger, the value of our common stock may decline.

The market price of our shares after the merger may be affected by factors different from those affecting the shares of AirGate or Alamosa currently.

Our business and AirGate's business differ in some respects and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations of each of Alamosa or AirGate.

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Risks Related to our Business, Strategy and Operations

We may not achieve or sustain operating profitability or positive cash flows, which may result in a drop in our stock price.

We have a limited operating history and have incurred significant losses to date. Our future operating profitability and cash flows from operating activities will depend upon many factors, including, among others, our ability to market Sprint PCS products and services, achieve projected market penetration and manage subscriber turnover rates. We will have to dedicate a substantial portion of any future cash flows from operations to make interest and principal payments on our consolidated debt, which will reduce funds available for other purposes. If we do not maintain positive cash flows from operations, or if our operating cash flows are insufficient to cover our debt obligations in the future, we may be unable to conduct our business in an effective or competitive manner. As a result, our stock price could fall and our stockholders could lose all or part of their investment.

If we receive less revenues or incur more fees than we anticipate for PCS roaming from Sprint, our results from operations may be negatively affected.

We are paid a fee from Sprint or a PCS Affiliate of Sprint for every minute that Sprint's or that affiliate's subscribers use our portion of the PCS network of Sprint. Similarly, we pay a fee to Sprint or another PCS Affiliate of Sprint for every minute that our subscribers use the PCS network of Sprint outside our territory. Sprint PCS subscribers based in our territory may spend more time in other PCS coverage areas than we anticipate, and wireless customers from outside our territory may spend less time in our territory or may use our services less than we anticipate. As a result, we may receive less Sprint PCS roaming revenue and/or have to pay more in Sprint PCS roaming fees than we collect in Sprint PCS roaming revenue. Our ratio of inbound to outbound roaming with Sprint PCS was approximately 1.1 to 1 for the nine months ended September 30, 2004. We expect this ratio to decline to approximately 1 to 1 over time.

We are a consumer business and a recession in the United States involving significantly lowered consumer spending could negatively affect our results of operations.

Our primary customer base is individual consumers, and in the event that the economic downturn that the United States and other countries have recently experienced becomes more pronounced or lasts longer than currently expected and spending by individual consumers drops significantly, our business may be negatively affected.

Roaming revenue from subscribers or wireless communications providers other than Sprint PCS and PCS Affiliates of Sprint may decline in the future.

We derive a significant amount of roaming revenue from wireless communications providers other than Sprint PCS and PCS Affiliates of Sprint for permitting their subscribers to roam on our portion of the PCS network of Sprint when they are in our territory. For the nine months ended September 30, 2004, approximately 31% of our roaming revenue was attributable to revenue derived from these other wireless communications providers. We do not have agreements directly with these providers. Instead, we rely on roaming arrangements that Sprint has negotiated. If the rates offered by Sprint are not attractive, these other wireless communications providers may decide to build-out their own networks in our territory or enter into roaming arrangements with our competitors who also already have networks in our territory. The loss of all or a significant portion of this roaming revenue would have a material adverse effect on our financial condition and operating results.

Our roaming arrangements may not be competitive with other wireless service providers, which may restrict our ability to attract and retain customers and thus may adversely affect our operations.

We do not have agreements directly with other wireless service providers for roaming coverage outside our territory. Instead, we rely on roaming arrangements that Sprint has negotiated with other wireless service providers for coverage in these areas. Some risks related to these arrangements are as follows:

- the arrangements may not benefit us in the same manner that they benefit Sprint;

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- the quality of the service provided by another provider during a roaming call may not approximate the quality of the service provided by Sprint;
 - the price of a roaming call may not be competitive with prices charged by other wireless companies for roaming calls;
 - customers must end a call in progress and initiate a new call when leaving the PCS network of Sprint and entering another wireless network;
 - Sprint wireless customers may not be able to use advanced PCS features from Sprint, such as PCS Vision, while roaming;
 - Sprint or the carriers providing the service may not be able to provide us with accurate billing information on a timely basis; and
 - if Sprint wireless customers are not able to have a similar wireless experience as when they are on the PCS network of Sprint, we may lose current subscribers and Sprint PCS products and services may be less attractive to potential new customers.

The technology that we use may become obsolete, which would limit our ability to compete effectively within the wireless telecommunications industry.

The wireless telecommunications industry is experiencing significant technological change. We employ CDMA digital technology, the digital wireless communications technology selected by Sprint and certain other carriers for their nationwide networks. Other carriers employ other technologies, such as TDMA, GSM and iDEN, for their nationwide networks. If another technology becomes the preferred industry standard, we would be at a competitive

disadvantage and competitive pressures may require Sprint to change its digital technology, which in turn could require us to make changes to our network at substantial costs. We may be unable to respond to these pressures and implement new technology on a timely basis or at an acceptable cost.

Unauthorized use of, or interference with, our portion of the PCS network of Sprint could disrupt our service and increase our costs.

We may incur costs associated with the unauthorized use of our portion of the PCS network of Sprint, including administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraudulent use of our portion of the PCS network of Sprint may impact interconnection costs, capacity costs, administrative costs, fraud prevention costs and payments to other carriers for fraudulent roaming. In addition, some of our border markets are susceptible to uncertainties related to areas not governed by the FCC. For example, unauthorized microwave radio signals near the border in Mexico could disrupt our service in the United States.

Potential acquisitions may require us to incur substantial additional debt and integrate new technologies, operations and services, which may be costly and time consuming.

We intend to continually evaluate opportunities for the acquisition of businesses that are intended to complement or extend our existing operations. If we acquire additional businesses, we may encounter difficulties that may be costly and time-consuming and slow our growth. For example, we may have to:

- assume and/or incur substantial additional debt to finance the acquisitions and fund the ongoing operations of the acquired companies;
- integrate new operations with our existing operations; or
- divert the attention of our management from other business concerns.

If we lose the right to install our equipment on wireless towers or are unable to renew expiring leases for wireless towers on favorable terms or at all, our business and results of operations could be adversely impacted.

Substantially all of our base stations are installed on leased tower facilities that are shared with one or more other wireless service providers. In addition, a large portion of these leased tower sites

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are owned by a few tower companies. If a master agreement with one of these tower companies were to terminate, or if one of these tower companies were unable to support the use of its tower sites by us, we would have to find new sites or may be required to rebuild the affected portion of our network. In addition, the concentration of our tower leases with a limited number of tower companies could adversely affect our results of operations and financial condition if any of our operating subsidiaries is unable to renew its expiring leases with these tower companies either on favorable terms or at all. If any of the tower leasing companies that we do business with should experience severe financial difficulties, or file for bankruptcy protection, our ability to use our towers could be adversely affected. That, in turn, would adversely affect our revenues and financial condition if a material number of towers were involved.

The loss of the officers and skilled employees upon whom we depend to operate our business could adversely affect our results of operations.

Our business is managed by a small number of executive officers. We believe that our future success will depend in

part on our continued ability to retain these executive officers and to attract and retain other highly qualified technical and management personnel. We may not be successful in retaining key personnel or in attracting and retaining other highly qualified technical and management personnel. The loss of the officers and skilled employees upon whom we depend to operate our business could adversely affect our results of operations.

Risks Related to the Relationship with Sprint

Our ability to conduct our business would be severely restricted if Sprint PCS terminates our affiliation agreements with it.

Our relationship with Sprint is governed by our affiliation agreements with Sprint PCS. Since we do not own any licenses to operate a wireless network, our business depends on the continued effectiveness of these affiliation agreements. However, Sprint PCS may be able to terminate our affiliation agreements with it if we materially breach the terms of the agreements. These terms include operational and network requirements that are extremely technical and detailed and apply to each retail store, cell site and switch site. Many of these operational and network requirements can be changed by Sprint, in certain cases, with little notice. As a result, we may not always be in compliance with all requirements of our affiliation agreements with Sprint PCS. Sprint conducts periodic audits of compliance with various aspects of its program guidelines and identifies issues it believes need to be addressed. There may be substantial costs associated with remedying any non-compliance, and such costs may adversely affect our operating results and cash flows. If Sprint PCS terminates or fails to renew our affiliation agreements or fails to perform its obligations under those agreements, our ability to conduct business would be severely restricted.

If we materially breach our affiliation agreements with Sprint PCS, Sprint PCS may have the right to purchase our operating assets at a discount to market value.

Our affiliation agreements with Sprint PCS require that we provide network coverage to a minimum network coverage area within specified time frames and that we meet and maintain Sprint PCS' technical and customer service requirements. We believe we are in compliance with our network build-out requirements and Sprint PCS' other program requirements. A failure by us to meet any expanded build-out requirements for any one of the individual markets in our territory, or a failure to complete our current network build-out requirements according to our expected time frame, or to meet Sprint PCS' technical or customer service requirements contained in the affiliation agreements would constitute a material breach of the agreements, which could lead to their termination by Sprint PCS. We may amend our affiliation agreements with Sprint PCS in the future to expand our network coverage. Our affiliation agreements with Sprint PCS provide that upon the occurrence of an event of termination caused by our breach of such agreements, Sprint PCS has the right to, among other things, purchase our operating assets without stockholder approval and for a price equal to 72% of our "entire business value."

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Sprint may make decisions that could increase our expenses and/or our capital expenditure requirements, reduce our revenues or make our affiliate relationships with Sprint less advantageous than expected.

Under our affiliation agreements with Sprint PCS, Sprint has a substantial amount of control over factors that significantly affect the conduct of our business. Accordingly, up to newly established limits set forth in the amendments to our affiliation agreements with Sprint PCS executed in 2003, Sprint may make decisions that adversely affect our business, such as the following:

- Sprint prices its national calling plans based on its own objectives and could set price levels or change other characteristics of its plans in a way that may not be economically sufficient for our business; and
- Sprint may alter its network and technical requirements or request that we build-out additional areas within our territory, which could result in increased equipment and build-out costs or in Sprint building out that area itself or assigning it to another PCS Affiliate of Sprint.

Certain provisions of our affiliation agreements with Sprint PCS may diminish our value and restrict the sale of our business.

Under specific circumstances and without stockholder approval, Sprint PCS may purchase our operating assets or capital stock at a discount. In addition, Sprint PCS must consent to any transaction pursuant to which Alamosa Holdings is no longer the "ultimate parent" of any of our operating subsidiaries party to the affiliation agreements with Sprint PCS and must consent to any assignment by us of our affiliation agreements with it. Sprint PCS also has a right of first refusal if we decide to sell our operating assets to a third party. We are also subject to a number of restrictions on the transfer of our business, including a prohibition on the sale of our operating assets to competitors of Sprint. These restrictions and other restrictions contained in our affiliation agreements with Sprint PCS, restrict our ability to sell our business, may reduce the value a buyer would be willing to pay for our business and may reduce our "entire business value."

Problems experienced by Sprint with its internal support systems could lead to customer dissatisfaction or increase our costs.

We rely on Sprint's internal support systems, including customer care, billing and back office support. As Sprint has expanded, its internal support systems have been subject to increased demand and, in some cases, suffered a degradation in service. We cannot assure you that Sprint will be able to successfully add system capacity or that its internal support systems will be adequate. It is likely that problems with Sprint's internal support systems could cause:

- delays or problems in our operations or services;
- delays or difficulty in gaining access to customer and financial information;
- a loss of customers; and
- an increase in the costs of customer care, billing and back office services after the expiration of our contractually fixed rates on December 31, 2006.

Should Sprint fail to deliver timely and accurate information, this may lead to adverse short-term decisions and inaccurate assumptions in our business plan. It could also adversely affect our cash flow because Sprint collects our receivables and sends us a net